

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 5 0 3 0 1 4

COMPANY NAMEF R U I T A S H O L D I N G S , I N C . (A S u b s i d i a r y o f
L u s h P r o p e r t i e s , I n c .) A N D S U B S I D I A R I E
S**PRINCIPAL OFFICE** (No./Street/Barangay/City/Town/Province)N o . 6 0 C o r d i l l e r a S t . , B r g y . D o n a J o s e f
a , Q u e z o n C i t y , 1 1 1 3

Form Type

A C F S

Department requiring the report

C R M D

Secondary License Type, if Applicable

N / A

COMPANY INFORMATION

Company's Email Address

-

Company's Telephone Number/s

(02) 243-1741

Mobile Number

-

No. of Stockholders

16

Annual Meeting (Month / Day)

2nd Monday of June

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATIONThe designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Ms. Madelene Timbas-Sayson

Email Address

madelene.sayson@fruitasholdings.com

Telephone Number/s

(02) 243-1741

Mobile Number

-

CONTACT PERSON'S ADDRESS

No. 60 Cordillera St., Brgy. Dona Josefa, Quezon City, 1113

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Fruitas Holdings, Inc. and Subsidiaries
No. 60 Cordillera St., Brgy. Dona Josefa
Quezon City, 1113

Opinion

We have audited the consolidated financial statements of Fruitas Holdings, Inc. (a subsidiary of Lush Properties, Inc.) and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at June 30, 2019 and December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the six months ended June 30, 2019 and 2018, and for the years ended December 31, 2018, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2019 and December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2019 and 2018, and for the years ended December 31, 2018, 2017 and 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

REYES TACANDONG & Co.


WILSON P. TEO
Partner

CPA Certificate No. 92765
Tax Identification No. 191-520-944-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1614-A
Valid until March 1, 2020
BIR Accreditation No. 08-005144-014-2017
Valid until March 8, 2020
PTR No. 7334346
Issued January 3, 2019, Makati City

August 24, 2019
Makati City, Metro Manila

FRUITAS HOLDINGS, INC.
(A Subsidiary of Lush Properties, Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

			December 31	
			2018	
			(As Restated	
			- Note 4)	
	Note	June 30, 2019		2017
ASSETS				
Current Assets				
Cash and cash equivalents		₱204,251	₱260,498	₱294,435
Trade and other receivables	5	72,690	55,638	19,208
Merchandise inventories	6	43,626	52,025	38,966
Due from related parties	14	107,322	40,571	7,082
Deposits and advance rentals	21	88,918	85,559	66,026
Financial assets at fair value through profit or loss (FVPL)	7	—	—	11,236
Other current assets	8	36,962	6,344	5,800
Total Current Assets		553,769	500,635	442,753
Noncurrent Assets				
Property and equipment	9	191,310	182,742	84,460
Intangible assets	10	214,023	214,309	201,335
Right-of-use (ROU) assets	21	108,931	—	—
Deferred tax assets	22	4,481	4,334	611
Deferred input value-added tax (VAT)		2,224	2,379	—
Total Noncurrent Assets		520,969	403,764	286,406
		₱1,074,738	₱904,399	₱729,159
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	11	₱104,260	₱112,682	₱48,400
Current portion of:				
Notes payable	12	343,740	283,689	311,750
Lease liabilities	21	24,224	—	—
Mortgage payable	13	2,789	2,589	1,131
Due to related parties	14	11,906	22,117	7,910
Income tax payable		9,682	30,865	36,044
Dividends payable	16	—	45,500	—
Total Current Liabilities		496,601	497,442	405,235

(Forward)

			December 31	
			2018	
	Note	June 30, 2019	(As Restated - Note 4)	2017
Noncurrent Liabilities				
Noncurrent portion of:				
Notes payable	12	₱65,540	₱27,624	₱—
Lease liabilities	21	87,563	—	—
Mortgage payable	13	2,420	3,372	3,294
Retirement benefits liability	15	2,713	2,230	1,702
Deferred tax liability	22	8,196	—	—
Total Noncurrent Liabilities		166,432	33,226	4,996
Total Liabilities		663,033	530,668	410,231
Equity Attributable to Equity Holders of the Parent Company				
Capital stock	16	160,000	160,000	160,000
Retained earnings		196,558	158,584	103,781
Other equity reserves	4	55,193	55,193	55,193
Other comprehensive loss		(46)	(46)	(46)
Total Equity Attributable to Equity Holders of the Parent Company		411,705	373,731	318,928
Non-controlling Interests				
Total Equity		411,705	373,731	318,928
		₱1,074,738	₱904,399	₱729,159

See accompanying Notes to Consolidated Financial Statements.

FRUITAS HOLDINGS, INC.
(A Subsidiary of Lush Properties, Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except for Earnings per Share)

		Six Months Ended June 30		Years Ended December 31		
				2018 (As Restated - Note 4)		
	Note	2019	2018		2017	2016
REVENUE	17	P941,188	P726,201	P1,579,206	P1,152,567	P500,159
COST OF SALES	18	(392,154)	(328,804)	(693,470)	(458,332)	(189,112)
GROSS PROFIT		549,034	397,397	885,736	694,235	311,047
SELLING AND DISTRIBUTION EXPENSES	19	(390,821)	(277,757)	(607,294)	(369,057)	(170,052)
GENERAL AND ADMINISTRATIVE EXPENSES	20	(69,182)	(57,376)	(131,452)	(79,206)	(25,702)
INTEREST EXPENSE	12	(19,900)	(7,409)	(16,065)	(1,233)	(49)
INTEREST INCOME		241	96	1,195	1,432	985
GAIN FROM BARGAIN PURCHASE	4	—	—	6,437	—	—
OTHER INCOME - Net	7	4,838	375	1,361	1,230	627
INCOME BEFORE INCOME TAX		74,210	55,326	139,918	247,401	116,856
PROVISION FOR (BENEFIT FROM) INCOME TAX	22					
Current		14,187	16,489	43,339	74,872	35,094
Deferred		8,049	(140)	(3,724)	(361)	(169)
		22,236	16,349	39,615	74,511	34,925
NET INCOME		51,974	38,977	100,303	172,890	81,931
OTHER COMPREHENSIVE LOSS						
<i>Item not to be reclassified to profit or loss</i>						
Actuarial loss on retirement benefits liability (net of tax of P20)	15	—	—	—	(46)	—
TOTAL COMPREHENSIVE INCOME		P51,974	P38,977	P100,303	P172,844	P81,931
NET INCOME ATTRIBUTABLE TO:						
Equity holders of the Parent Company		P51,974	P38,977	P100,303	P138,569	P70,568
Non-controlling interests		—	—	—	34,321	11,363
		P51,974	P38,977	P100,303	P172,890	P81,931

		Six Months Ended June 30		Years Ended December 31		
				2018		
				(As Restated		
	Note	2019	2018	- Note 4)	2017	2016
TOTAL COMPREHENSIVE INCOME						
ATTRIBUTABLE TO:						
Equity holders of the Parent Company		₱51,974	₱38,977	₱100,303	₱138,523	₱70,568
Non-controlling interests		—	—	—	34,321	11,363
		₱51,974	₱38,977	₱100,303	₱172,844	₱81,931
Basic and Diluted Earnings Per Share (EPS) Attributable to the Equity Holders of the Parent Company						
	23	₱0.0325	₱0.0244	₱0.0627	₱0.1014	₱0.2349

See accompanying Notes to Consolidated Financial Statements.

FRUITAS HOLDINGS, INC.
(A Subsidiary of Lush Properties, Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

		Six Months Ended June 30		Years Ended December 31		
				2018	2017	2016
				(As Restated - Note 4)		
	Note	2019	2018			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY						
Capital Stock	16					
Issued						
Balance at beginning of period		P160,000	P160,000	P160,000	P115,000	P-
Issuances		-	-	-	45,000	115,000
Balance at end of period		160,000	160,000	160,000	160,000	115,000
Subscribed						
Balance at beginning of period		-	-	-	17,250	125,000
Subscriptions		-	-	-	27,750	7,250
		-	-	-	45,000	132,250
Less subscriptions receivable:						
Balance at beginning of period		-	-	-	-	92,000
Collections		-	-	-	-	(92,000)
Balance at end of period		-	-	-	-	-
		-	-	-	45,000	132,250
Issuances		-	-	-	(45,000)	(115,000)
Balance at end of period		-	-	-	-	17,250
		160,000	160,000	160,000	160,000	132,250
Retained Earnings						
Balance at beginning of period, as previously reported		152,147	103,781	103,781	83,539	12,000
Gain from bargain purchase	4	6,437	-	-	-	-
Balance at beginning of period, as restated		158,584	103,781	103,781	83,539	12,000
Net income		51,974	38,977	100,303	138,569	70,568
Cash dividends	16	(14,000)	-	(45,500)	(118,327)	-
Acquisition of non-controlling interests		-	-	-	-	971
Balance at end of period		196,558	142,758	158,584	103,781	83,539
Other Equity Reserves						
Balance at beginning of period	4	55,193	55,193	55,193	4,220	4,220
Excess value over cost of investments		-	-	-	50,973	-
Balance at end of period		55,193	55,193	55,193	55,193	4,220

(Forward)

		Six Months Ended June 30	Years Ended December 31			
			2018	(As Restated - Note 4)	2017	2016
	Note	2019	2018			
Other Comprehensive Loss						
<i>Not to be reclassified to profit or loss when realized - remeasurement adjustments on net retirement benefits liability, net of deferred tax</i>	15	(P46)	(P46)	(P46)	(P46)	P-
Shares Held By Subsidiaries - At Cost	16					
Balance at beginning of period		-	-	-	(52,000)	(13,000)
Sale of shares		-	-	-	52,000	-
Additions		-	-	-	-	(39,000)
Balance at end of period		-	-	-	-	(52,000)
NON-CONTROLLING INTERESTS						
Balance at beginning of period		-	-	-	24,715	14,323
Acquisition of non-controlling interests	4	-	-	-	(59,036)	(971)
Net income		-	-	-	34,321	11,363
Balance at end of period		-	-	-	-	24,715
		P411,705	P357,905	P373,731	P318,928	P192,724

See accompanying Notes to Consolidated Financial Statements.

FRUITAS HOLDINGS, INC.
(A Subsidiary of Lush Properties, Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Six Months Ended June 30		Years Ended December 31		
				2018 (As Restated - Note 4)	2017	2016
	Note	2019	2018			
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax		₱74,210	₱55,326	₱139,918	₱247,401	₱116,856
Adjustments for:						
Depreciation and amortization	9	47,474	26,159	53,425	15,641	4,727
Interest expense	12	19,900	7,409	16,065	1,233	49
Unrealized foreign exchange loss	7	908	—	—	—	—
Retirement benefits expense	15	483	467	528	1,203	230
Interest income		(241)	(96)	(1,195)	(1,432)	(985)
Gain from bargain purchase	4	—	—	(6,437)	—	—
Unrealized gain on changes in FVPL	7	—	—	—	(157)	(81)
Provision for doubtful accounts	5	—	—	—	—	333
Operating income before working capital changes		142,734	89,265	202,304	263,889	121,129
Decrease (increase) in:						
Trade and other receivables		(17,052)	(39,743)	(36,430)	(12,350)	(7,191)
Merchandise inventories		8,399	10,263	(13,059)	(32,880)	494
Deposits and advance rentals		(3,359)	12,957	(19,533)	(31,030)	(12,920)
Deferred input VAT		155	—	(2,379)	—	—
Financial assets carried at FVPL		—	—	11,236	—	(11,000)
Other current assets		(31,966)	(23,383)	(4,440)	(5,796)	—
Increase (decrease) in trade and other payables		(8,422)	15,577	64,282	21,460	(25,483)
Net cash generated from operations		90,489	64,936	201,981	203,293	65,029
Income tax paid		(34,022)	(39,604)	(48,517)	(64,758)	(11,772)
Interest paid		(19,900)	(7,409)	(16,065)	(1,233)	(49)
Interest received		241	96	1,195	1,432	985
Net cash flows from operating activities		36,808	18,019	138,594	138,734	54,193
CASH FLOWS FROM INVESTING ACTIVITIES						
Advances to related parties	14	(316,836)	(79,577)	(40,571)	(7,452)	(45,696)
Collections of due from related parties	14	250,085	—	7,082	46,065	—
Acquisitions of:						
Property and equipment	9	(43,165)	(63,386)	(146,439)	(87,076)	(6,448)
Intangible assets	10	—	—	(7,909)	(201,442)	—
Net cash flows from investing activities		(109,916)	(142,963)	(187,837)	(249,905)	(52,144)

(Forward)

		Six Months Ended June 30		Years Ended December 31		
				2018	2017	2016
				(As Restated -		
	Note	2019	2018	Note 4)		
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from:						
Issuance of promissory notes	12	P198,916	P-	P246,700	P311,750	P-
Availment of mortgage loan	13	500	2,623	3,988	4,804	872
Stock subscription	16	-	-	-	27,750	7,250
Payments of:						
Notes payable	12	(100,949)	(3,750)	(247,137)	-	-
Cash dividends		(59,500)	-	-	(118,327)	-
Due to related parties	14	(42,332)	-	(1,256)	(1,582)	(31,213)
Lease liabilities	21	(9,735)	-	-	-	-
Mortgage payable	13	(1,252)	(1,344)	(2,452)	(1,002)	(249)
Advances from related parties	14	32,121	18,351	15,463	3,109	-
Acquisitions of:						
Non-controlling interests		-	-	-	(8,063)	-
Shares held by subsidiaries	16	-	-	-	-	(39,000)
Proceeds from sale of shares held by subsidiaries	16	-	-	-	52,000	-
Collections of subscriptions receivable	16	-	-	-	1	92,000
Net cash flows from financing activities		17,769	15,880	15,306	270,440	29,660
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS						
		(908)	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(56,247)	(109,064)	(33,937)	159,269	31,709
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		260,498	294,435	294,435	135,166	103,457
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P204,251	P185,371	P260,498	P294,435	P135,166
SUPPLEMENTARY INFORMATION ON NONCASH ACTIVITIES						
Recognition of lease liabilities	21	P111,787	P-	P-	P-	P-
Recognition of ROU assets	21	108,931	-	-	-	-
Reclassification of advances to suppliers to property and equipment	8	-	-	3,896	-	-
		P220,718	P-	P3,896	P-	P-
COMPONENTS OF CASH AND CASH EQUIVALENTS						
Cash on hand		P3,610	P2,818	P1,461	P380	P175
Cash in banks		200,641	94,411	225,070	225,663	103,669
Cash equivalents		-	88,142	33,967	68,392	31,322
		P204,251	P185,371	P260,498	P294,435	P135,166

See accompanying Notes to Consolidated Financial Statements.

FRUITAS HOLDINGS, INC.
(A Subsidiary of Lush Properties, Inc.)
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands)

1. Corporate Information

Fruitas Holdings, Inc. (herein referred to as FHI or the "Parent Company") and its subsidiaries, collectively referred to as the "Group", were incorporated in the Philippines (except GEIL and OLL) and registered with the Securities and Exchange Commission (SEC) on the following dates:

Name of Companies	Date of Incorporation
Parent Company	February 18, 2015
Subsidiaries with direct ownership:	
Negril Trading, Inc. (<i>doing business under the name and style of De Original Jamaican Pattie Shop & Juice Bar</i>) (NTI)	June 20, 1990
Buko ni Fruitas Inc. (BNFI)	May 17, 2005
Fruitasgroup Incorporated (<i>doing business under the name and style of Bukoloco, Fruitasicecandy and 7,107 Halo Halo Islands</i>) (FGI)	July 13, 2010
Subsidiaries with indirect ownership:	
Green Empire International Limited (GEIL)*	May 10, 2017
Oceanic Luck Limited (OLL)**	April 25, 2016
*ownership through FGI	
**ownership through GEIL	

The Parent Company is engaged in investment activities.

The principal activities and percentage of ownership of the Parent Company's subsidiaries are presented below.

Subsidiaries	Principal Activities	Principal Place of Business	Percentage of Ownership
Direct:			
NTI	Production, processing and distribution of goods	Quezon City	100%
BNFI	Trading of goods	Quezon City	100%
FGI	Trading of goods	Quezon City	100%
Indirect:			
GEIL	Holding company	British Virgin Islands	100%
OLL	Holding company	Samoa Islands	100%

Amendments to the Articles of Incorporation (AOI)

In February 2018, the SEC approved the following amendments to the AOI:

- of the seven (7) directors, at least three (3) should be independent; and
- that the authorized capital stock of FHI amounting to ₱500.0 million shall be divided into (a) 3.0 billion preferred shares at one centavo (₱0.01) par value a share; and (b) 4.7 billion common shares at ten centavos (₱0.10) par value a share (see Note 16).

In November 2017, the Parent Company received cash subscriptions aggregating ₱15.0 million from individual and corporate stockholders.

In October 2017, the SEC approved the following amendments to the Parent Company's AOI, among others:

- change in the Parent Company's name from "The Lush Company, Inc." to "Fruitas Holdings, Inc.";
- 1:10 stock split resulting to a decrease in par value from ₱1.00 to ₱0.10 a share and increasing the authorized capital stock from 500.0 million to 5.0 billion shares (see Note 16).

Changes in Ownership Structure

In February 2017, Lush Properties, Inc. (LPI), a domestic company engaged in the leasing/real estate activities, subscribed to additional 12.7 million common shares of FHI at ₱1.00 par value a share equivalent to ₱12.7 million. Further, LPI acquired for ₱87.1 million the existing shares held by individual and corporate stockholders and shares held by subsidiaries. The transaction increased LPI's ownership interest in FHI to 87% and accordingly, made LPI the parent company of FHI.

NTI. In July 2018, NTI acquired the assets and the brand name *Sabroso Lechon* from Sabroso Lechon Inc. (SLI). The acquisition was completed following the fulfillment of the closing conditions of the Contract to Sell and the Deed of Assignment of the registered trademark and the payment of the related consideration amounting to ₱28.3 million (see Note 4).

In October 2017, FHI acquired 2,152 shares of NTI from the remaining individual stockholders for ₱470 to increase FHI's ownership interest to 100% (see Note 4). On the same date, FHI also subscribed to additional 436,625 shares of NTI at ₱255 per share or equivalent to ₱111.3 million.

BNFI. In October 2017, FHI acquired 13,494 shares of BNFI from the remaining individual stockholders for ₱4.0 million to increase FHI's ownership interest to 100% (see Note 4). On the same date, FHI also subscribed to additional 331,500 shares of BNFI at ₱355 per share or equivalent to ₱117.7 million.

FGI. In October 2017, FHI acquired 124,992 shares of FGI from the remaining individual stockholders for ₱12.7 million to increase FHI's equity interest in FGI to 100% (see Note 4). Subsequently, FHI also subscribed to additional 400,000 shares of FGI at par and paid ₱82.0 million.

In August 2017, FGI subscribed to 1 share of GEIL for US\$1. In December 2017, FGI subscribed to additional 40,000 shares for US\$4.0 million (equivalent to ₱200.2 million) at US\$100 per share equivalent to 100% equity interest. GEIL then acquired 100% of OLL. OLL holds the intellectual property rights to certain brands including *Fruitas*, *The Mango Farm*, *Shou*, *Black Pearl*, *Friends Fries* and *Juice Avenue*. GEIL was incorporated and domiciled in the British Virgin Islands. OLL was incorporated and domiciled in the Samoan Islands.

In February 2017, the Board of Directors (BOD) of FGI and BNFI approved certain reorganization activities wherein FGI and BNFI obtained the rights to the lease of various outlets previously owned by related and third parties. The primary purpose of the reorganization activities is to integrate the operating activities of Fruitas brands to the Group, which will result in the economies of scale and efficiency of operations and more productive use of the properties of the Group. The obligations for rental deposits on leases were transferred to the Group through an assignment of lease agreements.

The above amendments and equity transactions are pursuant to the planned listing with the Philippine Stock Exchange (PSE) and the public offering of the shares of the Group. The stockholders and BOD subsequently approved the planned application for the listing of the Parent Company's shares of stock in the PSE on August 24, 2019. As at August 24, 2019, the Group is in the process of completing the required documentation with the SEC and the PSE.

The consolidated financial statements of the Group as at June 30, 2019 and December 31, 2018, and 2017, and for the six months ended June 30, 2019 and 2018 and the years ended December 31, 2018, 2017 and 2016 were approved and authorized for issuance by the BOD on August 24, 2019.

2. Summary of Significant Accounting and Reporting Policies

The significant accounting policies used in the presentation of the consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRSs, Philippine Accounting Standards (PASs) and Philippine interpretations from International Financial Reporting Interpretations Committee.

The consolidated financial statements were also prepared in compliance with Securities and Regulations Code Rule 68, as amended, for statutory filing and in relation to the Group's planned application for listing its common shares with the PSE.

Bases of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis; except for financial assets at FVPL, and are presented in Philippine Peso (Peso), the Group's functional currency. All amounts are rounded to the nearest thousands unless otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability.

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

The Group uses observable market data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 26 to the consolidated financial statements.

Adoption of New PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standard which the Group adopted effective January 1, 2019 -

- **PFRS 16, *Leases***

PFRS 16 replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term [i.e., ROU asset]. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the ROU asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the ROU asset.

Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

The Group generally leases spaces for the retail establishments for a term ranging from six months to 24 months from various entities. These are renewable upon mutual agreement of the parties and do not contain any purchase options. These retail establishments include kiosks, carts and inline food stalls. The Group has assessed that at commencement date, it is not reasonably certain to exercise the extension option on the lease of the kiosks and carts because these are movable improvements and can be relocated any time without undue costs, and the renewal option will be exercised after a complete evaluation of the financial performance of an outlet or a store. Accordingly, the Group decided to apply the recognition exemption on short-term leases and the related lease expenses are recognized in the profit or loss on a straight-line basis.

For the Group's outlets with permanent and significant improvement and other non-cancellable operating lease commitments, the Group recognized ROU assets and lease liabilities. These liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. The incremental borrowing rate applied to the lease liabilities ranges from 10.87% to 11.00%, depending on the lease term. ROU assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The Group has adopted PFRS 16 using the modified retrospective method, which requires that the cumulative effect of applying the new standard is recognized at the beginning of the year of initial application. Accordingly, the comparative information presented for 2018 and 2017 have not been restated.

The following table summarizes the ROU assets and lease liabilities recognized as at January 1, 2019:

Outlets spaces	₱46,459
Land and building	66,968
Total ROU assets	₱113,427
Current portion of lease liabilities	₱46,459
Noncurrent portion of lease liabilities	66,968
Total lease liabilities	₱113,427

New and Amended PFRSs Issued But Not Yet Effective

Relevant new and amended PFRSs, which are not yet effective as at June 30, 2019 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*

The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRSs is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements as necessary.

Basis of Consolidation

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

Subsidiaries

A subsidiary is an entity that is controlled by the Parent Company. A subsidiary is consolidated from the date when control is transferred to the Parent Company directly or through a holding company. Control is achieved when the Parent Company is exposed or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. A subsidiary is deconsolidated from the date when control ceases.

The separate financial statements of the subsidiaries are prepared for the same reporting year as that of the Parent Company using uniform accounting policies. Significant intercompany transactions and balances, including intercompany profits, dividends and unrealized profits and losses, are eliminated in full.

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

If the Parent Company loses control over a subsidiary, the Group: (a) derecognizes the assets and liabilities of the subsidiary; (b) derecognizes the carrying amounts of any non-controlling interest; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the Parent Company's share of components previously recognized in other comprehensive income in relation to that subsidiary on same basis as would be required if the Parent Company had directly disposed of the related assets and liabilities.

Non-controlling Interests

Non-controlling interests represent the equity interest of the subsidiaries not owned, directly or indirectly, by the Parent Company. The non-controlling interests share in the losses of a subsidiary even if that results in a deficit balance. Non-controlling interests represent the interests of minority shareholders of FGI, BNFI and NTI in 2016.

Business Combination

Business combination is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date, including the separation of embedded derivatives in host contracts by the acquiree, if any.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in the consolidated statement of comprehensive income or as a change to other comprehensive income. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with appropriate PFRS. Contingent consideration that is classified as equity is not remeasured until it is finally settled and accounted for within equity.

If necessary information, such as the fair value of assets and liabilities acquired, is not available by the end of the reporting period in which the business combination occurs, provisional amounts are used for a period not exceeding one year from the date of acquisition or the measurement period. During this period, provisional amounts recognized for a business combination may be retrospectively adjusted if relevant information has been obtained or becomes available.

The Group also considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business if it acquires an integrated set of business processes in addition to the group of assets acquired.

A gain from bargain purchase is generated when the fair value of the net assets acquired by the Group exceeds the acquisition price, and is recognized in the consolidated statement of comprehensive income in the year of acquisition.

Business combination arising from transfers of interest involving entities under common control is accounted for using book values. Any difference between the purchase price and the net assets of acquired entity is presented separately within equity on consolidation. Any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities. The acquiree's assets and liabilities are recognized at book values and results of operations are included in the consolidated financial statements as if the acquisition has occurred at the beginning of the latest comparative period.

Financial Assets and Liabilities

Recognition and Measurement

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification

Classification of Financial Instruments. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

As at June 30, 2019 and December 31, 2018 and 2017, the Group has no financial instruments classified as financial assets at FVOCI and financial liabilities at FVPL.

Classification of Financial Instruments between Liability and Equity. A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial Assets at Amortized Cost. Financial assets 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.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at June 30, 2019 and December 31, 2018 and 2017, the Group's cash and cash equivalents, trade and other receivables, due from related parties and construction bond are classified under this category (see Notes 5, 8 and 14).

Financial Assets at FVPL. Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship.

As at December 31, 2017, the Group's investments in Unit Investment Trust Funds (UITF) are classified under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at June 30, 2019 and December 31, 2018 and 2017, the Group's trade and other payables (except statutory payable), notes payable, lease liabilities, mortgage payable, amounts due to related parties and dividends payable are classified under this category (see Notes 11, 12, 13, 14, 16 and 21).

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed of. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets at Amortized Cost

The Group records an allowance for ECL based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

Trade and Other Receivables. For trade and other receivables, the Group has applied the simplified approach in measuring ECL.

Simplified approach requires that ECL should always be based on the lifetime ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Other Financial Assets at Amortized Cost. For these debt instruments the Group has applied the general approach in measuring ECL.

Under the general approach, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the consolidated statement of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Merchandise Inventories

Merchandise inventories are carried at the lower of cost and net realizable value (NRV). The NRV of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale. Cost is determined using first-in, first-out method.

At each reporting date, merchandise inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its NRV. Impairment loss is recognized immediately in profit or loss.

When merchandise inventories are sold, the carrying amount of those merchandise inventories is recognized to profit or loss in the year when the related revenue is recognized.

Deposits and Advance Rentals

Deposits and advance rentals represent payments for security, utilities and other deposits made in relation to the lease agreements entered into by the Group. These are carried at face amounts and will generally be applied as lease payments toward the end of the lease terms.

Other Current Assets

Other current assets mainly pertain to prepayments, advances to suppliers, advances to officers and employees and creditable withholding taxes (CWTs), which are stated at cost, less allowance for any impairment in value.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and included in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

Advances to Suppliers. Advances to suppliers are recognized whenever the Group pays in advance for its purchase of goods and supplies. The advances to suppliers are measured at transaction price less impairment in value, if any.

Advances to Officers and Employees. Advances to officers and employees pertain to advances made by the Group to employees to fund for working capital expenditures. These are subject to liquidation and are measured at transaction price less impairment in value, if any.

CWTs. CWTs are deducted from income tax payable in the same year the revenue was recognized and are carried forward to the succeeding year when in excess of income tax payable. CWTs are stated at face amount less impairment in value, if any.

VAT

VAT. Revenue, expenses and assets are generally recognized net of the amount of VAT. The net amount of VAT recoverable from or payable to the taxation authority is presented as "Input VAT" under "Other current assets" account or "Output VAT" under "Trade and other payables" account in the consolidated statements of financial position.

Deferred input VAT. In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million is claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT on capital goods is classified as current asset if it is expected to be claimed against output VAT no more than 12 months after the reporting date. Otherwise, it is classified as noncurrent asset.

The Relief-from-Royalty method was used in the valuation of the brands. Under this method, the value of an intangible asset is determined by reference to the value of the hypothetical royalty payments that would be saved through owning the asset, as compared with licensing the intangible asset from a third party. The hypothetical royalty payments over the life of the intangible asset are adjusted for tax and discounted to present value at the valuation date. Conceptually, the method may also be viewed as a discounted cash flow method applied the cash flow that the owner of the intangible asset could receive through licensing the intangible asset to third parties.

Software License. Software license is measured initially at cost, which is the amount of the purchase consideration. Following initial recognition, software license is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's software license has a term of five years and is amortized over such period using the straight-line method. The useful life and amortization method for software license are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the software is accounted for by changing the useful life and amortization method, as appropriate, and treated as a change in accounting estimates. The amortization expense on software is recognized in the profit or loss.

Gains or losses arising from the disposal of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. When the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an orderly transaction between market participants less the cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charges are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Operating Segments

The Group operates using different brand names on which operating results are regularly monitored by the chief operating decision-maker (CODM) for the purpose of making decisions regarding resource allocation and performance assessment. The CODM has been identified as the Chief Executive Officer of the Group. However, as permitted by PFRS 8, *Operating Segments*, the Group has aggregated these segments into a single operating segment to which it derives its revenues and incurs expenses as these segments have the same economic characteristics and are similar in the following respects:

- the nature of products and services;
- the nature of production processes;
- the type or class of customer for the products and services; and
- the methods used to distribute their products and services.

Equity

Common Stock. Common stock represents the par value of issued common shares. Unpaid subscriptions are recognized as a reduction from subscribed capital shares.

Preferred Stock. Preferred shares are voting, cumulative, nonparticipating and nonconvertible and nonredeemable.

Retained Earnings. Retained earnings represent the cumulative balance of net income, net of any dividend declaration.

Other Equity Reserves. Other equity reserves consist of the difference between the equity of the subsidiaries attributable to the Parent Company's interest and the purchase price.

Other Comprehensive Loss. This pertains to the accumulated remeasurement gain or loss on the Group's retirement benefits liability arising from experience adjustments and changes in financial assumptions. Remeasurements of retirement benefits liability, and the corresponding deferred tax component, are recognized immediately in other comprehensive loss and are included in equity. These are not reclassified to profit or loss in subsequent periods.

Shares Held by Subsidiaries. Shares of the Parent Company held by subsidiaries are treated as treasury shares. These are recognized at cost and deducted from equity. No gain or loss is recognized in the Parent Company's consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital account is reduced by its par value and the excess of cost over par value upon retirement is debited to Additional Paid-in Capital (APIC), to the extent of the specific or average APIC when the shares were issued, and to retained earnings for the remaining balance. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them.

EPS Attributable to the Equity Holders of the Parent Company

Basic EPS is calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is computed by adjusting the weighted average number of common shares outstanding to assume conversion of all the dilutive potential common shares into common shares.

The Parent Company has no dilutive potential common shares.

Income Recognition

Revenue

The Group generates revenue primarily from sale of goods.

Revenue from Contracts with Customers. Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Net Sales. Revenue is recognized, net of sales discounts, at a point in time when the control over the goods has transferred to the customers, which is normally upon delivery to and acceptance of the goods by the buyer.

Franchise Fees. Revenue from franchisees includes continuing royalty and initial franchise fees. Royalty fees are recognized in the period earned. Initial franchise fees are recognized upon opening of a store when the Group has performed substantially all of the performance obligations required under the franchise agreement.

Rental Income. Rental income is recognized on a straight-line basis over the lease term.

Other Income

Interest Income. Interest income is recognized as it accrues, net of final tax, using the effective interest method.

Other Income. Income from other sources is recognized when earned during the period.

Contract Balances

Receivables. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays a consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

As at June 30, 2019 and December 31, 2018 and 2017, the Group does not have outstanding contract assets.

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays a consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made by the customer or when the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. Contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced and payments in excess of revenue recognized based on percentage of completion.

As at June 30, 2019 and December 31, 2018 and 2017, the Group does not have outstanding contract liabilities.

Cost to Obtain a Contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. Otherwise, these are treated as expense. The Group has determined that commissions paid on the sale of its goods are recognized as part of "Direct labor" under "Cost of sales" in the consolidated statement of comprehensive income.

Contract Fulfillment Asset. Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group first considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of these criteria requires the application of judgment, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

As at June 30, 2019 and December 31, 2018 and 2017, the Group does not have contract fulfillment assets.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Cost of Sales. Cost of sales includes expenses directly related to the production and sale of food products. Cost of sales is recognized at the time the related merchandise inventories are sold to consumers.

Selling and Distribution Expenses. Selling and distribution expenses constitute costs of selling and distribution of the goods to customers that are not qualified as cost of sales. These are expensed as incurred.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business. These are expensed as incurred.

Interest Expense. Interest expense includes interest expense and other finance costs. These are expensed as incurred. Interest expense is recognized in profit or loss using the effective interest method.

Retirement Benefits

The Group has an unfunded, noncontributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes current service costs and interest expense on the retirement benefits liability in profit or loss.

The Group determines the interest expense on retirement benefits liability by applying the discount rate to the retirement benefits liability at the beginning of the year, taking into account any changes in the liability during the period as a result of benefit payments.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding interest cost on defined benefits liability) are recognized immediately in consolidated OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement benefits liability recognized by the Group is the present value of the defined benefits obligation. This is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement benefits liability.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases

a. Accounting policies prior to January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- i. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- ii. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- iii. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- iv. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (i), (ii) or (iv) and at the date of renewal or extension period for scenario (ii).

The Group as a Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

b. Accounting policies beginning January 1, 2019

The Group assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

- i. the right to obtain substantially all of the economic benefits from the use of the identified asset; and
- ii. the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

The Group as a Lessee. At the commencement date, the Group recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

ROU Assets. At commencement date, the Group measures ROU assets at cost. The cost comprises:

- i. the amount of the initial measurement of lease liabilities;
- ii. any lease payments made at or before the commencement date less any lease incentives received;
- iii. any initial direct costs; and
- iv. an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

The ROU assets are recognized at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets ranging from three to five years.

Lease Liabilities. At commencement date, the Group measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability comprise the following:

- i. fixed payments, including in-substance fixed payments;
- ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii. amounts expected to be payable by the lessee under residual value guarantees; and
- iv. the exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

The Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Foreign Currency Translation

The functional currency of the entities of the Group is Peso except for GEIL and OLL, with functional currency in the United States (US) dollar (\$). Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the prevailing exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange at the reporting date. All differences are taken to the consolidated statement of comprehensive income. For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

The assets and liabilities of GEIL and OLL are translated into Peso at the rate of exchange ruling at the reporting date and income and expenses are translated to Peso at monthly average exchange rates. The exchange differences arising on the translation are taken directly to OCI. There are no exchange differences recognized as at June 30, 2019 and December 31, 2018 and 2017.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), if any, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of NOLCO and MCIT can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to items directly recognized in OCI.

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Group plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Related Party Relationships and Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties, regardless of whether a price is charged.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefit is probable.

Events after the Reporting Date

Events after the reporting date that provide additional information about the Group's consolidated financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the Group's consolidated financial statements requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements. The judgments and estimates used in the consolidated financial statements are based on management's evaluation of relevant facts and circumstances as at the reporting date.

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 estimated amounts. Actual results could differ from such estimates.

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

The following are the significant judgments and estimates made by the Group:

Determining Functional Currency. The functional currency of the companies in the Group has been determined to be Peso except for certain subsidiaries whose functional currency is the US dollar. Peso is the currency that mainly influences the sale of goods and the costs of sales.

Assessing Group Reorganization. Group reorganization involving entities under common control is outside the scope of PFRS 3 and there is no other specific PFRSs guidance. Accordingly, management used its judgment to develop an accounting policy that is relevant and reliable, in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

The management assessed that the substance of the group reorganization does not constitute "purchase" of companies but pooling or merging of the assets and liabilities of the Group. Hence, the most relevant and reliable accounting policy adopted by the Group is the pooling of interests method of accounting.

The Group elected a policy to restate the financial information in the consolidated financial statements for periods prior to the reorganization of the entities under common control to reflect the reorganization as if it had occurred from the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of the reorganization. The acquisition by the Parent Company of the subsidiaries was considered as a group reorganization of entities under common control (see Note 4).

Accounting for Business Acquisition. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting, which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date. The Group's acquisitions have resulted in the recognition of intangible assets with indefinite lives (see Note 4).

Classifying Operating Segments. The Group is organized into operating segments based on brand names but the Group has aggregated the brand names into a single operating segment as allowed under PFRS 8 due to their similar characteristics. This is evidenced by a consistent range of gross margin across all brand outlets as well as uniformity in sales increase and trending for all outlets, regardless of the brand name. Moreover, all brands have the following business characteristics:

- (a) Similar nature of products/services offered and methods to distribute products and provide services;
- (b) Similar class of target customers; and
- (c) Primary place of operations is in the Philippines.

Identifying Performance Obligations and Timing of Satisfaction of Revenues. The Group enters into contracts with its customers to sell goods where revenue from company-owned outlets and sale of goods are recognized. The Group determined that all the goods prior to transfer to its respective customers are in its full ownership. The Group concluded that it transfers control over its goods and services, at a point in time, upon receipt of the goods and services by the customer.

For revenue from franchise fee, the performance obligation under the franchise agreement is the delivery of materials and store equipment necessary to operate the franchise store, as this is deemed to be the time that the franchisee obtains control of the promised goods and therefore the benefits of unimpeded access.

Assessing ECL of Trade and Other Receivables. The Group estimates ECL using a provision matrix. Depending on the diversity of its debtor's base, the Group uses its historical credit loss experience adjusted for forward-looking factors, as appropriate. The information about the ECL assessment on the Group's trade and other receivables is disclosed in Note 25 to the consolidated financial statements.

The carrying amounts of the Group's trade and other receivables amounted to ₱72.7 million, ₱55.6 million and ₱19.2 million as at June 30, 2019 and December 31, 2018 and 2017, respectively (see Note 5).

Assessing ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized for the six months ended June 30, 2019 and 2018, and the years ended December 31, 2018, 2017 and 2016. The carrying amounts of other financial assets at amortized cost are as follows:

Asset Type	Note	June 30, 2019	December 31	
			2018	2017
Cash and cash equivalents		₱204,251	₱260,498	₱294,435
Due from related parties	14	107,322	40,571	7,082

Classifying Lease Commitments - Group as a Lessor. Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The Group entered into a sublease agreement of food park spaces. The Group determined, based on the evaluation of terms and conditions of agreement, that the lessor retains all the significant risks and rewards of ownership of the food park spaces. Thus, the agreement is accounted for as an operating lease.

Rental income amounted to ₱4.1 million, ₱4.8 million, ₱9.4 million, ₱2.2 million and nil for the six months ended June 30, 2019 and 2018, and the years ended December 31, 2018, 2017 and 2016, respectively (see Note 21).

Classifying Lease Commitments prior to January 1, 2019 - Group as a Lessee. The Group has entered into lease agreements with various lessors for its outlets spaces and warehouse. The Group has determined that the arrangements are operating leases as the risks and rewards of ownership are retained by the lessor.

Rental expense amounted to ₱124.5 million, ₱104.9 million, ₱228.5 million, ₱176.6 million and ₱94.4 million for the six months ended June 30, 2019 and 2018, and the years ended December 31, 2018, 2017 and 2016, respectively (see Note 21).

Classifying Lease Commitments beginning January 1, 2019 - Group as a Lessee. The Group has entered into commercial property leases for its stores. For the Group's non-cancellable lease, the Group recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate. The Group availed exemption for the short-term lease with term of 12 months or less. Accordingly, lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

ROU assets and lease liabilities amounted to ₱108.9 million and ₱111.8 million, respectively, as at June 30, 2019 (see Note 21).

Estimating Fair Value of Financial Assets Carried at FVPL. The Group carries an investments in UITF at fair value. Fair value determination is generally based on quoted market prices. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair the value of these financial assets would affect asset, profit or loss and equity.

The fair value of the Group's financial assets carried at FVPL amounted to ₱11.2 million as at December 31, 2017 (see Note 7).

Evaluating NRV of Merchandise Inventories. The Group assesses at the end of each reporting period whether its merchandise inventories are impaired. Whenever the NRV becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes, the Group recognizes an impairment loss. A new assessment is made of the NRV in each subsequent period. When the circumstances that previously caused the merchandise inventories to be impaired no longer exist or when there is clear evidence of an increase in the NRV because of changed economic circumstances, the amount of the impairment loss is reversed (i.e., the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the NRV.

The cost of merchandise inventories is lower than its NRV. No impairment loss was recognized for the six months ended June 30, 2019 and 2018, and the years ended December 31, 2018, 2017 and 2016. Merchandise inventories amounted to ₱43.6 million, ₱52.0 million and ₱39.0 million as at June 30, 2019 and December 31, 2018 and 2017, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment (Except Land), ROU Assets and Intangible Assets. The useful lives of the Group's property and equipment (except land), ROU assets and intangible assets are estimated based on the period over which the assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A reduction in the estimated useful lives would increase the recorded operating expenses and decrease noncurrent assets. In 2018, the useful life of certain item of intangible assets was shortened from four years to one year, which resulted in additional amortization of ₱1.2 million.

The carrying amount of property and equipment, ROU assets and intangible assets aggregated ₱514.3 million, ₱397.1 million and ₱285.8 million as at June 30, 2019 and December 31, 2018 and 2017, respectively (see Notes 9, 10 and 21).

Assessing Impairment of Brand Names with Indefinite Useful Life. The Group tests annually whether any impairment in brand names is to be recognized in accordance with the related accounting policy in Note 2. The recoverable amounts of cash-generating units (CGUs) have been determined based on the higher of fair value less costs to sell and value in use calculations, which require the use of estimates. Based on the impairment testing conducted, the recoverable amounts of the CGUs calculated based on value in use as at June 30, 2019 and December 31, 2018 and 2017 are greater than the corresponding carrying amounts of the CGUs as at the same dates.

No impairment loss was recognized for the six months ended June 30, 2019 and 2018 and the years ended December 31, 2018, 2017 and 2016. The carrying amount of brand names amounted to ₱211.3 million, ₱211.3 million and ₱200.2 million as at June 30, 2019 and December 31, 2018 and 2017, respectively (see Note 10).

Determining Impairment Indicators for Other Nonfinancial Assets. The Group assesses impairment on its advance rentals, other current assets (except construction bond), property and equipment, ROU assets, software license and deferred input VAT whenever events or changes in circumstances indicate that the carrying amounts of the assets or group of assets may not be recoverable. The relevant factors that the Group considers in deciding whether to perform an asset impairment review include, among others, the following:

- significant underperformance of a business in relation to expectations;
- significant negative industry or economic trends; and
- significant changes or planned changes in the use of the assets.

No impairment indicators were identified for the six months ended June 30, 2019 and 2018 and the years ended December 31, 2018, 2017 and 2016. The carrying amounts of nonfinancial assets are as follows:

			December 31	
	Note	June 30, 2019	2018	2017
Property and equipment	9	₱191,310	₱182,742	₱84,460
ROU assets	21	108,931	—	—
Advance rental	21	8,216	8,084	3,148
Software license	10	2,675	2,961	1,175
Deferred input VAT		2,224	2,379	—
Other current assets, excluding construction bond	8	35,015	5,002	5,435
		₱348,371	₱201,168	₱94,218

Estimating Retirement Benefits Liability. The determination of the obligation and costs of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 15 to the consolidated financial statements and include, among others, discount rates and salary increase rates. 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 retirement obligation.

The retirement benefits liability amounted to ₱2.7 million, ₱2.2 million and ₱1.7 million as at June 30, 2019 and December 31, 2018 and 2017, respectively. The cumulative remeasurement losses on retirement benefits liability (net of deferred tax) recognized in equity amounted to ₱46 as at June 30, 2019, December 31, 2018 and 2017 (see Note 15).

Assessing Recognition of Deferred Tax Assets. The Group reviews the carrying amount of deferred tax asset at each reporting date and reduces deferred tax asset 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. Deferred tax assets recognized amounted to ₱4.5 million, ₱4.3 million and ₱611 as at June 30, 2019 and December 31, 2018 and 2017, respectively (see Note 22).

Deferred tax asset on the NOLCO of the Parent Company amounting to ₱669 as at December 31, 2017 was not recognized since management has assessed that it is not probable that sufficient taxable income may be available in the future against which the deferred tax asset can be utilized (see Note 22).

4. Accounting for Group Reorganization and Business Acquisition

Business Acquisition

As discussed in Note 1, NTI acquired the assets of SLI and the brand name *Sabroso Lechon* for ₱28.3 million. Provisional fair values of the assets acquired were recognized in 2018. No goodwill or gain from bargain purchase was recognized as a result of the acquisition in 2018.

The valuation of the net assets of SLI was completed in 2019 resulting to additional fair valuation adjustments to the acquiree's brand name by ₱6.4 million. Consequently, the business combination resulted in a gain from bargain purchase, as the fair values of the assets acquired exceeded the total consideration by ₱6.4 million.

The following are the restated fair values of the identifiable assets acquired and the resulting gain as at acquisition date:

	Note	Amount
Leasehold improvements	9	₱21,836
Brand name	10	11,188
Transportation equipment	9	1,010
Security deposit		720
Total consideration		34,754
Gain from bargain purchase		28,317
		₱6,437

The Group believes it was able to acquire the assets of SLI for less than the fair values because previous management had limited resources and capability to expand.

Group Reorganization

The acquisition by the Parent Company of the subsidiaries was considered as a group reorganization of entities under common control. Accordingly, the acquisition is accounted for based on the recorded values of assets and liabilities of the subsidiaries at historical cost. As a result, the assets and liabilities of the Group were reflected at their carrying amounts and no goodwill was recognized.

The effect of the pooling of interests amounting to ₱4.2 million recognized as part of "Other equity reserves" as at June 30, 2019, December 31, 2018 and 2017 pertains to excess of the combined net assets of the subsidiaries amounting to ₱70.0 million over the consideration amounting to ₱65.8 million as at January 1, 2015.

In October 2017, FHI acquired the following shares from the remaining individual stockholders to increase its ownership to 100% (see Note 1):

- 2,152 shares of NTI for ₱470
- 13,494 shares of BNFI for ₱4.0 million
- 124,992 shares of FGI for ₱12.7 million

The excess of the carrying amount of non-controlling interests at the date of acquisition (₱68.4 million) over the aggregate acquisition costs (₱17.4 million) amounting to ₱51.0 million was recognized as "Other equity reserves" in the consolidated statement of financial position as at December 31, 2017.

Acquisition of non-controlling interests in 2017 aggregated ₱59.0 million. In 2016, the Parent Company subscribed to additional 170,250 shares in NTI and paid ₱4.3 million as partial payment of the total subscription. Accordingly, the equity interest of FHI in NTI increased by 4% and the corresponding noncontrolling interests decreased by ₱971.

5. Trade and Other Receivables

This account consists of:

	June 30, 2019	December 31	
		2018	2017
Trade	₱64,762	₱55,971	₱19,541
Funds held in trust	8,261	—	—
	73,023	55,971	19,541
Less allowance for doubtful accounts	333	333	333
	₱72,690	₱55,638	₱19,208

Trade receivables represent mainly outstanding receivables from franchisees. These are unsecured, noninterest-bearing and are normally collected on a 30-day term.

Funds held in trust represent cash collections from outlet's sales which were being held in trust by the Group's stockholders pending opening of the outlets' own bank account.

6. Merchandise Inventories

This account consists of:

	June 30, 2019	December 31	
		2018	2017
Food and beverages	₱23,710	₱30,353	₱20,433
Store supplies and others	19,916	21,672	18,533
	₱43,626	₱52,025	₱38,966

The Group's merchandise inventories are carried at cost. The cost of merchandise inventories is lower than its NRV. No inventory losses were recognized for the six months ended June 30, 2019 and 2018, and the years ended December 31, 2018, 2017 and 2016.

Cost of merchandise inventories charged to cost of sales amounted to ₱376.3 million, ₱307.8 million, ₱590.1 million, ₱418.2 million and ₱178.3 million for the six months ended June 30, 2019 and 2018, for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 18).

7. Financial Assets at FVPL

This account represents investments in UITF amounting to ₱11.2 million as at December 31, 2017. This was withdrawn in 2018.

The fair value of the investments is based on the financial report prepared by the bank (classified as Level 2). Unrealized gain on fair value changes amounted to ₱157 and ₱81 in 2017 and 2016, respectively, and is presented as part of "Other income" in the consolidated statements of comprehensive income.

Details of other income are as follows:

	Six Months Ended June 30		Years Ended December 31		
	2019	2018	2018	2017	2016
Unrealized foreign exchange loss	(P908)	P—	P—	P—	P—
Unrealized gain on changes in financial assets at FVPL	—	—	—	157	81
Others	5,746	375	1,361	1,073	546
	P4,838	P375	P1,361	P1,230	P627

Others consist mainly of outlets' cash overages and fees charged to lessees for utilities incurred on leased spaces on food parks.

8. Other Current Assets

This account consists of:

	June 30, 2019	December 31	
		2018	2017
Prepayments	P33,665	P1,594	P839
Construction bond	1,947	1,342	365
Advances to suppliers	654	727	4,386
Advances to officers and employees	553	315	—
CWTs	—	1,348	—
Input VAT	—	913	—
Others	143	105	210
	P36,962	P6,344	P5,800

Prepayments mainly consist of insurance, taxes and licenses, advertising and public listing-related expenses.

Construction bond is collectible once the improvement has been completed and given by the Group to the lessor for construction projects to protect the lessor against an adverse event.

Advances to suppliers pertain to advance payments made for goods pending delivery as at year-end. In 2018, advances amounting to P3.9 million were reclassified to property and equipment upon receipt of the assets (see Note 9).

Advances to officers and employees pertain to cash advances and are settled through liquidation.

9. Property and Equipment

The composition of and movements in this account follows:

June 30, 2019						
	Land	Store Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost						
Balance at beginning of period	P13,000	P120,392	P108,386	P21,215	P11,736	P274,729
Additions	—	21,869	8,416	6,925	5,955	43,165
Balance at end of period	13,000	142,261	116,802	28,140	17,691	317,894
Accumulated Depreciation and Amortization						
Balance at beginning of period	—	44,055	38,904	5,277	3,751	91,987
Depreciation and amortization	—	18,836	12,067	1,637	2,057	34,597
Balance at end of period	—	62,891	50,971	6,914	5,808	126,584
Carrying Amount	P13,000	P79,370	P65,831	P21,226	P11,883	P191,310

December 31, 2018						
	Land	Store Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost						
Balance at beginning of year	P13,000	P33,619	P61,451	P13,491	P2,833	P124,394
Additions	—	86,773	21,203	6,714	8,903	123,593
Acquisitions through business combination	—	—	21,836	1,010	—	22,846
Reclassification	—	—	3,896	—	—	3,896
Balance at end of year	13,000	120,392	108,386	21,215	11,736	274,729
Accumulated Depreciation and Amortization						
Balance at beginning of year	—	17,734	16,884	3,375	1,941	39,934
Depreciation and amortization	—	26,321	22,020	1,902	1,810	52,053
Balance at end of year	—	44,055	38,904	5,277	3,751	91,987
Carrying Amount	P13,000	P76,337	P69,482	P15,938	P7,985	P182,742

	December 31, 2017					Total
	Land	Store Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	
Cost						
Balance at beginning of year	P—	P18,376	P9,847	P7,243	P1,852	P37,318
Additions	13,000	15,243	51,604	6,248	981	87,076
Balance at end of year	13,000	33,619	61,451	13,491	2,833	124,394
Accumulated Depreciation and Amortization						
Balance at beginning of year	—	10,731	9,847	2,236	1,586	24,400
Depreciation and amortization	—	7,003	7,037	1,139	355	15,534
Balance at end of year	—	17,734	16,884	3,375	1,941	39,934
Carrying Amount	P13,000	P15,885	P44,567	P10,116	P892	P84,460

In 2018, advances to suppliers amounting to P3.9 million were reclassified to property and equipment (see Note 8).

The cost of fully depreciated and amortized property and equipment still in use by the Group amounted to P40.9 million, P31.7 million and P20.6 million as at June 30, 2019 and December 31, 2018 and 2017, respectively.

Transportation equipment with carrying amount of P8.7 million, P9.7 million and P6.7 million as at June 30, 2019 and December 31, 2018 and 2017, respectively, are held as security for the Group's mortgage payable (see Note 13).

Depreciation and amortization are summarized as follows:

	Note	Six Months Ended June 30		Years Ended December 31		
		2019	2018	2018	2017	2016
Property and equipment		P34,597	P25,572	P52,053	P15,534	P4,727
ROU assets	21	12,591	—	—	—	—
Intangible assets	10	286	587	1,372	107	—
		P47,474	P26,159	P53,425	P15,641	P4,727

Depreciation and amortization is charged to the following:

	Note	Six Months Ended June 30		Years Ended December 31		
		2019	2018	2018	2017	2016
Cost of sales		P3,626	P897	P1,792	P—	P—
Selling and distribution expenses	19	38,456	24,361	49,831	15,641	4,727
General and administrative expenses	20	5,392	901	1,802	—	—
		P47,474	P26,159	P53,425	P15,641	P4,727

10. Intangible Assets

This account consists of the following:

June 30, 2019			
	Note	Brand Names	Software License
Total			
Cost			
Balance at beginning and end of period		₱211,348	₱4,440
			₱215,788
Accumulated Amortization			
Balance at beginning of period		—	1,479
Amortization	9	—	286
			286
Balance at end of period		—	1,765
			1,765
Carrying Amount		₱211,348	₱2,675
			₱214,023

December 31, 2018			
	Note	Brand Names (As restated – see Note 4)	Software License
Total			
Cost			
Balance at beginning of year		₱200,160	₱1,282
Additions		11,188	3,158
			14,346
Balance at end of year		211,348	4,440
			215,788
Accumulated Amortization			
Balance at beginning of year		—	107
Amortization	9	—	1,372
			1,372
Balance at end of year		—	1,479
			1,479
Carrying Amount		₱211,348	₱2,961
			₱214,309

December 31, 2017			
	Note	Brand Names	Software License
Total			
Cost			
Balance at beginning of year		₱—	₱—
Additions		200,160	1,282
			201,442
Balance at end of year		200,160	1,282
			201,442
Accumulated Amortization			
Amortization	9	—	107
			107
Carrying Amount		₱200,160	₱1,175
			₱201,335

Brand Names

In August 2017, FGI subscribed to 1 share of GEIL for US\$1. In December 2017, FGI subscribed to an additional 40,000 shares for US\$4.0 million (equivalent to ₱200.2 million) at US\$100 per share. GEIL then acquired 100% of OLL. OLL holds the intellectual property rights to certain brands including *Fruitas*, *The Mango Farm*, *Shou*, *Black Pearl*, *Friends Fries* and *Juice Avenue*. The fair value of the net assets of GEIL and OLL is approximately equal to the consideration amounting to ₱200.2 million.

In 2018, the Group also recognized brand name amounting to ₱11.2 million following the completion of the acquisition of *Sabroso Lechon* brand from SLI (see Note 4).

The Relief-from-Royalty method was used in the valuation of the brands. Under this method, the value of brands is determined by reference to the value of the hypothetical royalty payments that would be saved through owning the asset, as compared with licensing the brands from a third party. The hypothetical royalty payments over the life of the brands are adjusted for tax and discounted to present value at the valuation date.

The fair values of the brand names were determined based on a valuation using cash flow projections (value-in-use) covering a five-year period based on long-range plans approved by management. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The growth rates are consistent with the long-term average growth rate for the industry which ranges from 4 to 13%.

The Group used the weighted average cost of capital as the discount rate, which reflected management's estimate of the risk. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. The discount rates applied to after-tax cash flow projections ranges from 15.6% to 17.6% in 2019, 2018, 2017 and 2016. The recoverable amount of each CGU, calculated using value in use, exceeded the carrying amount of the CGU as at June 30, 2019 and December 31, 2018 and 2017.

Management believes that any reasonably possible change in the key assumptions on which the Group's recoverable amount is based would not cause the Group's carrying amount to exceed its recoverable amount.

Software License

In 2018, the useful life of certain intangible asset was shortened from the useful life of four years to one year upon management review of the operational efficiency of the intangible asset and this resulted to an additional amortization of ₱1.2 million.

11. Trade and Other Payables

This account consists of:

	June 30, 2019	December 31	
		2018	2017
Trade payables	₱78,295	₱75,632	₱29,684
Statutory payable	9,475	32,997	3,636
Output VAT	8,696	—	9,790
Others	7,794	4,053	5,290
	₱104,260	₱112,682	₱48,400

Trade payables are unsecured, noninterest-bearing and generally settled on a 15 to 60-day term.

Statutory payable pertains to obligations to government agencies such as SSS, HDMF, PHIC and withholding taxes that are normally settled in the following month.

Other payables mainly include accruals for various expenses such as professional fees, utilities and unpaid salaries which are noninterest-bearing and are normally settled within a year.

12. Notes Payable

In 2019, the Group obtained promissory notes amounting to ₱199.0 million from local commercial banks and bear interest rates ranging from 4.25% to 7.5% per annum. The principal amount will mature in 2021 and payable in installment.

In 2018 and 2017, the Group obtained short-term promissory notes from local commercial banks to finance its working capital requirements and capital infusion aggregating ₱246.7 million and ₱311.8 million, respectively. The notes bear interest at rates ranging from 3.13% to 5.50% per annum and interest is payable on a monthly basis. In 2019 and 2018, the outstanding balances of the notes were rolled over under similar terms.

Movements in this account follow:

	June 30, 2019	December 31	
		2018	2017
Balance at beginning of period	₱311,313	₱311,750	₱-
Availments	198,916	246,700	311,750
Payments	(100,949)	(247,137)	-
Balance at end of period	409,280	311,313	311,750
Less current portion	343,740	283,689	311,750
Noncurrent portion	₱65,540	₱27,624	₱-

Interest charged to operations is as follows:

		Six Months Ended June 30		Years Ended December 31		
	Note	2019	2018	2018	2017	2016
Notes payable		₱13,452	₱7,220	₱15,622	₱1,078	₱-
Lease liabilities	21	6,115	-	-	-	-
Mortgage payable	13	333	189	443	155	49
		₱19,900	₱7,409	₱16,065	₱1,233	₱49

The schedule of maturities of the notes payable is as follows:

	Amount
2019	₱310,970
2020	65,540
2021	32,770
	₱409,280

13. Mortgage Payable

The Group obtained loans from local commercial banks to finance its acquisition of transportation equipment.

Movements in this account follow:

	June 30, 2019	December 31	
		2018	2017
Balance at beginning of period	₱5,961	₱4,425	₱623
Availments	500	3,988	4,804
Payments	(1,252)	(2,452)	(1,002)
Balance at end of period	5,209	5,961	4,425
Less current portion	2,789	2,589	1,131
Noncurrent portion	₱2,420	₱3,372	₱3,294

The loans are payable in monthly installments up to May 2023 and bear effective interest ranging from 7.66% to 9.6% per annum. Interest expense amounted to ₱333, ₱189, ₱443, ₱155 and ₱49 for the six months ended June 30, 2019 and 2018, and the years ended December 31, 2018, 2017 and 2016, respectively (see Note 12).

The loan is secured by a chattel mortgage on the transportation equipment with total carrying amount of ₱8.7 million and ₱9.7 million and ₱6.7 million as at June 30, 2019 and December 31, 2018 and 2017, respectively (see Note 9).

The schedule of maturities of the mortgage payable is as follows:

	Amount
2019	₱1,524
2020	2,193
2021	949
2022	462
2023	81
	₱5,209

14. Related Party Transactions

The Group, in the normal course of business, has transactions with its related parties as follows:

		Amount of Transactions		
		December 31		
	Nature of Transactions	June 30, 2019	2018	2017
Due from Related Parties				
<i>Entities Under Common Management</i>				
	Advances	₱316,836	₱40,571	₱7,452
	Collections	(250,085)	(7,082)	(46,065)

		Amount of Transactions		
		June 30, 2019	December 31	
Nature of Transactions			2018	2017
Due to Related Parties				
<i>Stockholders</i>	Advances	₱32,121	₱15,463	₱—
	Payments	(39,223)	(1,256)	(1,582)
<i>Entities Under Common Management</i>				
	Advances	—	—	3,109
	Reorganization costs	—	—	6,734
	Payments	(3,109)	—	(6,734)
		Outstanding Balances		
		June 30, 2019	December 31	
Nature of Transactions			2018	2017
Due from Related Parties				
<i>Entities Under Common Management</i>	Advances	₱107,322	₱40,571	₱7,082
Due to Related Parties				
<i>Stockholders</i>	Advances	₱11,906	₱19,008	₱4,801
<i>Entities Under Common Management</i>	Advances	—	3,109	3,109
		₱11,906	₱22,117	₱7,910

Terms and Conditions of Transactions with Related Parties

Outstanding balances are unsecured, noninterest-bearing and due, demandable and to be settled in cash. Management makes an annual assessment of the financial position of the related parties and the market in which the related parties operates. There were no impairment losses recognized for the six months ended June 30, 2019 and 2018, and the years ended December 31, 2018, 2017 and 2016.

Compensation of Key Management Personnel

Compensation of key management personnel, consisting of management fees, salaries and short-term benefits amounted to ₱10.6 million, ₱15.2 million, ₱26.5 million, ₱3.7 million and ₱4.5 million for the six months ended June 30, 2019 and 2018, and the years ended December 31, 2018, 2017 and 2016, respectively.

15. Retirement Benefits Liability

The Group's retirement plan is unfunded, noncontributory defined benefit plan with a single lump-sum payment covering retirement based on Republic Act No. 7641.

The Group did not obtain an updated actuarial valuation in 2019 because management has assessed that the effect on the consolidated financial statements of the difference between the retirement expense recognized by the Group and that resulting from an updated actuarial valuation will be not significant. The latest actuarial report is dated March 5, 2018.

The table below summarizes the components of retirement expense recognized in the consolidated statements of comprehensive income (see Note 20).

	Six Months Ended June 30		Years Ended December 31		
	2019	2018	2018	2017	2016
Current service cost	P444	P418	P429	P405	P230
Interest cost	39	49	99	66	—
Increase in transitional liability	—	—	—	732	—
	P483	P467	P528	P1,203	P230

Movements in this account follow:

	June 30, 2019	December 31	
		2018	2017
Balance at beginning of period	P2,230	P1,702	P432
Current service cost	444	429	405
Interest cost	39	99	66
Increase in transitional liability	—	—	732
Actuarial loss	—	—	67
Balance at end of period	P2,713	P2,230	P1,702

The actuarial loss recognized in the 2017 consolidated statement of comprehensive income amounted to P46 (net of tax of P20).

The principal assumptions used in determining the retirement benefits liability for the Group's retirement liability are as follows:

	June 30, 2019	December 31	
		2018	2017
Discount rate	5.8%	5.8%	5.8%
Future salary increases	4.0%	4.0%	4.0%

The projected unit credit method was applied to all the benefits without using one-year term cost.

This sensitivity analysis shows the impact of changes in key actuarial assumptions in 2019.

	Effect on Retirement Benefits Liability	
	Discount Rate	Salary Projected Rate
+1%	P1,449	P2,038
-1%	2,027	1,437

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement benefits liability at the reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remain unchanged.

The Group does not maintain a fund for its retirement liability. While funding is not a requirement of the law, there is a risk that the Group may not have the cash if several employees retire within the same year.

The average duration of the retirement liability as at June 30, 2019 and December 31, 2018 and 2017 is 28 years.

The cumulative actuarial loss recognized in the consolidated statements of financial position amounted to ₱46, net of deferred tax asset of ₱20 as at June 30, 2019, December 31, 2018 and 2017. The Group did not obtain actuarial valuation in 2019, 2018 and 2016.

16. Equity

Capital Stock

This account consists of:

	Number of Shares (In Thousands)			Amount		
	June 30, 2019	December 31 2018	2017	June 30, 2019	December 31 2018	2017
Authorized Capital Stock						
Common - ₱0.1 par value in 2019, 2018 and 2017 and ₱1 in 2016						
Balance at beginning of period	4,700,000	5,000,000	500,000	₱470,000	₱500,000	₱500,000
Reclassification to preferred stock	-	(300,000)	-	-	(30,000)	-
Effect of stock split	-	-	4,500,000	-	-	-
Balance at end of period	4,700,000	4,700,000	5,000,000	470,000	470,000	500,000
Preferred - ₱0.01 par value						
Balance at beginning of period	300,000	-	-	30,000	-	-
Reclassification from common stock	-	300,000	-	-	30,000	-
Balance at end of period	300,000	300,000	-	30,000	30,000	-
	5,000,000	5,000,000	5,000,000	₱500,000	₱500,000	₱500,000
Issued - Common						
Balance at beginning of period	1,600,000	1,600,000	115,000	₱160,000	₱160,000	₱115,000
Issuances	-	-	45,000	-	-	45,000
Effect of stock split	-	-	1,440,000	-	-	-
Balance at end of period	1,600,000	1,600,000	1,600,000	160,000	160,000	160,000
Subscribed - Common						
Balance at beginning of period	-	-	17,250	-	-	17,250
Subscription	-	-	27,750	-	-	27,750
Issuances	-	-	(45,000)	-	-	(45,000)
Balance at end of period	-	-	-	-	-	-
				₱160,000	₱160,000	₱160,000

Common Shares

On October 6, 2017, the SEC approved the application for 1:10 stock split resulting to a decrease in par value from ₱1.00 to ₱0.10 a share and increasing the authorized capital stock from 500.0 million shares to 5.0 billion shares.

On February 26, 2018, the SEC approved the reclassification of common shares to preferred shares. The Parent Company's authorized capital stock amounting to ₱500.0 million is divided into (a) 3.0 billion preferred shares with a par value of one centavo (₱0.01) a share; and (b) 4.7 billion common shares with a par value of ten centavos (₱0.10) a share.

Preferred Shares

The features of the preferred shares follow:

- guaranteed dividend yield of 2.5% per annum
- voting, cumulative and non-participating
- shall not be convertible into common share

Retained Earnings

The Group's BOD declared the following cash dividends:

Date of Declaration	Stockholders of Record	Amount Declared	
		Per Share	Total
June 27, 2019	June 30, 2019	₱0.0088	₱14,000
December 27, 2018	December 27, 2018	₱0.0284	₱45,500
November 2, 2017	November 2, 2017	₱0.0820	₱118,327

Cash dividends declared in 2018 were paid in March 2019.

Shares Held by Subsidiaries

In October 2017, LPI acquired the existing FHI shares held by subsidiaries for ₱52.0 million.

In 2015, BNFI and FGI each subscribed to 26,000,000 shares of FHI at par or for an aggregate amount of ₱52.0 million, of which ₱13.0 million was collected. Ownership interest of BNFI and FGI each represents 20.8% ownership interest in FHI. In 2016, the subsidiaries paid in full its stock subscription amounting to ₱39.0 million.

Significant Non-controlling Interests

The Group's non-controlling interests represent 25% and 8% ownership of the minority shareholders of FGI and BNFI, respectively. Non-controlling interests amounted to ₱24,715 as at December 31, 2016.

The net income allocated to non-controlling interests amounted to ₱34,321 and ₱11,363 in 2017 and 2016, respectively. There are no dividends declared and paid to non-controlling interests in 2017 and 2016.

The summarized financial information of FGI and BNFI, before intercompany eliminations and other consolidation adjustments, as at and for the years ended December 31, 2017 and 2016 follows:

	2017			2016		
	FGI	BNFI	Total	FGI	BNFI	Total
Current assets	₱120,864	₱149,434	₱270,298	₱48,376	₱38,717	₱87,093
Noncurrent assets	278,291	1,175	279,466	32,924	26,483	59,407
Current liabilities	257,713	14,865	272,578	30,544	18,936	49,480
Noncurrent liabilities	4,261	688	4,949	30,653	268	30,921
Net sales	865,443	193,350	1,058,793	162,762	165,001	327,763
Net income	138,753	13,907	152,660	34,457	32,505	66,962
Other comprehensive income (loss)	(31)	(18)	(49)	-	-	-

(Forward)

	2017			2016		
	FGI	BNFI	Total	FGI	BNFI	Total
Cash flows from:						
Operating activities	P119,977	(P1,597)	P118,380	P40,209	P16,949	P57,158
Investing activities	(258,477)	19,936	(238,541)	(35,072)	(22,510)	(57,582)
Financing activities	133,470	86,448	219,918	5,683	(6,875)	(1,192)

17. Revenue

This account consists of:

	Note	Six Months Ended June 30		Years Ended December 31		
		2019	2018	2018	2017	2016
Net sales		P922,270	P707,980	P1,533,709	P1,138,996	P499,559
Franchise fees	21	14,821	13,452	36,056	11,396	600
Rental income	21	4,097	4,769	9,441	2,175	—
		P941,188	P726,201	P1,579,206	P1,152,567	P500,159

The Group recognizes revenue from sales of goods and services upon delivery to customers or at a point in time when the Group has no more obligations that could affect the acceptance of goods by the customers.

Details of the Group's revenue based on geographical markets are as follows:

	Note	Six Months Ended June 30		Years Ended December 31		
		2019	2018	2018	2017	2016
Sale of goods:						
Luzon		P759,716	P602,156	P1,267,576	P1,033,140	P488,044
Visayas		124,886	71,444	189,589	87,620	9,911
Mindanao		37,668	34,380	76,544	18,236	1,604
		922,270	707,980	1,533,709	1,138,996	499,559
Franchise fees	21	14,821	13,452	36,056	11,396	600
		P937,091	P721,432	P1,569,765	P1,150,392	P500,159

18. Cost of Sales

This account consists of:

	Note	Six Months Ended June 30		Years Ended December 31		
		2019	2018	2018	2017	2016
Merchandise inventories at beginning of period		P52,025	P38,966	P38,966	P6,086	P6,580
Purchases		367,884	297,507	603,178	451,053	177,817
Cost of goods available for sale		419,909	336,473	642,144	457,139	184,397

(Forward)

	Note	Six Months Ended June 30		Years Ended December 31		
		2019	2018	2018	2017	2016
Merchandise inventories at end of period	6	(P43,626)	(P28,703)	(P52,025)	(P38,966)	(P6,086)
Merchandise inventories used		376,283	307,770	590,119	418,173	178,311
Direct labor		9,735	13,583	82,529	34,027	8,189
Manufacturing overhead		6,136	7,451	20,822	6,132	2,612
		P392,154	P328,804	P693,470	P458,332	P189,112

Direct labor pertains to outside services and salaries and wages of personnel performing tasks directly related to the production of merchandise inventories.

Manufacturing overhead pertains to utilities, depreciation and amortization, taxes and licenses and rental expense incurred in the commissary.

19. Selling and Distribution Expenses

This account consists of:

	Note	Six Months Ended June 30		Years Ended December 31		
		2019	2018	2018	2017	2016
Salaries, wages and other employees' benefits		P124,969	P75,115	P188,470	P103,351	P46,813
Rental	21	120,438	98,852	211,687	161,714	88,851
Depreciation and amortization	9	38,456	24,361	49,831	15,641	4,727
Outside services		32,526	26,712	48,358	28,783	11,421
Utilities		28,360	21,529	41,419	11,884	8,660
Advertisement		13,287	3,860	7,248	9,337	1,751
Transportation and travel		11,460	5,913	15,422	13,370	4,896
Repairs and maintenance		6,765	9,214	15,405	7,044	2,129
Distribution supplies		6,522	5,192	14,751	9,944	102
Management fees		4,161	—	—	—	—
Insurance		1,623	914	1,535	2,965	360
Training and development		1,254	994	2,081	—	—
Others		1,000	5,101	11,087	5,024	342
		P390,821	P277,757	P607,294	P369,057	P170,052

Salaries, wages and other employees' benefits include government contributions and other allowances.

Outside services pertain to salaries of service crews from agencies.

20. General and Administrative Expenses

This account consists of:

	Note	Six Months Ended June 30		Years Ended December 31		
		2019	2018	2018	2017	2016
Salaries, wages and other employees' benefits		₱25,346	₱27,032	₱65,598	₱31,819	₱9,796
Taxes and licenses		18,276	8,661	20,484	8,110	5,583
Depreciation and amortization	9	5,392	901	1,802	—	—
Professional fees		4,467	2,515	6,375	9,304	2,740
Rental	21	4,066	1,893	5,034	14,861	5,505
Office supplies		3,998	1,898	3,462	2,523	1,515
Representation		4,205	610	4,212	4,195	—
Retirement benefits	15	483	467	528	1,203	230
Management fees		82	13,151	22,263	—	—
Reorganization costs:						
Related parties	14	—	—	—	6,734	—
Third parties		—	—	222	380	—
Provision for doubtful accounts		—	—	—	—	333
Others		2,867	248	1,472	77	—
		₱69,182	₱57,376	₱131,452	₱79,206	₱25,702

Reorganization costs pertain to the amounts paid to the related parties in consideration for the assignment of lease contracts to the Group (see Note 1).

21. Significant Agreements

Group as Lessee - Short-term Lease

The Group entered into several lease agreements with third parties for its store spaces for varying periods of up to one year and renewable annually. The lease contracts for the stores provide for a monthly rental based on a certain percentage of gross sales and a monthly fixed rental or an agreed minimum rental, whichever is higher. Lease agreements are generally renewable through a notice of lease renewal and upon mutual agreement with the lessors.

Details of rental deposits and advance rentals on lease contracts are as follows:

	June 30, 2019	December 31	
		2018	2017
Rental deposits	₱80,702	₱77,475	₱62,878
Advance rentals	8,216	8,084	3,148
	₱88,918	₱85,559	₱66,026

These will be applied against any unpaid rentals and other expenses relevant to the lease upon termination of the lease agreements.

Rental expense is charged to operations as follows:

	Note	Six Months Ended June 30		Years Ended December 31		
		2019	2018	2018	2017	2016
Cost of sales		P—	P4,171	P11,771	P—	P—
Selling and distribution expenses	19	120,438	98,852	211,687	161,714	88,851
General and administrative expenses	20	4,066	1,893	5,034	14,861	5,505
		P124,504	P104,916	P228,492	P176,575	P94,356

Group as Lessee - Long-term Lease

The balance of and movements in ROU assets as at June 30, 2019 follow:

	Note	Outlets Spaces	Land and Building	Total
Cost				
Balance at beginning of period	2	P46,459	P66,968	P113,427
Additions		1,736	6,359	8,095
Balance at end of period		48,195	73,327	121,522
Accumulated depreciation and amortization				
Depreciation and amortization	9	5,630	6,961	12,591
Carrying Amount		P42,565	P66,366	P108,931

The balance and movements in lease liabilities as at June 30, 2019 follow:

	Note	Outlets Spaces	Land and Building	Total
Balance at beginning of period	2	P46,459	P66,968	P113,427
Additions		1,736	6,359	8,095
Rental payments		(6,142)	(9,708)	(15,850)
Interest	12	2,244	3,871	6,115
Balance at end of period		44,297	67,490	111,787
Less current portion		13,355	10,869	24,224
Noncurrent portion		P30,942	P56,621	P87,563

The incremental borrowing rate applied to the lease liabilities ranges from 10.87% to 11.00%, depending on the lease term. ROU assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The amounts recognized in profit or loss in 2019 follows:

	Note	
Rental expense - short-term lease		P124,504
Depreciation and amortization of ROU assets	9	12,591
Interest expense on lease liabilities	12	6,115
		P143,210

The future minimum lease payments and present value as at June 30, 2019 is as follows:

	Minimum Lease Payments	Present Value
Not later than one year	₱29,002	₱24,224
Later than one year but not more than five years	89,822	82,516
More than five years	7,454	5,047
	₱126,278	₱111,787

Leases - Group as Lessor

In 2017, the Group entered into several sublease agreements with third parties for the lease of spaces in food parks for varying periods up to one year. Rental income amounted to ₱4.1 million, ₱4.8 million, ₱9.4 million and ₱2.2 million and nil for the six months ended June 30, 2019 and 2018, and the years ended December 31, 2018, 2017 and 2016, respectively (see Note 17).

Franchise Agreements

The Group has granted its franchisees the right to operate outlets under various brands for acquired periods and subject to the terms and conditions specified in the franchise agreements. The agreements are renewable at the option of the Group. The agreements provide for an initial franchise fee payable upon execution of the agreements. The non-refundable initial franchise fee payment covers the renovation of franchisee's unit, signage, promotional materials and equipment. Franchise fees recognized as part of "Revenue" in the consolidated statements of comprehensive income amounted to ₱14.8 million, ₱13.5 million, ₱36.1 million, ₱11.4 million and ₱600 for the six months ended June 30, 2019 and 2018, and the years ended December 31, 2018, 2017 and 2016, respectively (see Note 17).

In 2017, the Group obtained the rights to the lease of 218 outlets from related parties. Rental deposits and advance rentals on leases were transferred to the Group through an assignment of lease agreements.

22. Income Taxes

The Group's provision for current income tax pertains to RCIT.

The details of the Group's deferred tax assets as at June 30, 2019 and December 31, 2018 and 2017 follow:

	June 30, 2019	December 31	
		2018	2017
NOLCO	₱2,752	₱3,565	₱-
Retirement benefits liability	814	669	511
Lease liabilities - net	543	-	-
Unrealized foreign exchange loss	272	-	-
Allowance for doubtful accounts	100	100	100
	₱4,481	₱4,334	₱611

Deferred tax liability pertains to prepayments amounting to ₱8.2 million as at June 30, 2019.

The details of the NOLCO, which can be claimed as deduction from future taxable income, follow:

Year Incurred	Balance at Beginning	Incurred	Applied	Balance at End	Expiry Date
2018	P9,690	P-	P 515	P9,175	2021
2017	1,439	-	1,439	-	2020
2016	756	-	756	-	2019
	P11,885	P-	P2,710	P9,175	

Deferred tax asset on the NOLCO of the Parent Company amounting to P669 as at December 31, 2017, was not recognized since management has assessed that it is not probable that sufficient taxable income may be available in the future against which the deferred tax asset can be utilized.

The reconciliation between the income tax at statutory tax rate and the Group's provision for income tax shown in the consolidated statements of comprehensive income follows:

	Six Months Ended June 30		Years Ended December 31		
	2019	2018	2018	2017	2016
Income tax at statutory tax rate	P22,264	P16,598	P41,975	P74,220	P35,057
Change in unrecognized deferred tax asset	-	-	(669)	432	227
Effect of consolidation	14	(230)	(231)	230	-
Tax effects of:					
Interest income already subjected to final tax	(72)	(29)	(359)	(429)	(296)
Nondeductible expenses	30	10	819	177	4
Expired NOLCO	-	-	11	-	-
Nontaxable income	-	-	(1,931)	(119)	(67)
	P22,236	P16,349	P39,615	P74,511	P34,925

23. Earnings Per Share

Basic and diluted EPS are computed as follows:

	Six Months Ended June 30		Years Ended December 31		
	2019	2018	2018 (As restated - see Note 4)	2017	2016
Net income attributable to equity holders of the Parent Company	P51,974	P38,977	P100,303	P138,569	P70,568
Divided by weighted average number of outstanding common shares (in thousands)	1,600,000	1,600,000	1,600,000	1,367,083	300,416
	P0.0325	P0.0244	P0.0627	P0.1014	P0.2349

Diluted EPS equals the basic EPS as the Parent Company does not have any dilutive potential common shares at the end of each of the periods presented.

24. Reconciliation of Liabilities Arising from Financing Activities

The tables below detail changes in the Group's liabilities arising from financing activities, including cash and noncash changes:

	2018	Financing Cash Flows		Dividends Declared	June 30, 2019
		Proceeds	Payments		
Notes payable	P311,313	P198,916	(P100,949)	P-	P409,280
Mortgage payable	5,961	500	(1,252)	-	5,209
Due to related parties	22,117	32,121	(42,332)	-	11,906
Dividends payable	45,500	-	(59,500)	14,000	-
	P384,891	P231,537	(P204,033)	P14,000	P426,395

	2017	Financing Cash Flows		Dividends Declared	2018
		Proceeds	Payments		
Notes payable	P311,750	P246,700	(P247,137)	P-	P311,313
Mortgage payable	4,425	3,988	(2,452)	-	5,961
Due to related parties	7,910	15,463	(1,256)	-	22,117
Dividends payable	-	-	-	45,500	45,500
	P324,085	P266,151	(P250,845)	P45,500	P384,891

	2016	Financing Cash Flows		Dividends Declared	2017
		Proceeds	Payments		
Notes payable	P-	P311,750	P-	P-	P311,750
Mortgage payable	623	4,804	(1,002)	-	4,425
Due to related parties	6,383	3,109	(1,582)	-	7,910
Dividends payable	-	-	(118,327)	118,327	-
	P7,006	P319,663	(P120,911)	P118,327	P324,085

25. Financial Instruments Risk Management Objectives and Policies and Capital Management

Financial Instruments Risk Management

The Group's financial instruments comprise of cash and cash equivalents, trade and other receivables, due from related parties, financial assets at FVPL, construction bond, trade and other payables (excluding statutory payable), notes payable, mortgage payable, lease liabilities, due to related parties and dividends payable. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to credit risk, interest rate risk and liquidity risk. The Group's management oversees the management of these risks. The Group's BOD reviews and approves policies for managing each of these risks as summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities and from its deposits with banks and financial institutions.

The table below shows the gross maximum exposure of the Group to credit risk before taking into consideration collateral and other credit enhancements:

		December 31	
	June 30, 2019	2018	2017
Cash and cash equivalents	₱204,251	₱260,498	₱294,435
Trade and other receivables	72,690	55,638	19,208
Due from related parties	110,689	40,571	7,082
Construction bond	1,947	1,342	—
Financial assets at FVPL	—	—	11,236
	₱389,577	₱358,049	₱331,961

The Group deals only with reputable banks and customer to limit this risk. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by management.

The tables below show the credit quality of financial assets:

	June 30, 2019				
	Neither Past Due nor Impaired		Past Due but Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents	₱204,251	₱—	₱—	₱—	₱204,251
Trade and other receivables	—	72,690	—	333	73,023
Due from related parties	—	107,322	—	—	107,322
Construction bond	—	1,947	—	—	1,947
	₱204,251	₱181,959	₱—	₱333	₱386,543

	December 31, 2018				
	Neither Past Due nor Impaired		Past Due but Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents	₱260,498	₱—	₱—	₱—	₱260,498
Trade and other receivables	—	47,913	7,725	333	55,971
Due from related parties	—	40,571	—	—	40,571
Construction bond	—	1,342	—	—	1,342
	₱260,498	₱89,826	₱7,725	₱333	₱358,382

	December 31, 2017				
	Neither Past Due nor Impaired		Past Due but Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents	₱294,435	₱—	₱—	₱—	₱294,435
Trade and other receivables	12,737	6,471	—	333	19,541
Due from related parties	—	7,082	—	—	7,082
Financial assets at FVPL	11,236	—	—	—	11,236
Construction bond	—	365	—	—	365
	₱318,408	₱13,918	₱—	₱333	₱332,659

The credit quality of such financial assets at amortized cost is managed by the Group using the internal credit quality ratings as follows:

- *High Grade.* Pertains to counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies. Credit quality was determined based on the credit standing of the counterparty.
- *Standard Grade.* Other financial assets not belonging to high grade financial assets are included in this category.

Impairment. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and other forms of credit insurance). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and other receivables are written-off if past due for more than one year and are not subject to enforcement activity.

Trade and other receivables arise mainly from transactions with its approved franchisees. Franchisees are subject to stringent financial, credit, and legal verification process. In addition, trade receivable balances are monitored on an on-going basis to ensure timely collections. The Group has assessed that the ECL on trade and other receivables is not material because substantial amount of receivables is normally collected within the Group's credit terms.

The Group's franchise agreement provides that in case of breach of agreement which includes significant delay or non-payment of obligations, the franchise will be terminated and the Group will be given the rights to take-over the franchised outlets. Accordingly, this will allow the Group to have the earning rights over the outlets' assets. And this credit enhancement allows the Group to reduce its exposure to credit risk.

For other financial assets at amortized cost which is mainly comprised of cash and cash equivalents and due from related parties, the PFRS 9 impairment requirements do not result in significant ECL. The following are considered in the assessment:

- Cash and cash equivalents are deposited with reputable counterparty banks that possess good credit ratings.
- For due from related parties, the Group considered the available liquid assets of the related parties.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its notes payable and mortgage payable. The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favorable interest rates available.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's income before income tax.

	Change in Basis Points	Effect on Income Before Income Tax
2019	+2.45%	(P854)
	-2.45%	854
2018	+3.34%	(689)
	-3.34%	689

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments. It may result from either the inability to sell assets quickly at fair values or failure to collect from counterparty.

The Group's objective is to maintain a balance between continuity of funding and flexibility through bank borrowings and related party advances and aims to manage liquidity as follows:

- To ensure that adequate funding is available at all times;
- To meet commitments as they arise without incurring unnecessary costs; and
- To be able to assess funding when needed at the least possible cost.

The tables below summarize the maturity profile of the Group's financial liabilities based on undiscounted cash flows:

June 30, 2019						
	Payable on Demand	1 to 120 Days	121 to 240 Days	241 to 360 Days	Over 360 Days	Total
Trade and other payables*	P-	P86,089	P-	P-	P-	P86,089
Notes payable	-	300,047	21,847	21,847	65,540	409,281
Mortgage payable	-	972	1,003	814	2,420	5,209
Future interests	-	1,994	1,440	851	928	5,213
Lease liabilities	-	-	-	29,002	97,276	126,278
Due to related parties	11,906	-	-	-	-	11,906
	P11,906	P389,102	P24,290	P52,514	P166,164	P643,976

* Except output VAT and statutory payable

	December 31, 2018					Total
	Payable on Demand	1 to 120 Days	121 to 240 Days	241 to 360 Days	Over 360 Days	
Trade and other payables*	P-	P79,685	P-	P-	P-	P79,685
Notes payable	-	136,412	141,139	6,138	27,624	311,313
Mortgage payable	-	855	854	880	3,372	5,961
Future interests	-	1,930	684	229	277	3,120
Due to related parties	22,117	-	-	-	-	22,117
	P22,117	P218,882	P142,677	P7,247	P31,273	P422,196

* Except output VAT and statutory payable

	December 31, 2017					Total
	Payable on Demand	1 to 120 Days	121 to 240 Days	241 to 360 Days	Over 360 Days	
Trade and other payables*	P-	P34,974	P-	P-	P-	P34,974
Notes payable	-	19,500	65,500	226,750	-	311,750
Mortgage payable	-	744	200	187	3,294	4,425
Future interests	-	6,030	2,920	485	80	9,515
Due to related parties	7,910	-	-	-	-	7,910
	P7,910	P61,248	P68,620	P227,410	P3,386	P368,574

* Except output VAT and statutory payable

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit standing and stable capital ratios in order to support its business and maximize shareholder value. The Group maintains its current capital structure and will make adjustments, if necessary, in order to generate a reasonable level of returns to stockholders over the long term. No changes were made in the objectives, policies or processes during the year.

The Group considers the equity presented in the consolidated statements of financial position as its core capital.

The Group manages its capital structure and makes adjustments when there are changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using debt-to-equity ratio, which is total debt divided by total equity.

The debt-to-equity ratios are as follows:

	2019	2018	2017
Total debt	P663,033	P530,668	P410,231
Total equity	411,705	373,731	318,928
Debt-to-equity ratio	1.61:1	1.42:1	1.29:1

The Group is not subject to externally imposed capital requirements.

26. Fair Value Measurement

The table below presents the carrying amounts and fair values of the Group's financial instruments as follows:

	2019		2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets at Amortized Cost						
Cash and cash equivalents	P204,251	P204,251	P260,498	P260,498	P294,435	P294,435
Trade and other receivables	72,690	72,690	55,638	55,638	19,208	19,208
Due from related parties	107,332	107,332	40,571	40,571	7,082	7,082
Construction bond	1,947	1,947	1,342	1,342	365	365
Assets Measured at Fair Value						
Financial assets at FVPL	—	—	—	—	11,236	11,236
	P386,220	P386,220	P358,049	P358,049	P332,326	P332,326
Liabilities at Amortized Cost						
Trade and other payables*	P86,089	P86,089	P79,685	P79,685	P34,974	P34,974
Notes payable	409,280	412,763	311,313	319,135	311,750	311,750
Lease liabilities	111,787	126,278	—	—	—	—
Mortgage payable	5,209	5,453	5,961	6,313	4,425	4,425
Due to related parties	11,906	11,906	22,117	22,117	7,910	7,910
	P624,271	P642,489	P419,076	P427,250	P359,059	P359,059

* Except statutory payable and output VAT aggregating P18.2 million, P33.0 million, and P13.4 million as at June 30, 2019 and December 31, 2018 and 2017, respectively.

The following methods and assumptions were used to estimate the fair values of each class of financial instruments.

Cash and Cash Equivalents, Trade and Other Receivables, Due from Related Parties, Trade and Other Payables (Except Statutory Payable and Output VAT) and Due to Related Parties. The carrying amounts of these financial instruments approximate fair values due to the relatively short-term maturity of these financial instruments.

Financial Assets at FVPL. The fair value of financial assets at FVPL is based on financial report prepared by the bank (classified as Level 2).

Notes Payable, Mortgage Payable and Lease Liabilities. Fair value is determined based on the discounted cash flow analysis using effective interest rates for similar types of instruments. These financial instruments are classified under Level 2 of the fair value hierarchy groups (significant observable inputs). The rates applied to the notes payable and mortgage payable range from 4.29% to 4.97%. While rates applied to lease liabilities range from 10.91% to 10.94%.

27. Operating Segment Information

For management purposes, the Group is organized into operating segments based on brand names. However, due to the similarity in the economic characteristics, such segments have been aggregated into a single operating segment for external reporting purposes.

Outlet stores sales reflected in the consolidated statements of comprehensive income are all from external customers and within the Philippines, which is the Group's domicile and primary place of operations. Additionally, the Group's noncurrent assets are also primarily acquired, located and used within the Philippines.

Outlet stores sales are attributable to revenue from the general public, which are generated through the Group's store outlets. Consequently, the Group has no concentrations of revenue from a single customer in 2019, 2018, 2017 and 2016.

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
Fruitas Holdings, Inc. and Subsidiaries
No. 60 Cordillera St., Brgy. Dona Josefa
Quezon City, 1113

We have audited the accompanying consolidated financial statements of Fruitas Holdings, Inc. (a subsidiary of Lush Properties, Inc.) and Subsidiaries as at June 30, 2019 and December 31, 2018 and 2017, and for the six months ended June 30, 2019 and 2018, and for the years ended December 31, 2018, 2017 and 2016, on which we have rendered our report dated August 24, 2019.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that Fruitas Holdings, Inc. has 15 stockholders owning one hundred (100) or more shares each as at June 30, 2019 and December 31, 2018 and 2017.

REYES TACANDONG & Co.


WILSON P. TEO
Partner

CPA Certificate No. 92765
Tax Identification No. 191-520-944-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1614-A
Valid until March 1, 2020
BIR Accreditation No. 08-005144-014-2017
Valid until March 8, 2020
PTR No. 7334346
Issued January 3, 2019, Makati City

August 24, 2019
Makati City, Metro Manila

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Fruitas Holdings, Inc. and Subsidiaries
No. 60 Cordillera St., Brgy. Dona Josefa
Quezon City, 1113

We have audited in accordance with Philippine Standards on Auditing, the basic consolidated financial statements of Fruitas Holdings, Inc. (a subsidiary of Lush Properties, Inc.) and Subsidiaries (the "Group") as at June 30, 2019 and December 31, 2018 and 2017, and for the six months ended June 30, 2019 and 2018, and for the years ended December 31, 2018, 2017 and 2016, and have issued our report thereon dated August 24, 2019. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Company's management. These supplementary schedules include the following:

- Supplementary Schedules as Required by Part II of Securities Regulation Code Rule 68, as Amended
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Adoption of Effective Accounting Standards and Interpretations
- Financial Soundness Indicators
- Conglomerate Map

These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, as amended, and are not part of the basic consolidated financial statements. The information in these schedules has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & Co.


WILSON P. TEO
Partner

CPA Certificate No. 92765
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BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1614-A
Valid until March 1, 2020
BIR Accreditation No. 08-005144-014-2017
Valid until March 8, 2020
PTR No. 7334346
Issued January 3, 2019, Makati City

August 24, 2019
Makati City, Metro Manila

FRUITAS HOLDINGS, INC.
(A Subsidiary of Lush Properties, Inc.)
AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II of SRC RULE 68 AS AMENDED
JUNE 30, 2019

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F	Indebtedness to Related Party	<u>N/A</u>
G	Guarantees of Securities of Other Issuers	<u>N/A</u>
H	Capital Stock	<u>6</u>

N/A - Not applicable

FRUITAS HOLDINGS, INC.
(A Subsidiary of Lush Properties, Inc.)
AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

JUNE 30, 2019

(Amounts in Thousands)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
Cash in banks*			
Banco de Oro Unibank, Inc.	—	P85,891	P103
Metropolitan Bank and Trust Company	—	45,094	54
Union Bank of the Philippines	—	18,653	22
Philippine Bank of Communications	—	11,916	14
Security Bank Corporation	—	7,011	8
Bank of the Philippine Islands	—	6,916	8
Philippine National Bank	—	5,269	6
China Banking Corporation	—	5,257	6
Eastwest Banking Corporation	—	4,811	6
Rizal Commercial Banking Corporation	—	3,547	4
Robinsons Bank Corporation	—	2,567	3
Bank of China	—	1,447	2
Bank One Savings & Trust Corporation	—	929	1
United Coconut Planters Bank	—	670	1
Bank of Makati, Inc.	—	530	1
Land Bank of the Philippines	—	79	1
Asia United Bank	—	54	1
		P200,641	P241
Trade and other receivables		P72,690	P—
Due from related parties		107,322	—
Construction bond		1,947	—
		P181,959	P—

FRUITAS HOLDINGS, INC.
(A Subsidiary of Lush Properties, Inc.)
AND SUBSIDIARIES

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

JUNE 30, 2019

(Amounts in Thousands)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of year
<i>Funds held in trust</i>							
Lester Yu	P9,983	P-	(P4,760)	P-	P5,223	P-	P5,223
Roselyn Legaspi	-	2,888	-	-	2,888	-	2,888
Lush Enterprise	166	-	(16)	-	150	-	150
Charlie Gaw	562	-	(562)	-	-	-	-
Jake Delos Santos	64	-	(64)	-	-	-	-
Subtotal	10,775	2,888	(5,142)	-	8,261	-	8,261
<i>Due from related parties</i>							
Lush Properties	P11,045	P107,549	(P70,050)	P-	P48,544	-	P48,544
Lush Enterprise	21,741	77,543	(53,705)	-	45,579	-	45,579
Lush Coolers, Inc.	50	7,032	-	-	7,082	-	7,082
Coco Delivery, Inc.	3,323	93	-	-	3,416	-	3,416
Sabroso	2,441	1	(802)	-	1,640	-	1,640
Green Empire	258	336	(62)	-	532	-	532
Bamazeh	1,713	-	(1,207)	-	506	-	506
One Fifty	-	22	-	-	22	-	22
Sure Jobs	-	1	-	-	1	-	1
Ral Properties	-	248	(248)	-	-	-	-
Stockholder	-	127,378	(127,378)	-	-	-	-
Subtotal	40,571	320,203	(253,452)	-	107,322	-	107,322
Total	P51,346	P323,091	(P255,227)	P-	P115,843	P-	P115,843

FRUITAS HOLDINGS, INC.
(A Subsidiary of Lush Properties, Inc.)

AND SUBSIDIARIES

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

JUNE 30, 2019

(Amounts in Thousands)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Buko ni Frutas Inc.	P-	P180,215	(P95,949)	P-	P84,266	P-	P84,266
Negril Trading Inc.	-	107,319	(87,587)	-	19,732	-	19,732
Fruitasgroup Inc.	-	12,146	(8,350)	-	3,796	-	3,796
Fruitas Holdings Inc.	-	7,686	(3,367)	-	4,319	-	4,319

FRUITAS HOLDINGS, INC.
(A Subsidiary of Lush Properties, Inc.)
AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSET - OTHER ASSETS

JUNE 30, 2019

(Amounts in Thousands)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes, additions (deductions)	Ending balance
Brand names	P211,348	P—	P—	P—	P—	P211,348
Software license	2,961	—	(286)	—	—	2,675
Total	P214,309	P—	(P286)	P—	P—	P214,023

FRUITAS HOLDINGS, INC.
(A Subsidiary of Lush Properties, Inc.)
AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

JUNE 30, 2019

(Amounts in Thousands)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown as current	Amount shown as long-term	Total
Promissory notes:				
Banco de Oro Unibank, Inc.	₱156,400	₱65,540	₱65,540	₱131,080
Metropolitan Bank and Trust Company	100,000	100,000	—	100,000
Union Bank of the Philippines	94,200	94,200	—	94,200
China Banking Corporation	44,500	34,250	—	34,250
Eastwest Banking Corporation	30,000	30,000	—	30,000
Security Bank Corporation	25,500	10,000	—	10,000
Rizal Commercial Banking Corporation	10,000	7,750	—	7,750
Philippine Bank of Communications	10,000	2,000	—	2,000
	470,600	343,740	65,540	409,280
Mortgage payable:				
Rizal Commercial Banking Corporation	3,475	1,231	641	1,872
Philippine National Bank	1,982	367	1,160	1,527
Union Bank of the Philippines	942	301	444	745
Metropolitan Bank and Trust Company	1,708	565	—	565
China Banking Corporation	500	325	175	500
	8,607	2,789	2,420	5,209
	₱479,207	₱346,529	₱67,960	₱414,489

Note: The terms, interest rates, collaterals and other relevant information are shown in the Notes to Consolidated Financial Statements, Notes 12 and 13.

FRUITAS HOLDINGS, INC.
(A Subsidiary of Lush Properties, Inc.)
AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

JUNE 30, 2019

(Amounts in Thousands)

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Stock	4,700,000	1,600,000	-	1,328,500	122,530	148,970

FRUITAS HOLDINGS, INC.
(A Subsidiary of Lush Properties, Inc.)

**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

JUNE 30, 2019
(Amounts in Thousands)

	Amount
Retained earnings at beginning of year as shown in the Parent	
Company's separate financial statements	P118,652
Deferred tax asset, beginning	(3,565)
Total retained earnings as adjusted at beginning of year	115,087
Adjustments:	
Net income during the year closed to retained earnings	66,902
Cash dividend declaration	(14,000)
Decrease in deferred tax asset	813
	53,715
RETAINED EARNINGS AT END OF YEAR AVAILABLE FOR DIVIDEND DECLARATION	P168,802
<hr/>	
Reconciliation:	
Retained earnings at end of year as shown in the Parent	
Company's separate financial statements	P171,554
Deferred tax asset at end of year	(2,752)
Total retained earnings at end of year available for dividend declaration	P168,802

FRUITAS HOLDINGS, INC.
(A Subsidiary of Lush Properties, Inc.)
AND SUBSIDIARIES

**SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
JUNE 30, 2019**

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements			
Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRS Practice Statement Management Commentary			✓
PFRSs Practice Statement 2: Making Materiality Judgments			✓

Philippine Financial Reporting Standards (PFRSs)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> with PFRS 4, <i>Insurance Contracts</i>			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments	✓		

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15: Clarifications to PFRS 15	✓		
PFRS 16	Leases	✓		

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendment to PAS 19: Discount Rate: Regional Market Issue	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non - Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 40	Investment Property			✓
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretation IFRIC 9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty Over Income Tax Treatment			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-32	Intangible Assets - Web Site Costs			✓

FRUITAS HOLDINGS, INC.
(A Subsidiary of Lush Properties, Inc.)
AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

JUNE 30, 2019

(Amounts in Thousands)

Below is a schedule showing financial soundness indicators of the Group as at and for the six months ended June 30, 2019, and as at and for the years ended December 31, 2018 and 2017.

	June 30, 2019	December 31 2018	2017
CURRENT/LIQUIDITY RATIO			
Current assets	P553,769	P500,635	P442,753
Current liabilities	496,601	497,442	405,235
Current Ratio	1.12	1.01	1.09
SOLVENCY RATIO			
Net income before depreciation and amortization	P99,448	P153,728	P188,531
Total liabilities	663,033	530,668	410,231
Solvency Ratio	0.15	0.29	0.46
DEBT-TO-EQUITY RATIO			
Total liabilities	P663,033	P530,668	P410,231
Total equity	411,705	373,731	318,928
Debt-to-Equity Ratio	1.61	1.42	1.29
ASSET-TO-EQUITY RATIO			
Total assets	P1,074,738	P904,399	P729,159
Total equity	411,705	373,731	318,928
Asset-to-Equity Ratio	2.61	2.42	2.29
INTEREST-COVERAGE RATIO			
Earnings before interest and taxes	P93,869	P154,788	P247,202
Interest expense	19,900	16,065	1,233
Interest-Coverage Ratio	4.72	9.64	200.49
PROFITABILITY RATIO			
Net income attributable to equity holders of the Parent Company	P51,974	P100,303	P138,569
Average equity	392,718	346,330	255,826
Return on Equity	13%	29%	54%

FRUITAS HOLDINGS, INC.
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CONGLOMERATE MAP
JUNE 30, 2019

