



18 February 2025

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
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: **Norberto T. Moreno Jr.**
Head, Listings Department
Issuer Regulation Division

Re: **QUARTERLY REPORT**

Gentlemen:

Attached herewith is the Figaro Coffee Group, Inc. 's ("FCG") or (the "Company") Quarterly Report (SEC Form 17-Q) for the quarter period ending 31 December 2024.

Sincerely Yours,


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

FCG – Quarterly Report (Q2) ending 31 December 2024

C S 2 0 1 8 1 1 1 1 9

SEC Registration Number

FIGARO COFFEE GROUP, INC.

(Company's Full Name)

116 EAST MAIN AVE. PHASE V-SEZ
LAGUNA TECHNO PARK, BINAN, LAGUNA
4034

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

Sigrid Von D. De Jesus

(Contact Person)

0917-8832172

(Company Telephone Number)

06 30

Month Day
(Fiscal Year)

SEC FORM 17-Q

(Form Type)

06 DEC

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 **31 DECEMBER 2024**
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, BIÑAN
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 **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
COMMON SHARES	5,468,455,298

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:

THE 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
31 December 2024 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 Dec 31, 2024 and June 30, 2024

(In Philippine Peso)

	NOTES	December 31, 2024 (Unaudited)	June 30, 2024 (Audited)
A S S E T S			
Current Assets			
Cash	7	580,069,348	374,934,405
Trade and other receivable	9	197,594,640	164,034,685
Inventories	10	488,357,953	430,658,720
Due from related parties	19		120,000,000
Prepayments and other current assets	11	242,953,045	159,419,315
		1,508,974,986	1,249,047,125
Non-current Assets			
Property and equipment - net	12	3,332,302,455	2,527,094,634
Intangible assets - net	13	251,573,454	239,765,356
Right-of-use assets - net	14	317,493,453	291,026,459
Other non-current assets	15	45,935,535	36,212,610
Deferred tax assets	29	9,983,563	3,242,137
		3,957,288,460	3,097,341,196
TOTAL ASSETS		5,466,263,446	4,346,388,321
LIABILITIES AND STOCKHOLDERS' EQUITY			
L I A B I L I T I E S			
Current Liabilities			
Trade and other payables	16	401,754,950	382,600,207
Loans payable	17	525,400,000	550,435,689
Lease liabilities	18	11,429,342	70,997,346
Income tax payable		69,768,120	42,622,411
		1,008,352,412	1,046,655,653
Non-current Liabilities			
Lease liabilities - net of current portion	18	195,612,549	195,574,427
Loans payable		980,000,000	
Retirement benefits obligation	25	14,093,453	13,836,726
		1,189,706,002	209,411,153
TOTAL LIABILITIES		2,198,058,414	1,256,066,806
S T O C K H O L D E R S ' E Q U I T Y			
Capital Stock	20	589,345,528	589,345,528
Additional Paid-in Capital	20	1,403,308,680	1,403,308,680
Retained Earnings		1,269,950,887	1,092,067,370
Remeasurements - net	25	5,599,937	5,599,937
TOTAL STOCKHOLDERS' EQUITY		3,268,205,032	3,090,321,515
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		5,466,263,446	4,346,388,321

(See Notes to Consolidated Financial Statements)

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

For the Period Ended Jul 1 to Dec31, 2024 and 2023

(In Philippine Peso)

	Jul-Dec 2024 Unaudited	Jul-Dec 2023 Unaudited
REVENUES	2,835,730,106	2,767,647,663
DIRECT COSTS	1,588,444,251	1,473,010,266
GROSS PROFIT	1,247,285,854	1,294,637,398
FINANCE INCOME	5,079,190	16,762,500
OPERATING EXPENSES	777,854,071	929,128,696
FINANCE COST	44,714,936	5,022,834
PROFIT (LOSS) BEFORE TAX	429,796,038	377,248,368
INCOME TAXES	104,264,228	94,312,092
PROFIT (LOSS)	325,531,810	282,936,276
OTHER COMPREHENSIVE LOSS		
ITEM THAT WILL NOT BE RECLASSIFIED		
SUBSEQUENTLY TO PROFIT OR LOSS:		
REMEASUREMENT LOSS		
INCOME TAX RELATING TO		
OTHER COMPREHENSIVE LOSS		
TOTAL COMPREHENSIVE INCOME (LOSS)	325,531,810	282,936,276
EARNINGS PER SHARE		
Basic Earnings per Share	0.06	0.05

(See Notes to Consolidated Financial Statements)

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Period Ended Oct 1 to Dec 31, 2024 and 2023

(In Philippine Peso)

	NOTES	Oct-Dec 31, 2024 (UnAudited)	Oct-Dec 31, 2023 (UnAudited)
REVENUES	22	1, 442, 754, 666	1, 450, 315, 737
DIRECT COSTS	23	812, 985, 955	742, 129, 054
GROSS PROFIT		629, 768, 711	708, 186, 682
FINANCE INCOME	8	1, 877, 296	6, 693, 750
OPERATING EXPENSES	24	311, 608, 149	451, 868, 545
FINANCE COST	17, 18	28, 226, 250	3, 348, 556
PROFIT (LOSS) BEFORE TAX		291, 811, 608	259, 663, 332
INCOME TAXES	28	69, 768, 120	64, 915, 833
PROFIT (LOSS)		222, 043, 488	194, 747, 499
OTHER COMPREHENSIVE LOSS			
ITEM THAT WILL NOT BE RECLASSIFIED			
SUBSEQUENTLY TO PROFIT OR LOSS:			
REMEASUREMENT LOSS	25		
INCOME TAX RELATING TO			
OTHER COMPREHENSIVE LOSS	25		
TOTAL COMPREHENSIVE INCOME (LOSS)		222, 043, 488	194, 747, 499
EARNINGS PER SHARE			
Basic Earnings per Share	30	0.05	0.04

(See Notes to Consolidated Financial Statements)

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Periods Ended October 1 to December 31, 2024 and 2023

(In Philippine Peso)

	Notes	Capital Stock	Additional Paid-in Capital	Retained Earnings	Remeasurement	Total
Balance at June 30, 2023	20,25	589,345,528	1,403,308,680	713,439,544	(2,489,402)	2,703,604,350
Profit				88,188,777		88,188,777
Balance at September 30, 2023	20,25	589,345,528	1,403,308,680	801,628,321	(2,489,402)	2,791,793,127
Profit				194,747,499		194,747,499
Dividends				(147,648,293)		(147,648,293)
Balance at December 31, 2023	20,25	589,345,528	1,403,308,680	848,727,527	(2,489,402)	2,838,892,333
Profit				104,522,725		104,522,725
Balance at March 31, 2024	20,25	589,345,528	1,403,308,680	953,250,252	(2,489,402)	2,943,415,058
Profit				240,951,132		240,951,132
PPA				(102,134,013)		(102,134,013)
Remeasurement loss	25				8,089,339	8,089,339
Balance at June 30, 2024	20,25	589,345,528	1,403,308,680	1,092,067,370	5,599,937	3,090,321,515
Profit				103,488,322		103,488,322
Balance at September 30, 2024	20,25	589,345,528	1,403,308,680	1,195,555,692	5,599,937	3,193,809,837
Profit				222,043,488		222,043,488
Dividends declared				(147,648,293)		(147,648,293)
Balance at December 31, 2024	20,25	589,345,528	1,403,308,680	1,269,950,887	5,599,937	3,268,205,032

(See Notes to Consolidated Financial Statements)

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

For the Period Ended December 31, 2024 and 2023

(In Philippine Peso)

	NOTES	December 31, 2024	December 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		429,796,038	377,248,368
Operating cash flows before changes in working capital		429,796,038	377,248,368
Increase in operating assets:			
Short-term investment			
Trade receivables	-	33,559,955 -	81,079,674
Inventories	-	57,699,233 -	105,568,070
Prepayments and other current assets	-	83,533,730 -	42,850,169
Other non-current assets	-	18,647,638 -	86,767,741
Increase/(Decrease) in trade and other payables		19,154,743 -	1,572,781
Cash generated from operations		255,510,225	59,409,933
Income taxes paid	-	69,768,120 -	65,815,803
Net cash from operating activities		185,742,104 -	6,405,870
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances collected from related parties	19	120,000,000	
Additions to Intangible Assets	13	11,808,098 -	375,218,794
Additions to property and equipment	12	805,207,821 -	921,482,171
Short-Term Placements			895,000,000
Net cash used in investing activities	-	697,015,919 -	401,700,965
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend declared and paid	20	147,648,293 -	147,648,293
Finance costs paid	17,18	28,226,250	
Payments of lease liabilities	18	62,681,010	12,209,292
Availment of loans	17	954,964,311	365,000,000
Net cash from financing activities		716,408,758	229,560,999
NET INCREASE (DECREASE) IN CASH		205,134,943 -	178,545,836
CASH AT BEGINNING OF YEAR		374,934,405	463,290,392
CASH AT END OF YEAR		580,069,348	284,744,556

(See Notes to Consolidated Financial Statements)

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 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, 2024 and 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, 2024 and 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 a regular meeting of the Board of Directors (BOD) of the Parent Company dated October 10, 2024, the BOD has approved the proposed amendment of the Parent Company's article of incorporation to change the corporate name from "Figaro Coffee Group, Inc." to "Figaro Culinary Group, Inc.". Stockholders' approval will be sought during the 2024 Annual Stockholders' Meeting scheduled on December 4, 2024.

The Subsidiary

The Parent Company's subsidiary is as follows:

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

The summarized financial information of the subsidiary for the year ended September 30, 2024 and 2023 is as follows:

	2024	2023
Total assets	₱ 4,804,411,425	₱ 3,758,841,237
Total liabilities	1,610,601,587	967,048,109
Net assets	3,193,809,837	2,791,793,128
Revenue	1,392,975,439	1,317,331,927
Direct costs	775,458,296	730,881,211
Operating expense	466,245,922	477,260,151
Finance cost	16,488,686	1,674,278
Profit before tax	137,984,430	117,585,036

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 Sustainability and Reporting Standards Council (FSRSC) 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 FSRSC 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 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.

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules, and disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

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

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 FSRSC 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 2020 Classification of Liabilities as Current or Non-current (Amendments to PAS 1) to annual reporting periods beginning on or after January 1, 2024, with early application permitted.

- Amendments to PAS 7 and PFRS 7, *Supplier Finance Arrangements*

The amendments introduce new disclosure requirements to enhance the transparency and, thus, the usefulness of the information provided by entities about supplier finance arrangements.

The amendments are effective to annual reporting periods beginning on or after January 1, 2024, with early application permitted.

- Amendments to PAS 1, *Non-current Liabilities with Covenants*

The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. Additional disclosures are required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

The amendments are effective to annual reporting periods beginning on or after January 1, 2024, with early application permitted.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments clarify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective to annual reporting periods beginning on or after January 1, 2024, with early application permitted.

- PFRS 17, *Insurance Contracts*

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

PFRS 17 is effective for annual periods beginning on or after January 1, 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 FSRSC 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. MATERIAL 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 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.

4.02 Financial Assets

4.02.01 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.

4.02.02 Classification

➤ Financial Asset at Amortized Cost

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

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

The 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.

4.02.03 Effective Interest Method

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

4.02.04 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.

4.02.05 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 Prepayments and Other Current Assets

4.03.01 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.

4.03.02 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.

4.03.03 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.

4.04 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.

4.04.01 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).

4.04.02 Common Control Business Combinations

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

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

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

1. PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, requires that in the absence of specific guidance in PFRS, management shall use its judgement in developing and applying an accounting policy that is relevant and reliable (PAS 8.10). The most relevant and reliable accounting policies for common control business combination would either be the pooling of interest method and the acquisition method in accordance with PFRS 3.

2. Common control business combinations shall be accounted for using either the pooling of interests method or the acquisition method. However, where the acquisition method of accounting is selected, the transaction must have commercial substance from the perspective of the reporting entity.
3. The accounting policy for common control business combination shall be applied consistently for similar transactions.

4.04.03 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.

4.04.04 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.

4.04.05 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.

4.04.06 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.

4.04.07 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.

4.04.08 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.

4.05 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.

4.06 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.

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.

4.07 Intangible Assets

Intangible assets acquired separately are initially carried at cost. Subsequently, intangible asset with definite useful life is carried at cost less accumulated amortization and accumulated impairment

losses. Amortization of intangible assets are recognized on a straight-line basis over its estimated useful life of two (2) to five (5) years.

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

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

4.08 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.

4.09 Borrowing Costs

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

4.10 Financial Liabilities

4.10.01 Initial Recognition and Measurement

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

At initial recognition, the Group shall measure a financial liability at its fair value minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.10.02 Classification

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

- financial liabilities at fair value through profit or loss;

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

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

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

4.10.03 Derecognition

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

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

4.11 Equity Instruments

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

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

4.12 Customers' Deposits

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

4.13 Employee Benefits

4.13.01 Short-term Benefits

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

4.13.02 Post-employment Benefits

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

The cost of providing benefits is determined using the Projected Unit Credit Method (PUCM) which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement benefits include current service cost and net interest on defined benefit obligation. Remeasurements which include change on demographic and financial assumption and experience adjustment are recognized directly in other comprehensive income and are also presented as remeasurements under 'equity' in the 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 government securities that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

4.14 Provisions

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

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

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

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

4.15 Revenue Recognition

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

4.15.01 Performance Obligations Satisfied at a Point in Time

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

4.15.02 Royalty

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

4.15.03 Finance Income

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

4.15.04 Principal versus Agent Considerations

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

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

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

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

4.16 Expense Recognition

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

The Group recognizes expenses in the 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.

4.17 Leases

4.17.01 The Group as a Lessee

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

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

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

Right-of-Use (ROU) Asset

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

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

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.

4.18 Related Parties and Related Party Transactions

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

4.19 Taxation

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

4.19.01 Current Tax

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

4.19.02 Deferred Tax

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

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

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

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

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

4.19.03 Current and Deferred Taxes for the Period

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

4.19.04 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.

4.20 Earnings per Share

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

4.21 Events after the Reporting Period

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

4.22 Changes in Accounting Policies

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

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

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

5.01 Critical Judgments in Applying Accounting Policies

The following are critical judgments, apart from those involving estimations that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in 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 Oct1 to December 31, 2024 and 2023 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 ₱71,593,854 and ₱86,383,016, in Oct1 to December 31, 2024 and 2023, 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. For Oct1 to Dec 31, 2024 and 2023 revenues recognized amounted to ₱1,442,754,666 and ₱1,450,315,737 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 December 31, 2024 and 2023, the carrying amounts of financial assets measured at amortized cost amounted to ₱823,599,523 and ₱603,905,580 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 2024 and 2023.

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 2024 and 2023.

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 2024, 2023 and 2022, no provision for expected credit loss was recognized on Group's financial assets.

As of December 31, 2024 and 2023, the carrying amounts of financial assets measured at amortized cost amounted to ₱823,599,523 and ₱603,905,580 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 2024 and 2023, Management believes the net realizable value of inventories approximate their costs, thus, no allowance for decline in value was recognized. As of December 31, 2024 and 2023, inventories amounted to ₱488,357,953 and ₱283,958,309 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 December 31, 2024 and 2023 the carrying amounts of the Group's property and equipment are ₱3,332,302,455 and ₱2,134,576,680 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 intangible assets 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 intangible assets are available for use, i.e. when it is in the location and condition necessary for it to be usable in the manner intended by Management. Amortization ceases when the intangible asset is derecognized. The Group uses a straight-line method of amortization since it cannot determine reliably the pattern in which it expects to consume the intangible asset's future economic benefits.

In both years, Management assessed that there are no indications that there has been any change in pattern used by the Group in consuming its intangible assets' future economic benefits. As of December 31, 2024 and 2023, the carrying amounts of the amounted ₱251,573,454 and ₱467,857,633, 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 December 31, 2024 and 2023, the aggregate carrying amounts of the aforementioned assets amounted to ₱4,190,257,942 and ₱2,947,947,056, 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 as of December 31, amounting to ₱9,983,563 and ₱6,435,867, in 2024 and 2023.

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 ₱767,694 and 874,565 in December 31, 2024 and 2023 respectively, as disclosed in Notes 24 and 25. The Group's retirement benefit obligation as of December 31, 2024 and 2023, amounted to ₱14,093,453 and ₱25,098,568, respectively, as disclosed in Note 25.

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 6.00% 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 Oct 1 to December 31 for each major product:

	2024		2023	
Angel's Pizza	P	1,154,942,151	P	1,319,792,266
Figaro Coffee Group		247,839,013		68,656,628
Tien Ma's Taiwanese Cuisine		39,973,502		61,866,843
	P	1,442,754,666	P	1,450,315,737

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 For the periods Oct 1 to December 31, are detailed below:

	2024		2023	
NCR	P	812,164,279	P	679,090,883
Provincial		630,590,387		771,224,854
	P	1,442,754,666	P	1,450,315,737

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 of December 31, as follows:

	2024		2023	
Cash on hand	₱	15,820,342	₱	12,165,459
Cash in banks		564,249,006		272,579,098
	₱	580,069,348	₱	284,744,557

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

Bank accounts maintained are current accounts that do not earn interest.

8. SHORT-TERM INVESTMENT

Short-term investments consist of money market placements made for six (6) months and earn interest of 8%. As of December 31, 2024 and 2023, short-term investments amounted to nil.

9. TRADE AND OTHER RECEIVABLE

The details of the Group's trade and other receivable as of December 31 are shown below:

	2024		2023	
Trade	₱	196,617,592	₱	234,813,678
Accrued interest receivable		977,048		8,359,485
	₱	197,594,640	₱	243,173,163

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:

	2024		2023	
1 to 30 days	₱	103,823,573	₱	102,432,652
31 to 60 days		35,029,764		54,915,628
Over 60 days		57,764,255		77,465,398
	₱	196,617,592	₱	234,813,678

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 2024, 2023 and 2022, no provision for 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 ₱488,357,953 and ₱283,958,309 respectively, as of December 31, 2024 and 2023, as disclosed in Note 23.

The cost of inventories recognized as an expense amounted to ₱507,044,701 and ₱503,489,871 in 2024 and 2023, 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 as of December 31 are shown below:

	2024	2023
Prepaid expenses	₱ 935,353	₱ 589,624
Prepaid rent (Note 17)	22,650,488	49,626,487
Advances to contractors	164,029,535	133,749,215
Advances to suppliers	40,244,245	11,615,315
Advances to officers and employees	15,093,424	1,367,892
	₱ 242,953,045	₱ 196,948,533

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

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

Advances to officers and employees are subject to liquidation.

12. PROPERTY AND EQUIPMENT – net

The carrying amounts of the Group's property and equipment as of December 31, 2024 and 2023, are as follows:

	Office and Store Equipment	Building and Building Improvements	Total
Balance, December 31, 2023	1,611,567,618	523,009,062	2,134,576,680
December 31, 2023			
Cost	1,995,446,516	995,186,423	2,990,632,939
Accumulated depreciation	-383,878,898	-472,177,361	-856,056,259
Carrying Amount	₱ 1,611,567,618	₱ 523,009,062	₱ 2,134,576,680
Movements during the periods			
Balance, Jan 1, 2024	1,611,567,618	523,009,062	2,134,576,680
Additions	201,823,230	187,892,678	389,715,908
Depreciation	-52,649,785	-18,789,268	-71,439,053
Balance, March 31, 2024	1,760,741,063	692,112,472	2,452,853,535
Movements during the periods			
Balance, Apr 1, 2024	1,760,741,063	692,112,472	2,452,853,535
Additions	-598,506,194	740,194,680	141,688,486
Depreciation	33,568,952	-101,016,338	-67,447,387
Balance, June 30, 2024	1,195,803,821	1,331,290,813	2,527,094,634
June 30, 2024			
Cost	1,598,763,552	1,923,273,780	3,522,037,332
Accumulated depreciation	-402,959,731	-591,982,967	-994,942,698
Carrying Amount	₱ 1,195,803,821	₱ 1,331,290,813	₱ 2,527,094,634
Movements during the periods			
Balance, Jul 1, 2024	1,195,803,821	1,331,290,813	2,527,094,634
Additions	225,465,300	337,242,300	562,707,600
Depreciation	-69,657,204	-45,639,400	-115,296,604
Balance, Sept 30, 2024	1,351,611,917	1,622,893,713	2,974,505,630
Sept 30, 2024			
Cost	1,824,228,852	2,260,516,080	4,084,744,932
Accumulated depreciation	-472,616,935	-637,622,367	-1,110,239,302
Carrying Amount	₱ 1,351,611,917	₱ 1,622,893,713	₱ 2,974,505,630
Movements during the periods			
Balance, Oct 1, 2024	1,351,611,917	1,622,893,713	2,974,505,630
Additions	262,643,010	161,447,019	424,090,029
Depreciation	-42,743,934	-23,549,270	-66,293,204
Balance, Dec 31, 2024	1,571,510,993	1,760,791,462	3,332,302,455
Dec 31, 2024			
Cost	2,086,871,862	2,421,963,099	4,508,834,961
Accumulated depreciation	-515,360,869	-661,171,637	-1,176,532,506
Carrying Amount	₱ 1,571,510,993	₱ 1,760,791,462	₱ 3,332,302,455

In October 1 to December 31, 2024, 2023 and 2022, all additions were paid in cash.

Depreciation is allocated as follows:

		2024		2023		2022
Direct cost	P	3,804,252	P	5,080,934	P	6,394,035
Operating expenses		62,488,952		59,942,915		96,961,195
	P	66,293,204	P	65,023,849	P	103,355,230

In 2024, 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 December 31, 2024 and 2023 are as follows:

INTANGIBLES		2024		2023
Balance, July 1				
Cost	P	114,731,928	P	25,896,149
Accumulated amortization	-	22,093,089		-22,093,089
Carrying Amount		92,638,839		3,803,060
Movements during the year				
Balance, July 1		92,638,839		3,803,060
Additions		147,126,517		88,835,779
Amortization				
Balance, June 30	-	239,765,356		92,638,839
	Jun-30			
Cost		261,858,445		114,731,928
Accumulated amortization	-	22,093,089		-22,093,089
Carrying Amount	P	239,765,356	P	92,638,839
Movements during the year				
Balance, July 1		239,765,356		92,638,839
Additions		25,501,115		46,434,973
Amortization	-	25,226,928		
Balance, Sept 30	P	240,039,543		335,974,850
	Sep-30			
Cost		287,359,560		358,067,939
Accumulated amortization	-	47,320,017		-22,093,089
Carrying Amount	P	240,039,543	P	335,974,850
Movements during the year				
Balance, Oct 1		240,039,543		335,974,850
Additions		36,760,839		131,882,783
Amortization	-	25,226,928		
Balance, Dec 31	P	251,573,454		467,857,633
	Dec-31			
Cost		324,120,399		489,950,722
Accumulated amortization	-	72,546,945		-22,093,089
Carrying Amount	P	251,573,454	P	467,857,633

In 2024, 2023 and 2022, all additions were paid in cash.

The remaining useful life of intangible assets two (2) to five (5) years.

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

14. RIGHT-OF-USE ASSETS – net

The carrying amounts of the Group's right-of-use assets as of December 31, 2024 and 2023, are as follows:

	2024	2023
Balance, July 1		
Cost	₱ 39,356,326	₱ 12,228,382
Accumulated depreciation	-22,093,089	-7,428,290
Carrying Amount	17,263,237	4,800,092
Movements during the year		
Balance, July 1	17,263,237	4,800,092
Additions	340,329,577	27,127,944
Depreciation	-66,566,355	-14,664,799
Balance, June 30	291,026,459	17,263,237
Jun-30		
Cost	379,685,903	39,356,326
Accumulated depreciation	-88,659,444	-22,093,089
Carrying Amount	₱ 291,026,459	₱ 17,263,237
Movements during the year		
Balance, July 1 2024	291,026,459	17,263,237
Additions	35,898,647	46,434,973
Depreciation	-32,865,472	-25,668,823
Balance, September 30, 2024	294,059,634	38,029,387
September 30, 2024		
Cost	415,584,550	85,791,299
Accumulated Depreciation	-121,524,916	-47,761,912
Carrying Amount	294,059,634	38,029,387
Movements during the year		
Balance, Oct 1 2024	294,059,634	38,029,387
Additions	62,176,123	34,546,963
Depreciation	-38,742,304	
Balance, December 31, 2024	317,493,453	72,576,350
December 31, 2024		
Cost	477,760,673	120,338,262
Accumulated Depreciation	-160,267,220	-47,761,912
Carrying Amount	317,493,453	72,576,350

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

15. OTHER NON-CURRENT ASSETS

The details of other non-current assets as of December 31, are shown below:

		2024		2023
Refundable deposits	P	2,403,553	P	45,973,654
Construction bond		42,931,982		29,414,206
Others		600,000		600,000
	P	45,935,535	P	75,987,860

16. TRADE AND OTHER PAYABLES

The components of trade and other payables account as of December 31, are as follows:

		2024		2023
Trade	P	357,238,100	P	313,764,006
Customers' deposits		32,953,679		35,208,457
Due to government agencies		7,402,585		7,181,387
Gift certificate payable		530,586		453,213
Accrued expenses		3,630,000		2,000,000
	P	401,754,950	P	358,607,063

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 as of December 31, are as follows:

		2024		2023
Balance, Oct 1	₱	520,191,340	₱	30,000,000
Availment (Short-term)		250,000,000		365,000,000
Payments		(244,791,340)		-
Balance (Short-term), December 31	₱	525,400,000	₱	395,000,000
		2024		2023
Balance, Oct 1	₱	400,000,000	₱	
Availment (Long-term)		580,000,000		-
Payments				-
Balance (Longterm), December 31	₱	980,000,000	₱	

The loans balance is for working capital while the long term loan availed will be used for store expansion of the Group. The loans bear an interest rate of 5.5% to 8% with a term of 180 days to one (1) year.

For the periods Oct 1 to December 31, 2024, 2023 and 2022, finance costs incurred and paid amounted to ₱28,226,250, ₱3,348,556 and ₱305,601 respectively.

The Group is not required to maintain any ratios or thresholds. In 2024 and 2023, 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, as of December 31, 2024. The following are the amounts of lease liabilities:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2024	2023	2024	2023
Not later than one (1) year	₱ 36,098,453	₱ 4,098,354	₱ 11,429,342	₱ 6,848,117
Later than one (1) year but not later than five (5) years	225,637,952	15,620,930	195,612,549	12,659,870
	261,736,405	19,719,284	207,041,891	19,507,987
Discount	-54,694,514	-211,297	-	-
Present value of minimum lease payments	207,041,891	19,507,987	207,041,891	19,507,987
Current portion	11,429,342	6,848,117	11,429,342	6,848,117
Non-current portion	₱ 195,612,549	₱ 12,659,870	₱ 195,612,549	₱ 12,659,870

Movement in lease liabilities are as follows:

	2024	2023
Balance, beginning	₱ 19,507,987	₱ 5,651,342
Additions	327,743,444	15,214,583
Finance cost (Note 27)	17,575,260	157,864
Finance cost paid	-17,575,260	-157,864
Lease payments	-140,209,540	-1,357,938
Balance, ending	₱ 207,041,891	₱ 19,507,987

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 6.00% 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 a related party

19.01.01 Key Management Personnel

Transactions with key management personnel are as follows:

	December 31, 2024		December 31, 2023	
	Amount/ Volume	Outstanding Balances	Amount/ Volume	Outstanding Balances
Stockholders				
Advances	₱ -	₱ -	₱ -	₱ -

Advances pertain cash given to stockholders for their personal use.

In 2024, 2023 and 2022, the Group partially collected its advances granted to related party amounting to nil, ₱167,081,477 and ₱67,872,936, 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 a 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 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 paid-in capital stock of the Group as of December 31, are as follows:

	2024		2023	
Capital stock	₱	589,345,528	₱	589,345,529
Additional paid-in capital		1,403,308,680		1,403,308,680
	₱	1,992,654,208	₱	1,992,654,209

20.01 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.

On June 6, 2023, the Parent Company's Board of Directors and Stockholders approved the increase in authorized capital stock amounting to ₱1,340,000,000 comprising of 11,550,000,000 common shares at ₱0.10 par value per share or equivalent to ₱1,155,000,000 and 9,250,000,000 preferred shares at ₱0.02 par value per share or equivalent to ₱185,000,000. SEC approved the Group's application to increase its authorized capital stock on July 14, 2023.

20.02 Capital Stock

The paid-in capital stock of the Group are as follows:

	2024		2023	
Common shares (Note 20.02.01)	₱	546,845,528	₱	589,345,528
Preferred shares (Note 20.02.02)		42,500,000		-
	₱	589,345,528	₱	589,345,528

20.02.01 Common Shares

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

	2024		2023	
	Shares	Amount	Shares	Amount
Authorized				
₱0.10 par value per share	11,550,000,000	₱ 1,155,000,000	6,600,000,000	₱ 660,000,000
Issued and fully paid				
Balance, beginning	5,893,455,280	589,345,528	4,648,188,200	464,818,820
Additional issuance	-	-	1,245,267,080	124,526,708
Conversion to preferred shares	(425,000,000)	(42,500,000)	-	-
Balance, end	5,468,455,280	₱ 546,845,528	5,893,455,280	₱ 589,345,528

20.02.02 Preferred Shares

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

	2024		2023	
	Shares	Amount	Shares	Amount
Authorized				
₱0.02 par value				
per share	9,250,000,000	₱ 185,000,000	-	₱ -
Subscribed	8,500,000,000	170,000,000	-	-
Subscription				
receivable	(6,375,000,000)	(127,500,000)	-	-
Balance, end	2,125,000,000	₱ 42,500,000	-	₱ -

20.03 Dividend Declaration

On October 12, 2024, Figaro Coffee Group, Inc., the Parent Company declared cash dividend at ₱0.027 per share to stockholders of record as of November 17, 2024. The payment date of the declaration of dividend is December 8, 2024.

At the regular meeting held on October 12, 2024, the Board of Directors of the Figaro Coffee Group, Inc., the Parent Company approved the declaration of cash dividends of ₱0.027 with a total amount of ₱147,648,293 to all stockholders on record as of November 17, 2024. Dividends paid amounted to ₱147,648,293 during the same year.

20.04 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.
- 1,250,000,000 shares with par value of ₱0.10 per share for a total subscription price of ₱228,800,000, or ₱0.18304 price per share. The said subscription resulted to an additional capital stock of ₱125,000,000 and an additional paid-in capital of ₱103,800,000 in the Parent Company; and
- 350,000,000 shares of the Parent Company with par value of ₱0.10 per share for a total subscription price of ₱35,000,000.

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 ₱464,818,820 (excluding the additional paid-in capital of ₱665,068,300 with 4,648,188,200 shares issued).

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

On February 2, 2023, the Company issued 820,268,295 common shares to Monde Nissin Corporation at ₱1 per share.

As of September 30, 2024 and 2023, the outstanding capital of the Group is ₱5,893,455,280 (excluding the additional paid-in capital of ₱1,403,308,680 with 5,893,455,280 shares issued).

As of September 30, 2024 and 2023, the Group is 53.05% owned by Camerton, Inc., 15% owned by Monde Nissin Corporation and 6.86% owned by Carmetheus Holdings, Inc.

20.05 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	₱	4,627,564
Less fair value of net identifiable assets acquired		38,284,325
Gain on bargain purchase	₱	33,656,761

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

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

Cash paid on acquisition	₱	4,627,564
Less cash acquired from subsidiary		281,145,694
	₱	276,518,130

From the acquisition date, FCSI contributed ₱53,539,134 of revenues and ₱9,603,908 net profit to Group. If the business combination had taken place beginning July 1, 2020, contribution to consolidated revenues and net loss for the year ended June 30, 2021 would have been ₱1,354,700,778 and ₱197,365,890, respectively.

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

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

22. REVENUE

The Group's revenue for the period October 1 to December 31, are as follows:

	2024	2023
Angel's Pizza	P 1,154,942,151	P 1,319,792,266
Figaro Coffee Group	247,839,013	68,656,628
Tien Ma's Taiwanese Cuisine	39,973,502	61,866,843
	P 1,442,754,666	P 1,450,315,737

The Group's revenue includes royalty and franchise fees income received from franchisees for the period Oct 1 to December 31, amounted to P58,317,045 and P22,641,9394 in 2024 and 2023, respectively, as disclosed in Note 26.

23. DIRECT COSTS

The following is an analysis of the Group's direct costs for the period October 1 to December 31,:

	2024		2023	
Inventories, Oct 1 (Note 10)	P	431,342,349	P	272,309,485
Purchases		564,060,305		515,138,695
Inventories, Dec 31 (Note 10)		-488,357,953		-283,958,309
Cost of materials used		507,044,701		503,489,871
Direct labor (Note 24)		152,276,448		153,891,084
Overhead		153,664,806		84,748,099
	P	812,985,955	P	742,129,054

Details of the overhead is as follows:

	2024		2023	
Communication, light and water	P	42,100,500	P	21,093,456
Store and kitchen supplies		24,902,430		15,024,525
Depreciation (Notes 12 and 13)		3,804,252		5,080,934
Taxes and licenses		12,009,399		8,101,985
Rentals (Note 27)		38,742,304		12,834,412
Security services		13,902,734		8,329,742
Repairs and maintenance		8,943,250		6,382,703
Professional fees		3,700,394		2,479,990
Wastages and spoilage		3,402,945		3,349,211
Representation and entertainment		1,603,459		1,262,789
Association Dues		553,139		530,432
Others		0		277,921
	P	153,664,806.04	P	84,748,099.02

24. OPERATING EXPENSES

This account for the period October 1 to December 31 is composed of the following expenses:

Oct 1 to Dec 31		2024		2023
Advertisement and promotion	₱	127,253,432	₱	169,002,545
Depreciation (Note 12)		62,488,952		101,297,201
Commission		71,593,854		86,383,016
Short-term employee benefits (Note 25)		2,233,595		1,902,479
Transportation and travel		14,714,386		16,974,883
Communication, light and water		10,452,131		15,177,001
Taxes and licenses		3,651,059		4,715,080
Rentals (Note 27)		3,400,843		4,007,209
Representation and entertainment		3,873,394		5,353,463
Professional fees		2,730,715		3,436,333
Amortization (Note 13)		441,003		501,645
Management fees		5,102,170		16,685,901
Security services		746,023		1,130,308
Retirement benefits (Note 25)		767,694		874,565
Supplies		265,581		118,344
Repairs and maintenance		375,849		497,768
Insurance		467,416		2,412,812
Others		1,050,053		21,397,992
	₱	311,608,149	₱	451,868,545

25. EMPLOYEE BENEFITS

Aggregate employee benefits expense for the periods Oct 1 to December 31, as disclosed in Notes 23 and 24, is comprised of:

		2024		2023
Short-term employee benefits (Note 25.01)	₱	154,510,043	₱	155,793,563
Retirement Benefits (Note 25.02)		767,694		874,565
	₱	155,277,736	₱	156,668,128

25.01 Short-term Employee Benefits

An analysis of the Company's short-term employee benefits for the periods Oct 1 to December 31, as disclosed in Notes 23 and 24 is as follows:

	2024		2023	
Salaries and wages	₱	132,598,540	₱	134,004,525
SSS, PhilHealth and HDMF contributions		2,233,595		1,902,479
Other employee benefits		19,677,908		19,886,559
	₱	154,510,043	₱	155,793,563

Allocation of short-term employee benefits is as follows:

	2024		2023	
Cost of sales (Note 23)	₱	152,276,448	₱	153,891,084
Operating expenses (Note24)		2,233,595		1,902,479
	₱	154,510,043	₱	155,793,563

25.02 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 October 28, 2024 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:

	2024	2023
Discount rate	7.20%	7.22%
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).

	2024	2023
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
December 31, 2024			
Discount rate	+/-1.00%	6.00%	4.00%
Salary increase rate	+/-1.00%	5.00%	5.00%
June 30, 2023			
Discount rate	+/-1.00%	3.60%	4.34%
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:

	2024		2023	
Current service cost	P	620,648	P	689,884
Interest on the retirement benefit obligation		147,046		184,681
	P	767,694	P	874,565

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, 2022	₱ 4,275,425	₱ (858,957)	₱ 3,416,468	₱ (927,066)	₱ 2,489,402
Amount recognized during the year	-	-	-	-	-
Gain (loss) Balance at June 30, 2023	4,275,425	(858,957)	3,416,468	(927,066)	2,489,402
Amount recognized during the year	1,767,589	(12,553,375)	(10,785,786)	2,696,447	(8,089,339)
Gain (loss) Balance at June 30, 2024	₱ 6,042,014	₱ (13,412,332)	₱ (7,369,318)	₱ 1,769,381	(5,599,937)

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

	2024	2023
Balance, July 1	₱ 21,903,845	₱ 19,813,040
Current service cost	1,245,063	1,716,489
Interest expense	1,473,604	1,098,921
Actuarial gain	(10,785,786)	-
	₱ 14,561,331	₱ 21,903,845

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.

	2024	2023
FRANCHISE INCOME	35,491,383	8,860,714
ROYALTY FEE	22,825,662	13,781,224
	58,317,045	22,641,939

27. LEASE AGREEMENT

27.01 The Group as a Lessee

The Group has various 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.

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

Right-of-use assets recognized as of December 31, 2024 and 2023 amounted to ₱317,493,453 and ₱72,576,350 respectively, while lease liabilities amounted to ₱207,041,891 and ₱19,507,987 respectively.

27.01.01 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 December 31, 2024 and 2023, amounted to ₱22,650,488 and ₱49,626,487, respectively, as disclosed in Note 11. Refundable deposits paid by the Group amounted to ₱2,403,553 and ₱345,973,654, as of December 31, 2024 and 2023, 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 for the periods Oct 1 to December 31, are as follows:

		2024		2023
Current tax expense	P	72,952,902	P	94,312,092
Deferred tax benefit		-4,934,041		-588,502
	P	68,018,861	P	93,723,590

29. DEFERRED TAX ASSETS

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

		Retirement benefit obligation		Right-of-use asset and Lease liabilities		Total
Balance, October 1, 2022	₱	5,300,956	₱	197,817	₱	5,498,773
Recognized in profit or loss		175,005		173,587		348,592
Balance, September 30 2023	₱	5,475,961	₱	371,404	₱	5,847,365
Recognized in profit or loss		445,926		(649,590)		(203,664)
Recognized in other comprehensive income		(594,179)		-		(594,179)
Balance, September 30 2024	₱	5,327,708	₱	(278,186)	₱	5,049,522

30. BASIC EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share for the periods October 1 to December 31, are as follows:

		2024		2023
a. Net income (loss) from operations/ attributable to ordinary equity holders of the Group for earnings	₱	222,043,488	₱	194,747,499
b. Weighted average number of ordinary shares for the purposes of earnings per share		5,270,822,345		5,270,822,345
c. Earnings per share (a/b)		0.04		0.04

The weighted average number of ordinary shares for the years 2024, 2023 and 2022 used for the purposes of basic earnings per share were computed as follows:

	Number of Ordinary Shares	Proportion to Period	Weighted Average	Total
December 31, 2024				
Outstanding shares at the end of the period	5,893,456,490	3/3	5,893,456,490	5,893,456,490
<hr/>				
December 31, 2023				
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
<hr/>				
				5,270,822,345

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 December 31, 2024 and 2023 are presented below:

	December 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash	P 580,069,348	P 580,069,348	P 284,744,557	P 284,744,557
Trade receivables	197,594,640	197,594,640	243,173,163	243,173,163
Other non-current assets	45,935,535	45,935,535	75,987,860	75,987,860
	P 823,599,523	P 823,599,523	P 603,905,580	P 603,905,580
Financial Liabilities:				
Trade and other payables	P 401,754,950	P 401,754,950	P 358,607,063	P 358,607,063
Loans payable	1,505,400,000	1,505,400,000	395,000,000	395,000,000
Lease liabilities	207,041,891	207,041,891	19,507,987	19,507,987
	P 2,114,196,841	P 2,114,196,841	P 773,115,050	P 773,115,050

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 as of December 31, are as follows:

	December 31, 2024	December 31, 2023
Financial Assets:		
Cash	P 580,069,348	P 284,744,557
Trade receivables	197,594,640	243,173,163
Other non-current assets	45,935,535	75,987,860
	P 823,599,523	P 603,905,580

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:

December 31, 2024						
	PD rate	LGD rate		EAD		ECL
	a	b		c		d=a*b*c
Cash in banks	0.00%	0.00% to 99.89%	P	564,249,006	P	-
Trade receivables	0.00%	100.00%		197,594,640	-	-
Due from related parties	0.00%	100.00%		-	-	-
Other non-current assets	0.00%	100.00%		45,935,535	-	-
			P	807,779,181	P	-
December 31, 2023						
	PD rate	LGD rate		EAD		ECL
	a	b		c		d=a*b*c
Cash in banks	0.00%	0.00% to 99.89%	P	284,744,557	P	-
Trade receivables	0.00%	100.00%		243,173,163	-	-
Due from related parties	0.00%	100.00%		-	-	-
Other non-current assets	0.00%	100.00%		75,987,860	-	-
			P	603,905,580	P	-

Cash in banks

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

Loss given default rate is calculated by taking into consideration the amount of insured deposit and estimated it to be 0.00% to 98.75% and 0.00% to 99.89% as of December 31, 2024 and 2023, 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 2024 and 2023, 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 5.21% and 6.41% of the total financial assets as of December 31, 2024 and 2023, respectively. 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
December 31, 2024									
Trade payables	-	P	-	P	401,754,950	P	-	P	401,754,950
Due to related parties	-		-		-		-		0
Loans payable	7.50%		-		525,400,000		980,000,000		1,505,400,000
Lease liabilities	2.3% to 3.02%		-		11,429,342		195,612,549		207,041,891
		P	-	P	938,584,292	P	1,175,612,549	P	2,114,196,841
December 31, 2023									
Trade payables	-	P	-	P	358,607,063	P	-	P	358,607,063
Due to related parties	-		-		-		-		0
Loans payable	7.50%		-		395,000,000		-		395,000,000
Lease liabilities	2.3% to 3.02%		-		6,848,117		12,659,870		19,507,987
		P	-	P	760,455,180	P	12,659,870	P	773,115,050

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
December 31, 2024									
Cash on hand	-	P	15,820,342	P	-	P	-	P	15,820,342
Cash in banks	Floating rate		564,249,006		-		-		564,249,006
Trade receivables	-		-		197,594,640		-		197,594,640
Other non-current assets	-		-		-		45,935,535		45,935,535
		P	580,069,348	P	197,594,640	P	45,935,535	P	823,599,523
December 31, 2023									
Cash on hand	-	P	12,165,459	P	-	P	-	P	12,165,459
Cash in banks	Floating rate		272,579,098		-		-		272,579,098
Trade receivables	-		-		243,173,163		-		243,173,163
Other non-current assets	-		-		-		75,987,960		75,987,960
		P	284,744,557	P	243,173,163	P	75,987,960	P	603,905,580

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 as of September 30, is as follows:

	2024		2023	
Debt	₱	2,198,058,414	₱	927,366,618
Cash		580,069,348		284,744,557
Net debt		1,617,989,066		642,622,061
Equity		3,268,205,032		2,838,892,334
Net debt to equity ratio		0.49:1		0.23:1

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

34. EVENTS AFTER REPORTING PERIOD

34.03 Declaration of Cash Dividend

The Board of Directors of Figaro Coffee Group, Inc. ("FCG" or the "Company") approved on October 10, 2024, the declaration of the cash dividend of ₱0.027 per share to all stockholders of record as of November 14, 2024 and payable on December 14, 2024.

35. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 13, 2025.

Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Key Performance Indicators (KPIs)

	Unaudited Twelve Months Ended December 31, 2024	Audited Twelve Months Ended June 30, 2024
Debt to Equity ratio	0.46:1	0.18:1
Net Debt to Equity ratio	0.28:1	0.06:1
Asset to Equity ratio	1.67:1	1.41:1
Return on Equity	20.5%	20.3%
Current Ratio	1.50:1	1.19:1

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

In Million Php	Three Months Ending December 31, 2024	Three Months Ending December 31, 2023	Change%
Systemwide Sales	1,465,243,573	1,471,915,783	-0.05%
Net Revenues	1,442,754,666	1,450,315,737	-0.05%
Cost of Sales	812,985,955	742,129,054	9.05%
Gross Profit	629,768,711	708,186,682	-11.01%
Operating Expense	337,957,103	448,523,350	-24.7%
NIBT	291,811,608	259,663,332	12.4%
Income Tax	69,768,120	64,915,833	7.5%
NIAT	222,043,488	194,747,499	14.0%

Profitability

Systemwide Sales for the first 3 months, from Oct 1 to December 31, 2024, remains flat at P1.46B or 0.05% decline from same periods of last year of P1.47B Systemwide Store Sales. The same store sales declined by 14% brought about by the industrywide declining sales as affected by the global inflation, was cushioned by the 13 new stores that opened during the quarter bring the total number of stores to 216 by the end of 2024. Likewise, FCG consolidated revenues remains flat at P1.44B from P1.45B of same period revenues from last year.

However, gross profit have declined by 5% points primarily because of the lower margin during the period 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 from 49% to 44%. Operating costs however were controlled to 21% of Revenues, 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 after tax improved by 2% points as a result of managing our overhead costs despite the increasing capacities resulting from opening of new stores and expansions which improved from 13% to 15% profit margin after tax.

Financial Conditions and Liquidity

Cash and Cash Equivalents as of December 31, 2024, stood at P580,069,348 54.7% up versus the audited cash balance as of June 30, 2024 of P374,934,405. Cashflow from operations during the period provided a net inflow of P185.7M, as a result of the 15% growth in Net Income for the last 6 months July 1 to December 31, 2024 after tax or P325M increase in profitability from same periods of last year brought about by the improving operating cost to revenue ratio while keeping our margins within the 44% level and opening up of 11 new stores during the period. While the investing activities provided a net outflow of P697M resulting from the increase in CAPEX for PPE for opening 13 new stores in the last 3 months Oct1 to December 31, 2024. Meanwhile, financing activities provided a net cash inflow of P716.4M, from the availment of loans to fund the store expansion.

Current ratio however has improved to from 1.19 times is to 1 to 1.50 times is to 1 as of December 31 versus the June 30, 2024 as no short term loan were made during the period.

Likewise, Debt-to-equity ratio, increased from 0.18 to 0.46 is to 1 as of December 31, 2024 as a result also of new long-term loan funding our store opening during the period. 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 1.50 times as of December 31, 2024 versus 1.19 times as of June 30, 2024.

AR 2024

FCG Q2 2024 December 31

Aging of Receivables December 31, 2024

	0-7 days	8-15 days	16-30 Days	31-60 days	61-90 days	91-120 days	over 120 days	TOTAL
Franchise And ISD Accts	8,169,755	42,198,534	41,873,031	33,087,229	37,715,142	10,924,244	1,092,428	175,060,363
Others	4,603,673	5,029,563	1,949,017	1,942,535	4,029,342	3,019,344	983,755	21,557,229
TOTAL	12,773,428	47,228,097	43,822,048	35,029,764	41,744,484	13,943,588	2,076,183	196,617,592