C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	5	0	3	0	1	4

C O M P A N Y   N A M E

FRUITAS HOLDINGS, INC. (A Subsidiary of LUSH PROPERTIES, INC.) AND SUBSIDIARIES

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number/s	Mobile Number
ipo.compliance@fruitasholdings.com	(02) 8 243-1741	0967 7824 286

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
124	Every Second Monday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Madelene Timbas-Sayson	madelene.sayson@fruitasholdings.com	(02) 8 243-1741	–

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.*

NOTE 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.*

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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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 December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018, and notes to 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 December 31, 2020 and 2019, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2020, 2019 and 2018, in accordance with Philippine Financial Reporting Standards (PFRS).

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.

Emphasis of Matter - Novel Coronavirus (COVID-19) Pandemic

We draw attention to Note 1 to the consolidated financial statements, which describes how the COVID-19 pandemic, the government mandated lockdown and travel restrictions significantly affected the Group's business operations. The Group, however, believes that it can continue as a going concern under these prevailing conditions with the initiatives it adopted in improving its cash and liquidity position, managing costs and improving operational efficiencies. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Valuation of Intangible Assets and Assessment of the Recoverable Amounts of Investment Property, Property and Equipment, Right-of-Use (ROU) Assets and Deferred Tax Assets

The Group carries a significant amount of intangible assets, investment property, property and equipment, ROU assets, and deferred tax assets as at December 31, 2020 and 2019. The carrying amount of intangible assets, investment property, property and equipment, ROU assets, and deferred tax assets amounted to ₱213.6 million, ₱126.9 million, ₱237.8 million, ₱80.9 million and ₱69.8 million, respectively, as at December 31, 2020. These assets comprise 47% of the Group's total consolidated assets as at December 31, 2020. Further, the Group is significantly affected by the COVID-19 pandemic. Under PFRS, the Group is required to assess annually the intangible assets with indefinite useful lives for possible impairment and assess other nonfinancial assets for impairment when there are indicators of impairment. The impairment tests were significant to our audit because the assessment process requires significant judgments and assumptions involving expected future financial performance, which mainly include estimation of future cash flows that are highly dependent on management's strategies and business plans to mitigate the continuing impact of the COVID-19 pandemic.

We reviewed the cash flow projections considered in the impairment assessment by the Group's management. We assessed and tested the reasonableness and appropriateness of the assumptions, methodologies and other data used by comparing them to external and historical data and by analyzing sensitivities in the Group's valuation model. We evaluated cash generating units whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount, and also assessed the appropriateness of its expected cash flow projections in a business environment that continues to be affected by the COVID-19 pandemic. For the recoverability of deferred tax assets, we also considered in our evaluation the extent and the timing when it is probable that the Group will have appropriate future taxable profit and the extent that tax planning opportunities available to the Group would create sufficient taxable profit, in consideration of the relevant taxation rules and regulations. Based on the procedures performed, we considered management's key assumptions to be within a reasonable range. We also assessed the adequacy of the disclosures in Notes 2, 3, 9, 10, 11 and 24 to the consolidated financial statements. No exceptions were noted.

Other Information

Management is responsible for the other information. The other information comprises the information included in SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

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 PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as 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.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Wilson P. Teo.

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. 92765-SEC Group A
Issued January 28, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-014-2020
Valid until January 1, 2023
PTR No. 8534283
Issued January 5, 2021, Makati City

April 10, 2021
Makati City, Metro Manila

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2020**	2019
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱350,824,146**	₱853,266,354
Trade and other receivables	6	**104,404,733**	83,566,374
Due from related parties	15	**139,903,014**	114,745,318
Merchandise inventories	7	**35,011,152**	49,907,654
Deposits and advance rentals	23	**110,171,602**	102,516,218
Other current assets	8	**37,934,520**	13,685,549
Total Current Assets		**778,249,167**	1,217,687,467
Noncurrent Assets			
Unamortized input value-added tax (VAT)		**1,791,459**	982,788
Investment property	9	**126,875,050**	–
Property and equipment	10	**237,782,743**	222,786,889
Right-of-use (ROU) assets	23	**80,874,880**	115,194,610
Advances to contractors	10	**35,086,878**	–
Intangible assets	11	**213,603,422**	214,385,788
Net deferred tax assets	24	**69,777,537**	25,375,831
Total Noncurrent Assets		**765,791,969**	578,725,906
		₱1,544,041,136	₱1,796,413,373
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	**₱55,499,779**	₱136,017,618
Current portion of:			
Notes payable	13	**138,922,678**	115,834,240
Mortgage payable	14	**2,695,005**	2,321,815
Lease liabilities	23	**21,101,793**	27,980,841
Due to related parties	15	**–**	663,821
Income tax payable		**10,079,093**	26,732,814
Total Current Liabilities		**228,298,348**	309,551,149

(Forward)

	Note	December 31 2020	2019
Noncurrent Liabilities			
Noncurrent portion of:			
Notes payable	13	**₱–**	₱75,269,897
Mortgage payable	14	**1,204,446**	2,348,845
Lease liabilities	23	**68,119,511**	92,241,490
Retirement benefits liability	16	**8,168,926**	5,407,430
Total Noncurrent Liabilities		**77,492,883**	175,267,662
Total Liabilities		**305,791,231**	484,818,811
Equity			
Capital stock	17	**213,368,000**	213,368,000
Additional paid-in capital	17	**777,837,044**	777,837,044
Retained earnings		**196,706,537**	266,111,391
Other equity reserves	4	**51,252,779**	55,192,582
Other comprehensive loss	16	**(914,455)**	(914,455)
Total Equity		**1,238,249,905**	1,311,594,562
		₱1,544,041,136	₱1,796,413,373

See accompanying Notes to Consolidated Financial Statements.

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2020**	2019	2018
REVENUE	18	**₱891,847,222**	₱1,945,184,563	₱1,579,205,736
DIRECT COSTS	19	**(356,478,659)**	(814,396,877)	(665,367,430)
GROSS PROFIT		**535,368,563**	1,130,787,686	913,838,306
SELLING AND DISTRIBUTION EXPENSES	20	**(493,018,940)**	(772,051,259)	(635,395,313)
GENERAL AND ADMINISTRATIVE EXPENSES	21	**(121,155,301)**	(182,220,088)	(131,451,739)
INTEREST EXPENSE	13	**(20,658,602)**	(38,664,963)	(16,065,157)
OTHER INCOME – Net	22	**26,788,920**	7,890,994	2,556,365
GAIN FROM BARGAIN PURCHASE	4	**–**	–	6,436,907
INCOME (LOSS) BEFORE INCOME TAX		**(72,675,360)**	145,742,370	139,919,369
PROVISION FOR (BENEFIT FROM) INCOME TAX	24			
Current		**19,794,400**	44,884,664	43,339,450
Deferred		**(44,401,706)**	(20,669,486)	(3,723,588)
		(24,607,306)	24,215,178	39,615,862
NET INCOME (LOSS)		**(48,068,054)**	121,527,192	100,303,507
OTHER COMPREHENSIVE LOSS				
Item not to be reclassified to profit or loss				
Remeasurement loss on retirement benefits liability (net of deferred income tax)	16	**–**	(868,167)	–
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE PARENT COMPANY		**(₱48,068,054)**	₱120,659,025	₱100,303,507
Basic and Diluted Earnings (Loss) per Share	25	**(₱0.0225)**	₱0.0739	₱0.0627

See accompanying Notes to Consolidated Financial Statements.

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31					
		Number of Shares			Amount		
	Note	**2020**	2019	2018	**2020**	2019	2018
Capital Stock	17						
Balance at beginning of year		**2,133,680,000**	1,600,000,000	1,600,000,000	**₱213,368,000**	₱160,000,000	₱160,000,000
Issuances		**–**	533,680,000	–	**–**	53,368,000	–
Balance at end of year		**2,133,680,000**	2,133,680,000	1,600,000,000	**213,368,000**	213,368,000	160,000,000
Additional Paid-in Capital	17						
Balance at beginning of year					**777,837,044**	–	–
Issuances					**–**	777,837,044	–
Balance at end of year					**777,837,044**	777,837,044	–
Retained Earnings							
Balance at beginning of year					**266,111,391**	158,584,199	103,781,012
Net income (loss)					**(48,068,054)**	121,527,192	100,303,507
Cash dividends	17				**(21,336,800)**	(14,000,000)	(45,500,320)
Balance at end of year					**196,706,537**	266,111,391	158,584,199

(Forward)

	Note	Years Ended December 31		
		Amount		
	Note	**2020**	2019	2018
Other Equity Reserves	4			
Balance at beginning of year		**55,192,582**	55,192,582	55,192,582
Acquisition of a subsidiary		**(3,939,803)**	–	–
Balance at end of year		**51,252,779**	55,192,582	55,192,582
Other Comprehensive Loss	16			
Balance at beginning of year		**(914,455)**	(46,288)	(46,288)
Remeasurement loss on net retirement benefits liability, net of deferred tax		**–**	(868,167)	–
Balance at end of year		**(914,455)**	(914,455)	(46,288)
		₱1,238,249,905	₱1,311,594,562	₱373,730,493

See accompanying Notes to Consolidated Financial Statements.

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**(₱72,675,360)**	₱145,742,370	₱139,919,369
Adjustments for:				
Depreciation and amortization	10	**118,487,665**	101,893,210	53,426,092
Interest expense	13	**20,658,602**	38,664,963	16,065,157
Interest income	5	**(15,407,074)**	(1,877,693)	(1,195,358)
Gain from:				
Rental concessions	23	**(7,362,437)**	–	–
Termination of lease	23	**(630,978)**	–	–
Retirement benefits cost	16	**2,761,496**	1,937,327	527,753
Unrealized foreign exchange loss (gain)	22	**(48,726)**	850,409	–
Gain from bargain purchase	4	**–**	–	(6,436,907)
Operating income before working capital changes		**45,783,188**	287,210,586	202,306,106
Decrease (increase) in:				
Trade and other receivables		**(21,730,709)**	(27,928,117)	(36,430,695)
Merchandise inventories		**14,454,012**	2,117,021	(13,058,745)
Deposits and advance rentals		**(7,655,384)**	(17,766,992)	(19,533,376)
Other current assets		**(9,879,476)**	(8,578,692)	(4,440,945)
Unamortized input VAT		**(808,671)**	1,396,598	(2,379,386)
Financial assets carried at fair value through profit or loss (FVPL)		**–**	–	11,236,373
Increase (decrease) in trade and other payables		**(85,212,824)**	23,335,622	64,281,550
Net cash generated from (used for) operations		**(65,049,864)**	259,786,026	201,980,882
Income taxes paid		**(35,555,770)**	(47,779,442)	(48,518,634)
Interest received		**15,407,074**	1,877,693	1,195,358
Interest paid		**(9,263,087)**	(28,186,315)	(16,065,157)
Net cash flows from operating activities		**(94,461,647)**	185,697,962	138,592,449
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Investment property	9	**(126,875,050)**	–	–
Property and equipment	10	**(97,702,315)**	(116,452,712)	(146,439,570)
A subsidiary, net of cash acquired	4	**(6,869,893)**	–	–
Intangible assets	11	**–**	(754,017)	(7,909,304)
Advances to contractors	10	**(35,086,878)**	–	–
Advances to related parties	15	**(25,157,696)**	(260,477,832)	(40,571,161)
Input VAT on the acquisition of land	9	**(15,000,000)**	–	–
Collections from related parties	15	**–**	186,303,675	7,082,438
Net cash flows from investing activities		**(306,691,832)**	(191,380,886)	(187,837,597)

(Forward)

	Note	Years Ended December 31 2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Notes payable	13	**(₱87,681,459)**	(₱307,536,378)	(₱247,135,896)
Lease liabilities	23	**(26,384,166)**	(29,449,542)	–
Cash dividends	17	**(21,336,800)**	(59,500,320)	–
Mortgage payable	14	**(2,939,209)**	(2,854,748)	(2,451,949)
Due to related parties	15	**(663,821)**	(96,783,725)	(1,254,719)
Proceeds from:				
Issuance of promissory notes	13	**35,500,000**	187,326,411	246,700,000
Availment of mortgage loan	14	**2,168,000**	1,564,000	3,987,769
Issuance of shares, net of share issue costs	17	**–**	831,205,044	–
Advances from related parties	15	**–**	75,331,166	15,462,843
Net cash flows from financing activities		**(101,337,455)**	599,301,908	15,308,048
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**48,726**	(850,409)	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(502,442,208)**	592,768,575	(33,937,100)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**853,266,354**	260,497,779	294,434,879
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱350,824,146**	₱853,266,354	₱260,497,779
SUPPLEMENTARY INFORMATION ON NONCASH ACTIVITIES				
Derecognition of:				
ROU assets		**(₱8,018,962)**	₱–	₱–
Lease liabilities		**(8,649,940)**	–	–
Recognition of:				
ROU assets	23	**–**	140,003,225	–
Lease liabilities	23	**–**	139,193,225	–
Reclassification of advances to suppliers to property and equipment	10	**–**	–	3,896,000
COMPONENTS OF CASH AND CASH EQUIVALENTS	5			
Cash on hand		**₱3,830,184**	₱2,394,334	₱1,460,954
Cash in banks		**148,853,555**	249,451,631	225,069,804
Short-term placements		**198,140,407**	601,420,389	33,967,021
		₱350,824,146	₱853,266,354	₱260,497,779

See accompanying Notes to Consolidated Financial Statements.

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 for Green Empire International Limited (GEIL) and Oceanic Luck Limited (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. *(doing business under the name and style of De Original Jamaican Pattie Shop & Juice Bar)* (NTI)	June 20, 1990
Buko ni Fruitas Inc. (BNFI)	May 17, 2005
Fruitasgroup Incorporated *(doing business under the name and style of Bukoloco, Fruitasicecandy and 7,107 Halo Halo Islands)* (FGI)	July 13, 2010
SoyKingdom, Inc. (SKI)	August 28, 2006
CocoDelivery, Inc. (CDI)	September 6, 2018
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. On November 29, 2019, the common shares of the Parent Company were listed and traded in the Philippine Stock Exchange (PSE) through an initial public offering (IPO) under the trading name "FRUIT".

The principal activities and percentage of ownership of the Parent Company's subsidiaries as at December 31, 2020, 2019 and 2018 are presented below.

Subsidiaries	Principal Activities	Principal Place of Business	Percentage of Ownership
Direct:			
NTI	Production, processing and distribution of goods	Philippines	100%
BNFI	Trading of goods	Philippines	100%
FGI	Trading of goods	Philippines	100%
SKI*	Trading of goods	Philippines	100%
CDI*	Trading of goods	Philippines	100%
Indirect:			
GEIL	Holding company	British Virgin Islands	100%
OLL	Holding company	Samoan Islands	100%

** acquired in 2020*

Changes in Ownership Structure

FHI. In 2020 and 2019, the Parent Company is 57.39% and 58.98%-owned, respectively, by LUSH PROPERTIES, INC. (LPI or the ultimate parent), a company incorporated and domiciled in the Philippines. LPI is engaged in leasing/real estate activities.

NTI. In June 2020, the Parent Company subscribed to additional 63,430 common shares at ₱255.00 per share or for a total consideration of ₱16.2 million.

In February 2020, NTI acquired the rights, title and interest to the assets of two stores of Kxn Kuxina Food Corporation ("Kuxina"), operating under the names and styles of Kuxina Ihaw Na! and Kuxina Filipino Fusion. Kuxina serves Filipino food dishes complementing the current brands of the Group. The assets acquired aggregated ₱1.0 million (see Note 4).

In December 2019, NTI acquired the assets of *Heat Stroke Grill* (HSG) from a sole proprietor for a total consideration of ₱368,000 (see Note 4).

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).

BNFI. In December 2019, the Parent Company subscribed to additional 60,000 shares at ₱300.00 for a total consideration of ₱18.0 million.

FGI. In November 2019, the Parent Company subscribed to additional 200,000 common shares and 80,000 preferred shares of FGI at ₱400.00 and ₱1,000.00 per share, respectively, for a total consideration of ₱160.0 million.

In October 2017, FGI's BOD and the stockholders approved the increase in authorized capital stock from ₱5.0 million divided into 500,000 common shares at ₱100.00 par value to ₱100.0 million divided into 1,000,000 common shares with the same par value. Out of the total increase, the Parent Company subscribed to 400,000 common shares at par and paid ₱82.0 million and recorded under "Deposit for stock subscription" account in the statements of financial position as at December 31, 2018. On December 13, 2019, the SEC approved the increase in authorized capital stock. Accordingly, deposits for stock subscription amounting to ₱82.0 million were converted into 400,000 shares at par value and the difference amounting to ₱42.0 million was recognized as APIC.

SKI. In February 2020, the Parent Company acquired 100% of the outstanding shares of SKI for a total consideration of ₱8.6 million. SKI, a domestic company, is engaged in the retail of soy-bean related products.

CDI. In March 2020, the Parent Company acquired 100% of the outstanding shares of CDI for a total consideration of ₱1.1 million. CDI, a domestic company, is engaged in distribution of fresh coconut water.

Impact of the Coronavirus (COVID-19) Pandemic
In March 2020, the World Health Organization (WHO) declared the COVID-19 outbreak as a global pandemic resulting to a nationwide lockdown and travel restrictions. There were stores that were temporarily closed and some permanently closed during the community quarantine periods. Pursuant to the directives of the WHO, the Department of Health and the local government, the Group implemented activities and programs to preserve the health of its employees and support the prevention of the contagion. Because of the prevailing condition, the revenue of the Group significantly declined in 2020 resulting in net loss in 2020.

It is not practicable to estimate the potential impact of the prevailing COVID-19 pandemic on the Group's operations after the reporting date. The country's economic recovery is dependent on measures adopted by the national government such as quarantine, travel restrictions and any economic stimulus that may be provided.

The Group implemented initiatives to improve its cash position and liquidity, which include reducing discretionary spending, delaying capital expenditures, rolled out procedures to ensure continuous delivery of their products using their newly acquired subsidiary, CDI, repurpose or upgrade some stores into delivery hubs, and also cost management measures and improving efficiencies across all areas of operations. Management believes that these initiatives can overcome the impact of the COVID-19 pandemic. It is projecting a turnaround with positive results of the Group's operations in the coming years.

Accordingly, the financial statements were prepared on the going concern basis.

Authorization for Issuance
The consolidated financial statements were approved and authorized for issuance by the BOD on April 10, 2021.

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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 (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations on International Financial Reporting Interpretations Committee (IFRIC).

Bases of Measurement
The consolidated financial statements of the Group have been prepared on a historical cost basis; and are presented in Philippine Peso (Peso), the Group's functional currency. All amounts are rounded to the nearest Peso, 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 28 to the consolidated financial statements.

Adoption of Amended PFRSs
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRSs.

Effective January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRSs - The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* - The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRSs. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Effective June 1, 2020 –

- Amendments to PFRS 16, *Leases - COVID-19 Related Rent Concessions* – The amendments provide practical relief to lessees for accounting for rent concessions arising due to the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under PFRS 16, if the change were not a lease modification.

  Due to the impact of the COVID-19 pandemic, the Group received rent concessions from lessors for leases related to its store outlets. The Group adopted the earlier application of the amendments to PFRS 16 and, accordingly, applied the practical expedient to all COVID-19-related rent concessions that meet all of the following criteria:

  a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

  b. any reduction in lease payments affects only payments originally due on or before June 30, 2021; and

  c. there is no substantive change to other terms and conditions of the lease.

  By applying the practical expedient, the Group is no longer required to remeasure the lease liabilities to reflect the revised consideration using a revised discount rate. Instead, the effect of the change in the lease liabilities is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs. The gain from rent concessions that was recognized in profit or loss in 2020 amounted to ₱7.4 million (see Note 23).

Under prevailing circumstances, the adoption of the foregoing amended PFRSs did not have any material effect on the consolidated financial statements of the Company, except for the adoption of the amendments to PFRS 16, *Leases - COVID-19-Related Rent Concessions*. Additional disclosures were included in the consolidated financial statements, as applicable.

Amended PFRSs Issued But Not Yet Effective

Relevant amended PFRSs, which are not yet effective as at December 31, 2020 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PAS 16, *Property, Plant and Equipment* - Proceeds Before Intended Use - the amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The sales proceeds, together with the costs of production associated with the sales are recognized in profit or loss.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* - Onerous Contracts: Costs of Fulfilling a Contract - the amendments clarify that the costs of fulfilling a contract comprise both the incremental costs (e.g., direct labor and materials); and an allocation of other direct costs (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendments to PFRS 9, *Financial Instruments* - Fees Included in the 10 percent Test for Derecognition of Financial Liabilities - The amendment clarifies that for the purpose of performing the 10 percent test for derecognition of financial liabilities, in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023 -

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRSs is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures were 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 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.

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 at the date of business combination.

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

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 December 31, 2020 and 2019, the Group has no financial instruments classified as financial assets at FVPL and FVOCI and financial liabilities at FVPL.

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 December 31, 2020 and 2019, the Group's cash and cash equivalents, trade and other receivables, due from related parties and construction bond (presented under "Other current assets") are classified under this category.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and which is subject to an insignificant risk of change in value.

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 December 31, 2020 and 2019, the Group's trade and other payables (except statutory payable), notes payable, mortgage payable, lease liabilities and due to related parties are classified under this category.

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.

Impairment
The Group records an allowance for expected credit loss (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

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
Financial assets and financial liabilities are offset and the net amount is 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.

Classification of Financial Instrument 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.

Merchandise Inventories
Merchandise inventories are carried at the lower of cost and net realizable value (NRV). The NRV of merchandise 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 merchandise inventories are 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

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. These are charged to appropriate asset or expense account upon receipt from suppliers.

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

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.

Creditable Input VAT. Revenue, expenses and assets are generally recognized net of the amount of VAT. This is measured at face amount less impairment in value, if any. The net amount of VAT recoverable from or payable to the taxation authority is presented as "Creditable input VAT" or "Output VAT" presented as part of "Statutory payable" under "Trade and other payables" in the consolidated statement of financial position.

Deferred Input VAT. Deferred input VAT represents the amount of input VAT on accruals and trade payables. Deferred input VAT that is expected to be realized within 12 months after the financial reporting period is classified as current. Otherwise, it is classified as noncurrent asset.

Unamortized Input VAT. In accordance with the Revenue Regulations (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.

Unamortized 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.

Creditable Withholding Taxes (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.

Advances to Contractors

Advances to contractors are recognized whenever the Group pays in advance for its purchase of various assets and services. These are measured at transaction price less any impairment in value and are reclassified to the corresponding asset account when the goods or services for which the advances were made are received or rendered.

Investment Property

Investment property, which pertains to a parcel of land, is held either to earn rental or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

The investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment property is stated at cost less impairment in value, if any.

An item of investment property is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development.

Property and Equipment

Property and equipment, except land and construction-in-progress (CIP), are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less impairment in value, if any.

Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

CIP represents warehouse under construction and is stated at cost. Cost includes costs of construction, labor and other direct costs. CIP is not depreciated until such time that the relevant assets are ready for use. This will be recognized as warehouse upon completion of the construction.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

Asset Type	Number of Years
Leasehold improvements	3 years or term of lease, whichever is shorter
Transportation equipment	5-10
Office furniture, fixtures and equipment	2-5
Store furniture, fixtures and equipment	2-5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits for the use of property and equipment.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use.

When property and equipment are sold or retired, their cost, accumulated depreciation and amortization and any allowance for impairment in value are eliminated and any resulting gain or loss is included in profit or loss.

Intangible Assets

Intangible assets are identifiable non-monetary assets of the Group without physical substance held for use in operations, the production of goods or services and for rental to others. This account includes the following:

Brand Names. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible asset is carried at cost less any accumulated impairment losses.

The Group assessed the useful life of brand names to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

Brand names with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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 to 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.

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

Additional Paid-in Capital. Additional paid-in capital represents the excess of proceeds or fair value of consideration received over par value.

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

Dividend Distribution. Dividends are recognized as a liability and deducted from equity when declared by the BOD and the shareholders of the Group. Dividends for the year that are declared after the reporting date are dealt with as an event after the reporting date.

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.

Earnings (Loss) per Share

Basic earnings (loss) per share is calculated by dividing the net income by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared and stock split.

Diluted earnings (loss) per share 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.

Revenue Recognition

Revenue

The Group generates revenue primarily from sale of goods and franchise fees.

Revenue from Contracts with Customers. Revenue from contracts 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.

Other Income

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

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 December 31, 2020 and 2019, 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 December 31, 2020 and 2019, 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.

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,

Revenue from Contracts with Customers. 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 December 31, 2020 and 2019, 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.

Direct Costs. Direct costs are costs directly related to the production and sale of goods and are recognized as expense when the related goods are sold or the related services are rendered.

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 recognized in profit or loss in the period when these are incurred.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business. These are recognized in profit or loss in the period when these are incurred.

Interest Expense. Interest expense includes interest expense and other finance costs. This 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.

Leases where the lessor transfers substantially all the risks and rewards of ownership of the asset are classified as finance leases, otherwise, operating leases.

At the commencement of the lease, finance leases should be recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Lease payments should be apportioned between the interest expense and the reduction of the outstanding liability.

The depreciation policy for assets held under finance leases should be consistent with that for owned assets. If there is no reasonable certainty that the lessee will obtain ownership at the end of the lease, the asset should be depreciated over the shorter of the lease term or the life of the asset.

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 assets 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 ten 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 or changes in lease payments in which the practical expedient on COVID-19 related rent concessions is applied.

For income tax reporting purposes, payments under operating lease agreements are treated as deductible expense in accordance with the terms of the lease agreements.

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.

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 rates 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 minimum corporate income tax (MCIT), 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 rates and tax laws that are 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.

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 in 2020, 2019 and 2018.

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.

Related party transactions are considered material and/or significant if i) these transactions amount to 10% or higher of the Group’s total assets or, ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Group’s total assets. Details of transactions entered into by the Group with related parties are reviewed by independent directors in accordance with the Group's related party transactions policy.

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 Period
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. In particular, the COVID-19 pandemic and the resulting adverse effects to the global economic conditions, as well as to the Group's operations, may impact future estimates including, but not limited to, the allowance for ECL, NRV of merchandise inventories, fair value measurements, impairment of nonfinancial assets, recognition of deferred tax assets, actuarial losses on retirement benefit plans and discount rate assumptions.

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 PFRS 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 not restate the financial information in the consolidated financial statements for periods prior to the reorganization of the entities under common control. The acquisition by the Parent Company of the subsidiaries was considered as a group reorganization of entities under common control is disclosed in 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 is disclosed in 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 the 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.

Classifying a Property. The Group determines whether a property is classified as investment property or property and equipment:

- Investment property which pertains to land which is not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but is held primarily to earn rental income and for capital appreciation.

- Property and equipment are tangible items that are held for use in the delivering or supply of goods or services and are expected to be used for more than one period. These are properties which are owner-occupied and are substantially for use of the Group or in the operations.

Properties classified as investment property and property and equipment are disclosed in Notes 9 and 10, respectively.

Classifying Lease Commitments - Group as a Lessor. 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 in 2020, 2019, and 2018 is disclosed in Note 23.

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 in 2018 is disclosed in Note 23.

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 leases 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 as at December 31, 2020 and 2019 is disclosed in Note 23.

Assessing the 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 27 to the consolidated financial statements.

The carrying amounts of the Group's trade and other receivables as at December 31, 2020 and 2019 is disclosed in Note 6.

Assessing ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using a 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.

No provision for ECL on other financial assets at amortized cost was recognized in 2020, 2019 and 2018. 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.

The carrying amounts of other financial assets at amortized cost are as follows:

Asset Type	Note	**2020**	2019
Cash and cash equivalents	5	**₱350,824,146**	₱853,266,354
Due from related parties	15	**139,903,014**	114,745,318
Construction bond	8	**2,857,541**	2,485,841

Estimating ROU Assets and Lease Liabilities. The Group's ROU assets and lease liabilities are initially measured at the present value of lease payments. In determining the appropriate discount rate, the Group considered readily available interest rate implicit in the lease agreements, interest rate on its borrowings and the term of each lease commitment. The Group determined that the incremental borrowing rate is readily available and presents the appropriate financing cost in leasing the underlying assets. The incremental borrowing rate is the rate that would cause the present value of the lease payments and unguaranteed residual to equal the sum of the fair value of the underlying assets and initial direct costs incurred.

The carrying amounts of ROU assets and lease liabilities are disclosed in Note 23. Rental expense incurred on short-term leases in 2020 and 2019 is disclosed in Note 23.

Assessing the Renewal Options of Lease Commitments. The Group's lease commitments contain renewal options exercisable by the Group prior the end of the non-cancelable contract period. Where practicable, the Group seeks to include the renewal options to provide operational flexibility. The Group assessed at lease commencement that it is not reasonably certain that the Group will exercise the renewal options. A reassessment is made whether it is reasonably certain to exercise the renewal options if there is a significant event or significant change in circumstances within its control.

Evaluating the 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 in 2020, 2019, and 2018. The carrying amount of merchandise inventories as at December 31, 2020 and 2019 is disclosed in Note 7.

Estimating the Useful Lives of Property and Equipment (except Land and CIP), ROU Assets and Intangible Assets. The useful lives of these 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. There were no changes in the estimated useful lives in 2020 and 2019.

The carrying amounts of property and equipment, intangible assets and ROU assets as at December 31, 2020 and 2019 are disclosed in Notes 10, 11 and 23, respectively.

Assessing the 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 December 31, 2020 and 2019 are greater than the corresponding carrying amounts of the CGUs as at the same dates.

No impairment loss was recognized in 2020, 2019 and 2018. The carrying amount of brand names as at December 31, 2020 and 2019 is disclosed in Note 11.

Assessing Impairment of Other Nonfinancial Assets. The Group assesses impairment of its nonfinancial assets 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 was recognized in 2020, 2019 and 2018. The carrying amounts of deposits and advance rentals, other current assets (except construction bond), property and equipment, software license, ROU assets and unamortized input VAT aggregated ₱593.2 million and ₱455.7 million as at December 31, 2020 and 2019, respectively.

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 16 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 and cumulative remeasurement losses on retirement benefits liability (net of deferred tax) recognized in equity as at December 31, 2020 and 2019 is disclosed in Note 16.

Assessing the Recognition of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount 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 within the period allowed by the tax regulations. Recognition of deferred tax assets is determined based on forecasted taxable income of the Group. This forecast is based on the Group's past results and future expectations on revenue and expenses.

Deferred tax assets as at December 31, 2020 and 2019 are disclosed in Note 24.

4. **Accounting for Business Acquisition and Group Reorganization**

Business Acquisition

As discussed in Note 1, the Parent Company acquired the net assets of SKI for a total consideration of ₱8.6 million in February 2020. Provisional fair values of the net assets acquired are as follows:

	Note	Amount
Cash		₱2,394,378
Inventories		442,490
Other current assets		88,889
Property and equipment	10	5,724,812
Trade and other payables		(50,569)
Fair values of net assets		8,600,000
Total consideration		8,600,000
Difference		₱–

Kxn Kuxina Food Corporation (Kuxina). On February 1, 2020, the Company acquired the rights, title and interest to the assets of the two owned-stores of Kuxina, operating under the names and styles of "Kuxina Ihaw Na!" and "Kuxina Filipino Fusion" and continuing the franchise agreements of eight other stores. Kuxina serves Filipino food dishes complementing the current brands of the Company. The assets acquired aggregated ₱1.0 million.

Heat Stroke Grill (HSG). In December 2019, the Company acquired the assets including recipes and marketing collateral of HSG from a sole proprietor for a total consideration of ₱368,000. These resulted to a business combination due to acquisition of the significant inputs, processes and outputs of HSG. The carrying amounts of the assets acquired approximate the fair values as at acquisition date. Hence, no goodwill nor gain from bargain purchase was recognized.

SLI. In July 2018, NTI acquired the assets of SLI and the brand name *Sabroso Lechon* for ₱28.3 million. 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 final fair values of the identifiable assets acquired and the resulting gain as at acquisition date:

	Note	Amount
Leasehold improvements	10	₱21,835,900
Brand name	11	11,188,398
Transportation equipment	10	1,010,083
Security deposit		720,000
Fair values of identifiable assets		34,754,381
Total consideration		28,317,474
Gain from bargain purchase		₱6,436,907

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 (FGI, BNFI, NTI) was considered as a group reorganization of entities under common control. Accordingly, the acquisition is accounted for based on the carrying amounts of the assets and liabilities of the subsidiaries. Accordingly, no goodwill was recognized. The effect of the pooling of interests amounted to ₱55.2 million recognized as part of "Other equity reserves" as at December 31, 2019 and 2018.

As discussed in Note 1, the Parent Company acquired 100% of the outstanding shares of CDI for ₱1.1 million in March 2020. The Parent Company and CDI are entities under common control. Accordingly, the acquisition is accounted for based on the carrying amounts of the assets and liabilities of CDI.

The carrying amounts of the assets and liabilities of CDI as at acquisition date are as follows:

	Note	Amount
Cash		₱460,714
Other current assets		44,714
Property and equipment	10	2,973,258
Accounts payable and other current liabilities		(1,757,301)
Advances from a related party		(4,536,203)
Net assets acquired		(2,814,818)
Amount paid by the Parent Company		1,124,985
Other equity reserve		(₱3,939,803)

5. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**₱3,830,184**	₱2,394,334
Cash in banks	**148,853,555**	249,451,631
Short-term placements	**198,140,407**	601,420,389
	₱350,824,146	₱853,266,354

Cash in banks earn interest at the prevailing bank deposit rates.

Short-term placements are made for three months depending on the immediate cash requirement of the Group and earns interest at the prevailing short-term placement rates.

Interest income earned amounted to ₱15.4 million, ₱1.9 million and ₱1.2 million in 2020, 2019 and 2018, respectively (see Note 22).

6. Trade and Other Receivables

This account consists of:

	2020	2019
Trade	**₱109,396,236**	₱83,210,054
Others	**–**	689,828
	109,396,236	83,899,882
Less allowance for doubtful accounts	**4,991,503**	333,508
	₱104,404,733	₱83,566,374

Movements in the allowance for doubtful accounts are as follows:

	Note	2020	2019
Balance at beginning of year		**₱333,508**	₱333,508
Provision for doubtful accounts	21	**4,657,995**	–
Balance at end of year		**₱4,991,503**	₱333,508

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

7. Merchandise Inventories

This account consists of:

	2020	2019
Food and beverages	**₱17,988,646**	₱28,746,503
Store supplies and others	**17,022,506**	21,161,151
	₱35,011,152	₱49,907,654

The Group's merchandise inventories are carried at cost, which is lower than its NRV. No inventory losses were recognized in 2020, 2019 and 2018.

Cost of merchandise inventories charged to "Direct costs" amounted to ₱305.7 million, ₱726.9 million and ₱590.1million in 2020, 2019 and 2018, respectively (see Note 19).

8. Other Current Assets

This account consists of:

	2020	2019
Input VAT:		
Creditable	**₱14,511,131**	₱767,437
Current portion of unamortized	**706,385**	1,241,420
Deferred	**–**	444,435
Advances to officers and employees	**10,698,888**	3,849,829
Spare parts, materials and supplies	**6,635,883**	–
Construction bond	**2,857,541**	2,485,841
Prepayments	**1,410,531**	3,912,261
Advances to suppliers	**729,455**	713,556
CWTs	**240,415**	110,067
Others	**144,291**	160,703
	₱37,934,520	₱13,685,549

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

Construction bond is collectible once the improvement is completed and transferred by the Group to the lessor.

Prepayments mainly consist of insurance, taxes and licenses and advertising.

Advances to suppliers were payments for goods pending delivery as at year-end.

9. Investment Property

On November 7, 2020, the Group purchased a parcel of land located in Sta. Mesa, Manila amounting to ₱126.9 million. The parcel of land will be held to earn rental.

Input VAT related to the purchased land amounted to ₱15.0 million.

Fair value of the investment property was not determined as at December 31, 2020. The management believes that the carrying amount of the investment property approximates its fair value given that the property has just been recently purchased.

No income was generated from the property, nor were direct expenses incurred in 2020.

10. **Property and Equipment**

The composition of and movements in this account follows:

	2020						
	Land	**CIP**	**Leasehold Improvements**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Store Furniture, Fixtures and Equipment**	**Total**
Cost							
Balance at beginning of year	**₱32,600,000**	**₱3,212,152**	**₱124,174,868**	**₱33,316,198**	**₱19,559,312**	**₱178,319,732**	**₱391,182,262**
Additions	**–**	**32,071,476**	**16,017,851**	**5,499,325**	**4,962,358**	**39,151,305**	**97,702,315**
Effect of business combination	**–**	**–**	**9,837,915**	**112,946**	**105,118**	**948,511**	**11,004,490**
Balance at end of year	**32,600,000**	**35,283,628**	**150,030,634**	**38,928,469**	**24,626,788**	**218,419,548**	**499,889,067**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**–**	**–**	**64,189,898**	**9,229,773**	**7,840,103**	**87,135,599**	**168,395,373**
Depreciation and amortization	**–**	**–**	**26,345,452**	**5,479,137**	**7,330,550**	**52,249,392**	**91,404,531**
Effect of business combination	**–**	**–**	**1,349,903**	**106,905**	**37,799**	**811,813**	**2,306,420**
Balance at end of year	**–**	**–**	**91,885,253**	**14,815,815**	**15,208,452**	**140,196,804**	**262,106,324**
Carrying Amount	**₱32,600,000**	**₱35,283,628**	**₱58,145,381**	**₱24,112,654**	**₱9,418,336**	**₱78,222,744**	**₱237,782,743**

	2019						
	Land	CIP	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Store Furniture, Fixtures and Equipment	Total
Cost							
Balance at beginning of year	₱13,000,000	₱–	₱108,386,609	₱21,215,577	₱11,735,524	₱120,391,840	₱274,729,550
Additions	19,600,000	3,212,152	15,788,259	12,100,621	7,823,788	57,927,892	116,452,712
Balance at end of year	32,600,000	3,212,152	124,174,868	33,316,198	19,559,312	178,319,732	391,182,262
Accumulated Depreciation and Amortization							
Balance at beginning of year	₱–	₱–	₱38,904,290	₱5,276,016	₱3,751,520	₱44,056,032	₱91,987,858
Depreciation and amortization	–	–	25,285,608	3,953,757	4,088,583	43,079,567	76,407,515
Balance at end of year	–	–	64,189,898	9,229,773	7,840,103	87,135,599	168,395,373
Carrying Amount	₱32,600,000	₱3,212,152	₱59,984,970	₱24,086,425	₱11,719,209	₱91,184,133	₱222,786,889

In 2019, the Group purchased parcels of land amounting to ₱19.6 million to be used for the expansion of operations in Visayas and Mindanao.

CIP represents a warehouse under construction. The estimated cost to complete amounted to ₱9.3 million as at December 31, 2020.

In 2020, the Group made advances to contractors aggregating ₱35.1 million for the construction of a new commissary and acquisition of store furniture and fixtures. As at December 31, 2020, the construction has not yet started.

The cost of fully depreciated and amortized property and equipment that are still in use by the Group amounted to ₱91.7 million and ₱37.4 million as at December 31, 2020 and 2019, respectively.

Transportation equipment with carrying amount of ₱5.3 million and ₱8.2 million as at December 31, 2020 and 2019, respectively, are held as security for the Group's mortgage payable (see Note 14).

Depreciation and amortization are summarized as follows:

	Note	**2020**	2019	2018
Property and equipment		**₱91,404,531**	₱76,407,515	₱52,053,515
ROU assets	23	**26,300,768**	24,808,615	–
Intangible assets	11	**782,366**	677,080	1,372,577
		₱118,487,665	₱101,893,210	₱53,426,092

Depreciation and amortization are charged to the following:

	Note	**2020**	2019	2018
Selling and distribution expenses	20	**₱86,334,564**	₱64,878,345	₱49,830,421
Direct costs	19	**15,296,270**	17,449,482	1,793,406
General and administrative expenses	21	**16,856,831**	19,565,383	1,802,265
		₱118,487,665	₱101,893,210	₱53,426,092

11. **Intangible Assets**

This account consists of:

		2020		
	Note	**Brand Names**	**Software License**	**Total**
Cost				
Balance at beginning and end of year		**₱211,348,448**	**₱5,193,830**	**₱216,542,278**
Accumulated Amortization				
Balance at beginning of year		**–**	**2,156,490**	**2,156,490**
Amortization	10	**–**	**782,366**	**782,366**
Balance at end of year		**–**	**2,938,856**	**2,938,856**
Carrying Amount		**₱211,348,448**	**₱2,254,974**	**₱213,603,422**

		2019		
	Note	Brand Names	Software License	Total
Cost				
Balance at beginning of year		₱211,348,448	₱4,439,813	₱215,788,261
Additions		–	754,017	754,017
Balance at end of year		211,348,448	5,193,830	216,542,278
Accumulated Amortization				
Balance at beginning of year		–	1,479,410	1,479,410
Amortization	10	–	677,080	677,080
Balance at end of year		–	2,156,490	2,156,490
Carrying Amount		₱211,348,448	₱3,037,340	₱214,385,788

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 2020 and 2019. The recoverable amount of each CGU, calculated using value in use, exceeded the carrying amount of the CGU as at December 31, 2020 and 2019.

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

Sensitivity Analysis. Generally, an increase (decrease) in the incremental after-tax cash flows will result in an increase (decrease) in the fair value of intangible assets. An increase (decrease) in discount rate will result in a decrease (increase) in the fair value of intangible assets.

Software License

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

12. Trade and Other Payables

This account consists of:

	Note	2020	2019
Trade		**₱32,553,614**	₱51,003,414
Accrued expenses:			
Salaries and wages		**7,108,375**	7,348,914
Rental		**6,578,449**	17,780,157
Professional fees	17	**–**	35,307,684
Others		**1,193,188**	3,497,523
Statutory payable		**8,066,153**	21,079,926
		₱55,499,779	₱136,017,618

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

Accrued expenses consist mainly of professional fees, rentals and unpaid salaries which are noninterest-bearing and are normally settled in the next financial year.

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

13. Notes Payable

In 2020 and 2019, the Group issued promissory notes to local commercial banks for working capital requirements at interest rates ranging from 4.25% to 9.50% per annum. The notes are payable in equal installments until 2021.

In 2018, the Group issued short-term promissory notes to local commercial banks to finance its working capital requirements aggregating ₱246.7 million. 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, the outstanding balances of the notes were rolled over under similar terms.

Movements in this account follow:

	2020	2019
Balance at beginning of year	**₱191,104,137**	₱311,314,104
Issuances	**35,500,000**	187,326,411
Payments	**(87,681,459)**	(307,536,378)
Balance at end of year	**138,922,678**	191,104,137
Less current portion	**138,922,678**	115,834,240
Noncurrent portion	**₱–**	₱75,269,897

Interest charged to operations is as follows:

	Note	2020	2019	2018
Lease liabilities	23	**₱11,395,516**	₱10,478,648	₱–
Notes payable		**8,793,472**	27,611,875	15,622,564
Mortgage payable	14	**469,614**	574,440	442,593
		₱20,658,602	₱38,664,963	₱16,065,157

14. Mortgage Payable

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

Movements in this account follow:

	2020	2019
Balance at beginning of year	**₱4,670,660**	₱5,961,408
Availments	**2,168,000**	1,564,000
Payments	**(2,939,209)**	(2,854,748)
Balance at end of year	**3,899,451**	4,670,660
Less current portion	**2,695,005**	2,321,815
Noncurrent portion	**₱1,204,446**	₱2,348,845

The loans are payable in monthly installments up to May 2023 with effective interests ranging from 7.35% to 14.56% per annum. Interest expense amounted to ₱469,614 and ₱574,440 in 2020 and 2019, respectively (see Note 13).

The loans are secured by a chattel mortgage on the transportation equipment with a total carrying amount of ₱5.3 million and ₱8.2 million as at December 31, 2020 and 2019, respectively (see Note 10).

The schedule of maturities of mortgage payable is as follows:

	Amount
2021	₱2,695,005
2022	1,095,526
2023	98,920
	₱3,889,451

15. Related Party Transactions

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

	Nature of	Amount of Transactions		Outstanding Balance	
Related Parties	Transactions	**2020**	2019	**2020**	2019
Due from Related Parties					
Entities Under Common Management	Advances	**₱25,157,696**	₱260,477,832		
	Collections	**–**	(186,303,675)	**₱139,903,014**	₱114,745,318
Due to Related Parties					
Stockholders	Payments	**(₱349,837)**	(₱18,659,472)		
	Advances	**–**	–	**₱–**	₱349,837
Entities Under Common Management	Payments	**(313,984)**	(78,124,253)		
	Advances	**–**	75,331,166	**–**	313,984
				₱–	₱663,821

Terms and Conditions of Transactions with Related Parties

Outstanding balances are unsecured, noninterest-bearing and settled in cash upon demand. 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 in 2020, 2019 and 2018.

Intercompany transactions eliminated in consolidation pertain to due to/from related parties, intercompany revenue and dividend income. Total due to/from related parties eliminated amounted to ₱204.5 million and ₱134.7 million as at December 31, 2020 and 2019, respectively. Intercompany revenue eliminated amounted to ₱55.5 million, ₱138.5 million and ₱103.4 million in 2020, 2019 and 2018, respectively. Dividend income of the Parent Company amounted to ₱21.0 million, ₱65.0 million and ₱20.0 million in 2020, 2019 and 2018, respectively.

Compensation of Key Management Personnel

Compensation of key management personnel, consisting of management fees, salaries and short-term benefits, amounted to ₱14.6 million, ₱25.1 million and ₱26.5 million in 2020, 2019 and 2018, respectively.

16. 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 retirement benefits are based on years of service and compensation on the last year of employment as determined by an external actuary using the projected credit unit method.

The Group did not obtain an updated actuarial valuation in 2020 because management has assessed that the effect on the consolidated financial statements of the difference between the retirement benefits cost recognized by the Group and that resulting from an updated actuarial valuation is not significant. The latest actuarial valuation report was obtained in 2019.

The table below summarizes the components of retirement benefits expense recognized in the consolidated statements of comprehensive income (see Note 21).

	2020	2019	2018
Current service cost	**₱2,489,854**	₱1,759,025	₱429,177
Interest cost	**271,642**	125,180	98,576
Increase in transitional liability	**–**	53,122	–
	₱2,761,496	₱1,937,327	₱527,753

Movements in the retirement benefits liability follow:

	2020	2019
Balance at beginning of year	**₱5,407,430**	₱2,229,865
Current service cost	**2,489,854**	1,759,025
Interest cost	**271,642**	125,180
Actuarial loss	**–**	1,240,238
Increase in transitional liability	**–**	53,122
Balance at end of year	**₱8,168,926**	₱5,407,430

The principal assumptions used in determining the Group's retirement benefits liability in 2020 and 2019 are as follows:

Discount rate	5.1%
Future salary increases	3.0%

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 2020.

	Effect on Retirement Benefits Liability	
	Discount Rate	Salary Projected Rate
+1%	(₱921,979)	₱1,254,060
-1%	1,210,409	(920,853)

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 benefits liability as at December 31, 2020 and 2019 is 26 years and 27 years, respectively.

The cumulative remeasurement loss recognized in other comprehensive income as at December 31, 2020 and 2019 amounted to ₱914,955, net of deferred tax asset of ₱372,071.

The table below shows the maturity profile of the undiscounted benefit payments:

	2020	2019
Less than one year	**₱1,043,201**	₱661,230
One year to less than five years	**806,330**	1,470,520
Five years to less than ten years	**1,235,976**	1,235,976
Ten years to less than fifteen years	**4,066,636**	6,643,124
Fifteen years to less than twenty years	**9,636,323**	10,283,899
Twenty years and above	**275,731,481**	276,003,847

17. **Equity**

Capital Stock

This account consists of:

	Number of Shares			Amount		
	2020	2019	2018	**2020**	2019	2018
Authorized Capital Stock						
Common - ₱0.10 par value						
Balance at beginning of year	**4,700,000,000**	4,700,000,000	5,000,000,000	**₱470,000,000**	₱470,000,000	₱500,000,000
Reclassification to preferred stock	**–**	–	(300,000,000)	**–**	–	(30,000,000)
Balance at end of year	**4,700,000,000**	4,700,000,000	4,700,000,000	**470,000,000**	470,000,000	470,000,000
Preferred - ₱0.01 par value						
Balance at beginning of year	**3,000,000,000**	3,000,000,000	–	**30,000,000**	30,000,000	–
Reclassification from common stock	**–**	–	3,000,000,000	**–**	–	30,000,000
Balance at end of year	**3,000,000,000**	3,000,000,000	3,000,000,000	**30,000,000**	30,000,000	30,000,000
	7,700,000,000	7,700,000,000	7,700,000,000	**₱500,000,000**	₱500,000,000	₱500,000,000
Issued and Outstanding- Common						
Balance at beginning of year	**2,133,680,000**	1,600,000,000	1,600,000,000	**₱213,368,000**	₱160,000,000	₱160,000,000
Issuances	**–**	533,680,000	–	**–**	53,368,000	–
Balance at end of year	**2,133,680,000**	2,133,680,000	1,600,000,000	**213,368,000**	213,368,000	160,000,000
				₱213,368,000	₱213,368,000	₱160,000,000

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 500,000,000 shares to 5,000,000,000 shares.

On February 26, 2018, the SEC approved the i) increase in the Parent Company’s total authorized capital stock to ₱500.0 million divided into (a) 3,000,000,000 preferred shares at ₱0.01 par value a share, and (b) 4,700,000,000 common shares at ₱0.10 par value a share; and ii) reclassification of 3,000,000,000 common shares to preferred shares.

On August 24, 2019, the stockholders and the BOD authorized the Parent Company’s Public Offering of its common shares with the PSE. This was approved by the SEC and the PSE on October 17, 2019 and October 23, 2019, respectively. On November 29, 2019, the Parent Company’s 533,660,000 common shares were officially listed on the PSE with an Oversubscription Option of up to 68,340,000 common shares at an offer price of ₱1.68 a share.

The Offer Period was from November 18, 2019 to November 22, 2019. The trading of the shares commenced on November 29, 2019.

Preferred Shares

The features of the preferred shares follow:

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

Additional Paid-in Capital

Additional paid-in capital represents the excess of the amounts received over the par value of the shares issued, net of directly attributable transaction costs on the Parent Company’s IPO. Details are as follows:

Proceeds in excess of par value	₱843,182,800
IPO expenses	65,345,756
Additional paid-in capital	₱777,837,044

In 2019, IPO expenses were charged as follows:

Additional paid-in capital	₱65,345,756
General and administrative expenses	6,891,892
Input VAT	975,843
Deferred input VAT	444,435
	₱73,657,926

IPO expenses include professional, listing, underwriting and advertising fees. Of the total IPO expenses, ₱35.3 million was accrued as at December 31, 2019 (see Note 12).

Retained Earnings
The Parent Company's BOD and stockholders declared the following cash dividends:

			Amounts Paid	
Date of Declaration	Stockholders of Record	Date of Payment	Per Share	Total
August 27, 2020	**August 27, 2020**	**September 18, 2020**	**₱.01**	**₱21,336,800**
June 27, 2019	June 27, 2019	June 27, 2019	0.00875	14,000,000
December 27, 2018	December 27, 2018	March 31, 2019	₱0.0284	₱45,500,320

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:

	2020	2019
Total debt	**₱305,791,231**	₱484,818,811
Total equity	**1,238,249,905**	1,311,594,562
Debt-to-equity ratio	**0.25:1**	0.37:1

Pursuant to the PSE's rules on minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. The public ownership is about 36.36% and 20.00% as at December 31, 2020 and 2019, respectively.

The total number of shareholders of the Company as at December 31, 2020 and 2019 is 124 and 131, respectively.

18. Revenue

This account consists of:

	Note	**2020**	2019	2018
Net sales		**₱872,989,411**	₱1,904,664,106	₱1,533,709,139
Franchise fees	23	**13,204,275**	32,956,171	36,055,210
Rental income	23	**5,653,536**	7,564,286	9,441,387
		₱891,847,222	₱1,945,184,563	₱1,579,205,736

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	**2020**	2019	2018
Sale of goods:				
Luzon		**₱663,801,125**	₱1,534,613,722	₱1,267,576,409
Visayas		**163,309,752**	273,436,992	189,588,562
Mindanao		**45,878,534**	96,613,392	76,544,168
		872,989,411	1,904,664,106	1,533,709,139
Franchise fees	23	**13,204,275**	32,956,171	36,055,210
		₱886,193,686	₱1,937,620,277	₱1,569,764,349

19. Direct Costs

This account consists of:

	Note	**2020**	2019	2018
Direct materials used	7	**₱305,734,523**	₱726,901,305	₱590,119,121
Salaries, wages and other employee benefits		**30,967,806**	62,214,295	54,426,242
Depreciation and amortization	10	**15,296,270**	17,449,482	1,793,406
Taxes and licenses		**2,362,716**	1,834,302	1,703,580
Utilities		**2,117,344**	5,997,493	5,554,421
Rental	23	**–**	–	11,770,660
		₱356,478,659	₱814,396,877	₱665,367,430

Salaries, wages and other employee benefits pertain to outside services and salaries and wages of personnel performing tasks directly related to the production of merchandise inventories.

20. **Selling and Distribution Expenses**

This account consists of:

	Note	**2020**	2019	2018
Salaries, wages and other employees' benefits		**₱179,729,298**	₱258,421,846	₱216,572,517
Rental	23	**112,862,133**	256,316,266	211,686,714
Depreciation and amortization	10	**86,334,564**	64,878,345	49,830,421
Utilities		**33,538,578**	53,976,937	41,418,652
Outside services		**25,477,660**	49,105,262	48,357,966
Advertisement		**17,651,552**	22,698,253	7,248,047
Transportation and travel		**13,953,403**	23,742,565	15,421,832
Repairs and maintenance		**8,410,853**	11,888,628	15,404,542
Distribution supplies		**3,291,136**	15,162,433	14,750,705
Management fees		**4,636,880**	6,490,665	–
Insurance		**2,236,662**	2,993,768	1,534,864
Training and development		**1,839,061**	3,277,597	2,081,264
Others		**3,057,160**	3,098,694	11,087,789
		₱493,018,940	₱772,051,259	₱635,395,313

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

Outside services pertain to salaries of service crews from agencies.

21. **General and Administrative Expenses**

This account consists of:

	Note	**2020**	2019	2018
Taxes and licenses		**₱31,316,074**	₱39,969,877	₱20,484,457
Salaries, wages and other employees' benefits		**29,871,308**	58,264,834	65,597,885
Depreciation and amortization	10	**16,856,831**	19,565,383	1,802,265
Professional fees		**7,853,681**	22,045,256	6,374,823
Outside Services		**6,834,353**	–	–
Representation		**5,916,663**	6,368,030	4,211,521
Provision for doubtful account	6	**4,657,995**	–	–
Retirement benefits	16	**2,761,496**	1,937,327	527,753
Office supplies		**2,695,335**	7,062,008	3,462,367
Utilities		**2,530,105**	5,969,141	–
Rental	23	**1,462,885**	2,239,229	5,033,819
Management fees		**309,204**	5,599,091	22,262,857
IPO expenses		**–**	6,891,892	–
Reorganization costs		**–**	–	221,599
Others		**8,089,371**	6,308,020	1,472,393
		₱121,155,301	₱182,220,088	₱131,451,739

22. **Other Income** - Net

This account consists of:

	Note	**2020**	2019	2018
Interest income	5	**₱15,407,074**	₱1,877,693	₱1,195,358
Gain on:				
Rental concessions	23	**7,362,437**	–	–
Derecognition of ROU assets and lease liabilities	23	**630,978**	–	–
Unrealized foreign exchange gain (loss)		**48,726**	(850,409)	–
Others		**3,339,705**	6,863,710	1,361,007
		₱26,788,920	₱7,890,994	₱2,556,365

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

23. **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:

	2020	2019
Rental deposits	**₱99,462,827**	₱93,358,862
Advance rentals	**10,708,775**	9,157,356
	₱110,171,602	₱102,516,218

The rental deposits will be applied against any unpaid rentals and other expenses related to the lease upon termination while the advance rentals will be utilized as rental payments for the last two to three months of the lease term.

Rental expense is charged to operations as follows:

	Note	**2020**	2019	2018
Selling and distribution expenses	20	**₱112,862,133**	₱256,316,266	₱211,686,714
General and administrative expenses	21	**1,462,885**	2,239,229	5,033,819
Direct costs	19	**–**	–	11,770,660
		₱114,325,018	₱258,555,495	₱228,491,193

Group as Lessee - Long-term Lease

The Group entered into noncancellable leases on outlets spaces, land and building with lease terms ranging from three to ten years subject to renewal. These leases have a fixed monthly rental subject to escalation clause.

The balance of and movements in ROU assets follows:

		2020		
	Note	**Outlets Spaces**	**Land and Building**	**Total**
Cost				
Balance at beginning of year		**₱53,733,063**	**₱86,270,162**	**₱140,003,225**
Termination of lease		**(6,078,219)**	**(5,529,518)**	**(11,607,737)**
Balance at end of year		**47,654,844**	**80,740,644**	**128,395,488**
Accumulated Amortization				
Balance at beginning of year		**10,427,361**	**14,381,254**	**24,808,615**
Amortization	10	**11,305,432**	**14,995,336**	**26,300,768**
Termination of lease		**(1,653,444)**	**(1,935,331)**	**(3,588,775)**
Balance at end of year		**20,079,349**	**27,441,259**	**47,520,608**
Carrying Amount		**₱27,575,495**	**₱53,299,385**	**₱80,874,880**

		2019		
	Note	Outlets Spaces	Land and Building	Total
Cost				
Balance at beginning of year		₱46,459,204	₱66,967,516	₱113,426,720
Additions		7,273,859	19,302,646	26,576,505
Balance at end of year		53,733,063	86,270,162	140,003,225
Accumulated Amortization				
Amortization	10	(10,427,361)	(14,381,254)	(24,808,615)
Carrying Amount		₱43,305,702	₱71,888,908	₱115,194,610

The balance of and movements in lease liabilities follows:

		2020		
	Note	**Outlets Spaces**	**Land and Building**	**Total**
Balance at beginning of year		**₱46,430,167**	**₱73,792,164**	**₱120,222,331**
Rental payments		**(8,781,096)**	**(17,603,070)**	**(26,384,166)**
Termination of lease		**(4,725,046)**	**(3,924,894)**	**(8,649,940)**
Interest	13	**4,052,651**	**7,342,865**	**11,395,516**
Gain from rent concessions		**(5,505,499)**	**(1,856,938)**	**(7,362,437)**
Balance at end of year		**31,471,177**	**57,750,127**	**89,221,304**
Less current portion		**8,382,389**	**12,719,404**	**21,101,793**
Noncurrent portion		**₱23,088,788**	**₱45,030,723**	**₱68,119,511**

	Note	2019		
		Outlets Spaces	Land and Building	Total
Balance at beginning of year		₱46,459,204	₱66,967,516	₱113,426,720
Additions		7,273,859	18,492,646	25,766,505
Rental payments		(11,051,535)	(18,398,007)	(29,449,542)
Interest	13	3,748,639	6,730,009	10,478,648
Balance at end of year		46,430,167	73,792,164	120,222,331
Less current portion		11,245,073	16,735,768	27,980,841
Noncurrent portion		₱35,185,094	₱57,056,396	₱92,241,490

The incremental borrowing rates applied to the lease liabilities range 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 follows:

	Note	**2020**	2019
Rental expense - short-term lease		**₱114,325,018**	₱258,555,495
Depreciation and amortization of ROU assets	10	**26,300,768**	24,808,615
Interest expense on lease liabilities	13	**11,395,516**	10,478,648
Gain from rent concessions		**(7,362,437)**	–
Gain from termination of lease		**(630,978)**	–
		₱144,027,887	₱293,842,758

Lease commitments for short-term leases amounted to ₱69.7 million and ₱115.6 million as at December 31, 2020 and 2019, respectively.

<u>Lease with Variable Payments</u>
The Group has lease contracts that contain variable lease payments based on generated revenue. These terms are negotiated by management for certain location with steady customer demand. Management's objective is to align the lease expense with revenue earned. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

	2020		
	Fixed payments	**Variable payments**	**Total**
Fixed rent only	**₱45,281,605**	**₱–**	**₱45,281,605**
Variable rent with minimum payment	**63,630,809**	**35,135,799**	**98,766,608**
Variable rent only	**–**	**2,614,497**	**2,614,497**
	₱108,912,414	**₱37,750,296**	**₱146,662,710**

	2019		
	Fixed payments	Variable payments	Total
Fixed rent only	₱49,363,036	₱–	₱49,363,036
Variable rent with minimum payment	151,633,536	74,388,738	226,022,274
Variable rent only	–	6,350,697	6,350,697
	₱200,996,572	₱80,739,435	₱281,736,007

A 5% increase in revenue would increase total variable lease payments by 5%.

Lease with Extension Options
The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgment in determining whether these extension options are reasonably certain to be exercised (see Note 3).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

Extension options expected not to be exercised:	**2020**	2019
Not later than one year	**₱191,063,375**	₱204,439,859
More than one year but less than five years	**182,607,938**	254,456,801
	₱373,671,313	₱458,896,660

COVID-19-Related Rent Concessions - amendment to PFRS 16 Leases
In 2020, many lessors have provided rent concessions to the Group as a result of the COVID-19 pandemic. Rent concessions include rent holidays or rent reductions for a certain period of time. The Group elected not to assess whether a COVID-19 related rent concession from a lessor is a lease modification but has applied the practical expedient to all rent concessions that meet the conditions for the practical expedient.

Gain from rent concessions presented under "Other income" account in the 2020 consolidated statement of comprehensive income amounted to ₱7.4 million.

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 ₱5.7 million, ₱7.6 million and ₱9.4 million in 2020, 2019 and 2018, respectively (see Note 18).

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 ₱13.2 million, ₱33.0 million and ₱36.1 million in 2020, 2019 and 2018, respectively (see Note 18).

24. **Income Taxes**

The Group's provision for current income tax pertains to regular corporate income tax (RCIT) and MCIT.

The presentation of benefit from deferred income tax is as follows:

	2020	2019	2018
Through profit or loss	**₱44,401,706**	₱20,669,486	₱3,723,588
Through other comprehensive income	**–**	372,071	–
	₱44,401,706	₱21,041,557	₱3,723,588

The details of the Group's net deferred tax assets follow:

	2020	2019
Deferred tax assets:		
NOLCO	**₱55,240,858**	₱22,745,283
MCIT	**8,522,398**	318,505
Lease liabilities, net of ROU assets	**2,503,929**	1,508,317
Retirement benefits liability	**2,450,678**	1,622,229
Allowance for doubtful accounts	**1,497,451**	100,052
Unrealized foreign exchange loss	**–**	255,123
	70,215,314	26,549,509
Deferred tax liabilities:		
Prepayments	**423,159**	1,173,678
Unrealized foreign exchange gain	**14,618**	–
	437,777	1,173,678
	₱69,777,537	₱25,375,831

The deferred tax asset on NOLCO of subsidiary amounting to ₱809,541 and ₱630,174 as at December 31, 2020 and 2019, respectively, was not recognized as management has assessed that there will be no sufficient future taxable income against which the benefit of the deferred tax asset can be utilized within the period allowed by the tax regulations.

As mandated by Section 4 of Republic Act No. 11494 or the "Bayanihan to Recover as One Act" and as implemented under Revenue Regulations No. 25-2020, the net operating loss of a business enterprise incurred for the taxable years 2020 and 2021 can be carried over as a deduction from taxable income for the next five consecutive taxable years following the year of such loss.

The details of the Group's NOLCO are as follows:

Year Incurred	Amount	Incurred	Applied	Balance	Expiry Date
2020	₱–	₱117,156,137	₱–	₱117,156,137	2025
2019	66,789,824	–	–	66,789,824	2022
2018	9,689,565	–	(6,800,863)	2,888,702	2021
2017	1,438,801	–	(1,438,801)	–	2020
	₱77,918,190	₱117,156,137	(₱8,239,664)	₱186,834,663	

The details of the Group's MCIT are as follows:

Year Incurred	Amount	Incurred	Applied	Balance	Expiry Date
2020	₱–	₱8,203,893	₱–	₱8,203,893	2023
2019	318,505	–	–	318,505	2022
	₱318,505	₱8,203,893	₱–	₱8,522,398	

The reconciliation of income tax expense (benefit) computed at the statutory tax rate and the effective tax rate follows:

	2020	2019	2018
At statutory tax rate	**(₱21,802,608)**	₱43,722,711	₱41,975,811
Tax effects of:			
Interest income already subjected to final tax	**(4,622,122)**	(563,308)	(358,607)
Nondeductible expenses	**1,638,057**	432,750	818,529
Nontaxable income	**–**	–	(1,931,072)
Expired NOLCO	**–**	226,752	10,620
IPO expenses charged against APIC	**–**	(19,603,727)	–
Change in unrecognized deferred tax asset	**179,367**	–	(669,012)
Effect of consolidation	**–**	–	(230,407)
At effective tax rate	**(₱24,607,306)**	₱24,215,178	₱39,615,862

On March 26, 2021, RA No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Act" (the "Act") was signed into law by the President of the Philippines. Under the Act, domestic corporations will be subject to 25% or 20% RCIT depending on the amount of total assets or total amount of taxable income. In addition, MCIT shall be computed at 1% of gross income for a period of three years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

25. Earnings (Loss) per Share

Basic and diluted earnings (loss) per share are computed as follows:

	2020	2019	2018
Net income (loss) attributable to equity holders of the Parent Company	**(₱48,068,054)**	₱121,527,192	₱100,303,507
Divided by weighted average number of outstanding common shares	**2,133,680,000**	1,644,472,000	1,600,000,000
	(₱0.0225)	₱0.0739	₱0.0627

Diluted earnings (loss) per share equals the basic earnings (loss) per share as the Parent Company does not have any dilutive potential common shares at the end of each of the periods presented.

26. **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:

			Financing Cash Flows			
	2019	**Effect of PFRS 16**	**Proceeds**	**Payments**	**Interest**	**2020**
Notes payable	**₱191,104,137**	**₱–**	**₱35,500,000**	**(₱87,681,459)**	**₱–**	**₱138,922,678**
Mortgage payable	**4,670,660**	**–**	**2,168,000**	**(2,939,209)**	**–**	**3,899,451**
Lease liabilities	**120,222,331**	**(16,012,377)**	**–**	**(26,384,166)**	**11,395,516**	**89,221,304**
Due to related parties	**663,821**	**–**	**–**	**(663,821)**	**–**	**–**
	₱316,660,949	**(₱16,012,377)**	**₱37,668,000**	**(₱117,668,655)**	**₱11,395,516**	**₱232,043,433**

			Financing Cash Flows			
	2018	Effect of PFRS 16	Proceeds	Payments	Interest	2019
Notes payable	₱311,314,104	₱–	₱187,326,411	(₱307,536,378)	₱–	₱191,104,137
Lease liabilities	–	139,193,225	–	(29,449,542)	10,478,648	120,222,331
Mortgage payable	5,961,408	–	1,564,000	(2,854,748)	–	4,670,660
Due to related parties	22,116,380	–	75,331,166	(96,783,725)	–	663,821
	₱339,391,892	₱139,193,225	₱264,221,577	(₱436,624,393)	₱10,478,648	₱316,660,949

27. **Financial Instruments Risk Management Objectives and Policies**

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, due from related parties, 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:

	2020	2019
Cash and cash equivalents	**₱350,824,146**	₱853,266,354
Trade and other receivables	**104,404,733**	83,899,882
Due from related parties	**139,903,014**	114,745,318
Construction bond	**2,857,541**	2,485,841
	₱597,989,434	₱1,054,397,395

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:

	2020				
	Neither Past Due nor Impaired				
	High Grade	**Standard Grade**	**Past Due but Not Impaired**	**Impaired**	**Total**
Cash and cash equivalents	**₱350,824,146**	**₱–**	**₱–**	**₱–**	**₱350,824,146**
Trade and other receivables	**–**	**104,404,733**	**–**	**4,991,503**	**109,396,236**
Due from related parties	**–**	**139,903,014**	**–**	**–**	**139,903,014**
Construction bond	**–**	**2,857,541**	**–**	**–**	**2,857,541**
	₱350,824,146	**₱247,165,288**	**₱–**	**₱4,991,503**	**₱602,980,937**

	2019				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past Due but Not Impaired	Impaired	Total
Cash and cash equivalents	₱853,266,354	₱–	₱–	₱–	₱853,266,354
Trade and other receivables	–	83,566,374	–	333,508	83,899,882
Due from related parties	–	114,745,318	–	–	114,745,318
Construction bond	–	2,485,841	–	–	2,485,841
	₱853,266,354	₱200,797,533	₱–	₱333,508	₱1,054,397,395

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. Allowance for expected credit loss for trade receivables amounted to ₱5.0 million and ₱0.3 million as at December 31, 2020 and 2019, respectively. Management assessed that the allowance is sufficient to cover the ECL of trade receivables of the Group.

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 construction bond and 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 note 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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's note payable and mortgage payable with variable interest rates as disclosed in Notes 13 and 14, respectively.

The management has assessed that any variation in the interest rate will not have a material impact on the net profit or loss of the Group.

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:

a. To ensure that adequate funding is available at all times;
b. To meet commitments as they arise without incurring unnecessary costs; and
c. 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:

	2020					
	Payable on Demand	**1 to 120 Days**	**121 to 240 Days**	**241 to 360 Days**	**Over 360 Days**	**Total**
Trade and other payables*	**₱–**	**₱47,433,626**	**₱–**	**₱–**	**₱–**	**₱47,433,626**
Notes payable	**–**	**73,000,000**	**10,922,678**	**55,000,000**	**–**	**138,922,678**
Mortgage payable	**–**	**1,245,578**	**721,232**	**728,195**	**1,204,446**	**3,899,451**
Lease liabilities	**501,067**	**10,209,378**	**10,209,378**	**10,209,378**	**61,371,434**	**92,500,635**
Future interests	**–**	**1,135,307**	**219,448**	**37,761**	**43,200**	**1,435,716**
	₱501,067	**₱133,023,889**	**₱22,072,736**	**₱65,975,334**	**₱62,619,080**	**₱284,192,106**

** Except statutory payable.*

	2019					
	Payable on Demand	1 to 120 Days	121 to 240 Days	241 to 360 Days	Over 360 Days	Total
Trade and other payables*	₱–	₱114,937,692	₱–	₱–	₱–	₱114,937,692
Notes payable	–	24,137,404	73,582,321	18,114,515	75,269,897	191,104,137
Mortgage payable	–	956,006	752,095	613,714	2,348,845	4,670,660
Lease liabilities	–	11,341,629	11,655,486	11,562,845	107,024,299	141,584,259
Future interests	–	1,099,088	505,078	482,420	1,457,607	3,544,193
Due to related parties	663,281	–	–	–	–	663,281
	₱663,281	₱152,471,819	₱86,494,980	₱30,773,494	₱186,100,648	₱456,504,222

** Except statutory payable.*

28. **Fair Value Measurement**

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

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets at Amortized Cost				
Cash and cash equivalents	**₱350,824,146**	**₱350,824,146**	₱853,266,354	₱853,266,354
Trade and other receivables	**104,404,733**	**104,404,733**	83,566,374	83,566,374
Due from related parties	**139,903,014**	**139,903,014**	114,745,318	114,745,318
Construction bond	**2,857,541**	**2,857,541**	2,485,841	2,485,841
	₱597,989,434	**₱597,989,434**	₱1,054,063,887	₱1,054,063,887
Financial Liabilities at Amortized Cost				
Trade and other payables*	**₱47,661,005**	**₱47,661,005**	₱114,937,692	₱114,937,692
Notes payable	**138,922,678**	**138,922,678**	191,104,137	151,707,484
Lease liabilities	**89,221,304**	**90,412,634**	120,222,331	127,027,608
Mortgage payable	**3,899,451**	**3,899,451**	4,670,660	4,893,118
Due to related parties	**–**	**–**	663,821	663,821
	₱279,704,438	**₱280,895,768**	₱431,598,641	₱399,229,723

** Except statutory payable.*

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, Construction Bond, Trade and Other Payables (Except Statutory Payable), Due to Related Parties and Dividends Payable. The carrying amounts of these financial instruments approximate their fair values due to the relatively short-term maturity of these financial instruments.

Notes Payable, Lease Liabilities and Mortgage Payable. 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 of the financial statements (significant observable inputs). The rate applied to notes and mortgage payable range from 2.42% to 3.76%, while rates applied to lease liabilities range from 7.30% to 8.35%.

29. **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 2020, 2019 and 2018.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

BDO Towers Valero (formerly Citibank Tower)
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Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

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

We have audited the consolidated financial statements of FRUITAS HOLDINGS, INC. (the "Parent Company" and subsidiary of LUSH PROPERTIES, INC.) and Subsidiaries as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, on which we have rendered our report dated April 10, 2021.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Parent Company has 124 stockholders and 131 stockholders owning one hundred (100) or more shares each as at December 31, 2020 and 2019, respectively.

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. 92765-SEC Group A
Issued January 28, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-014-2020
Valid until January 1, 2023
PTR No. 8534283
Issued January 5, 2021, Makati City

April 10, 2021
Makati City, Metro Manila

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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 consolidated financial statements of FRUITAS HOLDINGS, INC. (a subsidiary of LUSH PROPERTIES, INC.)and Subsidiaries (the "Group") as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, and have issued our report thereon dated April 10, 2021.

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 Group's management. These supplementary schedules include the following:

- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code Rule 68 as at December 31, 2020
- Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2020
- Schedule for Listed Companies with a Recent Offering of Securities to the Public as at December 31, 2020
- Conglomerate Map as at December 31, 2020

These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. The information in these supplementary schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

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FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II of THE REVISED SRC RULE 68
DECEMBER 31, 2020

N/A - Not applicable

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2020

Description	Number of Shares or Principal Amount of bonds and notes	Amount Shown in the Statement of Financial Position	Income received and accrued
Cash in banks	–	₱148,853,555	₱4,560,955
Short-term placements	–	198,140,407	10,846,119
Trade and other receivables	–	104,404,733	–
Due from related parties	–	139,903,014	–
Construction bond	–	2,857,541	–
		₱594,159,250	₱15,407,074

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)
DECEMBER 31, 2020

	Balance at beginnning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Due from related parties	₱114,745,318	₱25,157,696	₱–	₱ –	₱139,903,014	₱–	₱139,903,014

FRUITAS HOLDINGS, INC.
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AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

			Ending Balance				
Name and designation of debtor	Balance at beginnning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Due from related parties	₱134,745,318	₱69,727,194	₱–	₱–	₱204,472,512	₱–	₱204,472,512

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2020

Title of Issue and Type of Obligation	Amount Shown as Current	Amount Shown as Long-Term	Total
Notes payable	₱138,922,678	₱–	₱138,922,678
Mortgage payable	2,695,005	1,204,446	3,899,451
	₱141,617,683	₱1,204,446	₱142,822,129

Note: The terms, interest rates, collaterals and other relevant information are shown in the Notes 13 and 14 to the Consolidated Financial Statements.

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2020

				Number of shares held by		
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 - ₱0.10 par value	4,700,000,000	2,133,680,000	–	–	1,357,864,010	775,815,990

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2020

Parent Company's unappropriated retained earnings, as adjusted to available for dividend declaration, at beginning of year	₱167,143,586
Add net income actually earned/realized during the year:	
Net loss during the year closed to retained earnings	38,940,137
Provision for income tax - deferred	2,192,280
	41,132,417
Total unappropriated retained earnings	208,276,003
Less dividends declared during the year	(21,336,800)
Parent Company's unappropriated retained earnings at end of year available for dividend declaration	₱186,939,203

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)

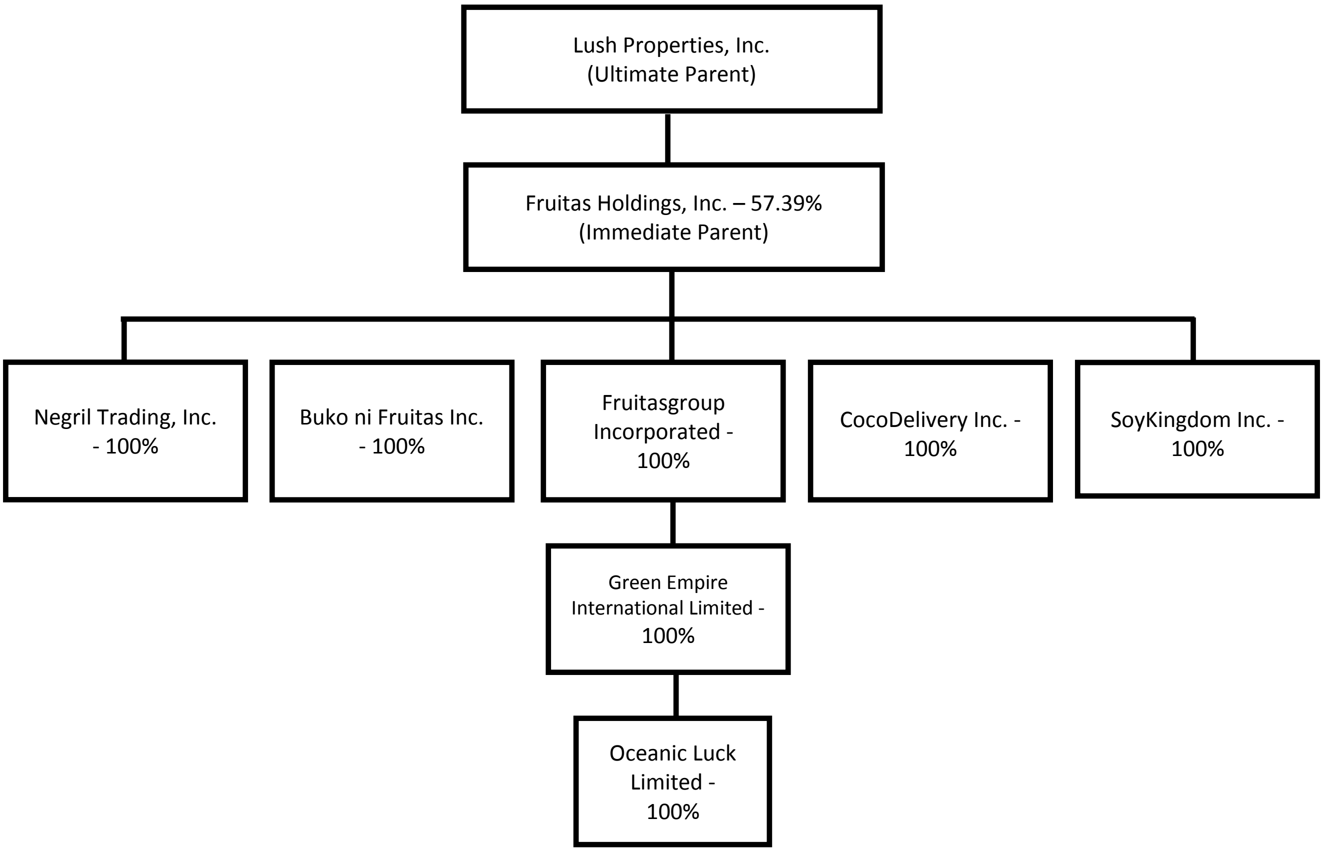
SCHEDULE FOR LISTED COMPANIES WITH A RECENT OFFERING OF SECURITIES TO THE PUBLIC

DECEMBER 31, 2020

	Estimated	Actual
Gross Proceeds	**₱896,548,800**	**₱896,548,800**
Offer Expenses	**(76,500,000)**	**(72,464,600)**
Net Proceeds	**820,048,800**	**824,084,200**
Use of Proceeds		
Store network expansion and store improvement program	(158,048,800)	(35,947,878)
Debt repayment	(175,000,000)	(174,732,180)
Investment or advances to subsidiaries for working capital	(147,000,000)	(146,657,896)
Acquisition of head office of FHI	(145,000,000)	(141,875,050)
Acquisition opportunities and introduction of new concepts	(135,000,000)	(18,493,996)
Commissary expansion	(60,000,000)	(30,094,803)
Balance of amounts infused in subsidiaries	–	(53,709,607)
	(820,048,800)	**(601,511,410)**
Unapplied Proceeds	**₱–**	**₱222,572,790**

FRUITAS HOLDINGS, INC.
AND SUBSIDIARIES

CONGLOMERATE MAP
DECEMBER 31, 2020



**INDEPENDENT AUDITORS REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

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 consolidated financial statements of FRUITAS HOLDINGS, INC. and Subsidiaries (the "Group") as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, and have issued our report thereon dated April 10, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for the years ended December 31, 2020 and 2019 and no material exceptions were noted.

REYES TACANDONG & CO.

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Issued January 5, 2021, Makati City

April 10, 2021
Makati City, Metro Manila

FRUITAS HOLDINGS, INC.
AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2020

Below is a schedule showing financial soundness indicators of the Group as at and for the years ended December 31, 2020, 2019 and 2018.

	December 31		
	2020	2019	2018
CURRENT/LIQUIDITY RATIO			
Current assets	**₱778,249,167**	₱1,217,687,467	₱500,635,585
Current liabilities	**228,298,348**	309,551,149	497,442,860
Current Ratio	**3.41**	3.93	1.01
ACID TEST RATIO			
Quick assets	**₱595,131,893**	₱1,051,578,046	₱448,610,910
Current liabilities	**228,298,798**	309,551,149	497,442,860
Acid Test Ratio	**2.61**	3.40	0.90
SOLVENCY RATIO			
Net income before depreciation and Amortization	**₱70,420,251**	₱126,089,359	₱153,729,599
Total liabilities	**305,791,231**	484,818,811	530,669,295
Solvency Ratio	**0.23**	0.26	0.29
DEBT-TO-EQUITY RATIO			
Total liabilities	**₱305,791,231**	₱484,818,811	₱530,669,295
Total equity	**1,238,249,905**	1,311,594,562	373,730,493
Debt-to-Equity Ratio	**0.25**	0.37	1.42
ASSET-TO-EQUITY RATIO			
Total assets	**₱1,544,041,136**	₱1,796,413,373	₱904,399,788
Total equity	**1,238,249,905**	1,311,594,562	373,730,493
Asset-to-Equity Ratio	**1.25**	1.37	2.42
INTEREST-COVERAGE RATIO			
Earnings before interest and taxes	**(₱52,026,518)**	₱184,407,333	₱154,789,168
Interest expense	**20,658,602**	38,664,963	16,065,157
Interest-Coverage Ratio	**(2.52)**	4.77	9.64
PROFITABILITY RATIO			
Net income (loss) attributable to equity holders of the Parent Company	**(₱48,068,054)**	₱121,527,192	₱100,303,507
Average equity	**1,274,922,234**	842,634,922	346,328,900
Return on Equity	**(0.04)**	0.14	0.29

	December 31		
	2020	2019	2018
RETURN ON ASSETS			
Net income (loss)	**(₱48,068,054)**	₱121,527,192	₱100,303,507
Average assets	**1,670,227,255**	1,350,406,581	816,778,951
Return on Assets	**(0.03)**	0.09	0.12
NET PROFIT MARGIN			
Net income (loss)	**(₱48,068,054)**	₱121,527,192	₱100,303,507
Revenue	**891,847,222**	1,945,184,563	1,579,205,736
Net Profit Margin	**(0.05)**	0.06	0.06