

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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Form Type

A	A	C	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

ipo.compliance@fruitasholdings.com

Company's Telephone Number/s

(02) 8 243-1741

Mobile Number

0967 7824 286

No. of Stockholders

122

Annual Meeting (Month / Day)

Every Second Monday of June

Calendar Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Madelene T. Sayson

Email Address

madelene.sayson@fruitasholdings.com

Telephone Number/s

(02) 8 243-1741

Mobile Number

09420711576

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Results of Operations for period ending March 31, 2024 vs March 31, 2023

Key Highlights

Revenues

The Group generated revenues of ₱639.8 million for the three months ended March 31, 2024, a 24.2% or ₱124.6 million increase from the same period in 2023, which closed at ₱515.2 million. The increase was driven by the continuous store network expansion and stronger performance of the stores.

Cost of Sales

Cost of sales for the three months ended March 31, 2024 closed at ₱263.1 million, 24.5% or ₱51.8 million increase from the same period in 2023 which closed at ₱211.3 million. The increase is attributable mainly to the increase in revenues and the continuous rise of raw material prices due to inflation. The Company continues to implement efficient purchasing strategies and tactical price increases to mitigate the effects of inflationary pressures.

Operating Expenses

The Group's operating expenses settled at ₱330.5 million as of March 31, 2024, a 20.1 % or an ₱55.4 million increase from the same period in 2023 which settled at ₱275.1 million. The increase was mainly attributed to the increased business volume during the first three months of 2024 and expansion undertaken by the Group.

Income Tax Expense/ Benefits

From ₱5.2 million current income tax last 2023 to ₱11.6 million income tax for the same period in 2024. Income tax for the first quarter of 2024 was primarily due to the increase in revenues.

Net income/(loss)

Net income for the period ending March 31, 2024 closed at ₱29.8 million compared to the same period of the prior year of ₱19.2 million, driven by the increase in revenues due to business expansion and leaner cost structure. The Group registered a 4.7% net income margin in first quarter 2024.

Financial Condition as of MARCH 31, 2024 versus DECEMBER 31, 2023

FRUIT had consolidated total assets of ₱2,161.0 million as of March 31, 2024, a slight increase from the total assets from ₱2,129.3 million last December 2023.

Cash and cash equivalents

As of end March 2024, cash and cash equivalents totaled ₱588.9 million, increased from ₱581.6 million as of end-2023 primarily as a result of increased store operations. Cash includes cash on hand and in banks while cash equivalents are short-term, highly liquid investments that are easily convertible to cash.

Trade and other receivables

Trade and other receivables were at ₱70.6.0 million as of March 2024 compared to ₱69.2 million as of end-2023, higher by 2.0% due to increased third party trade receivables.

Inventories

As of March 2024, inventories increased to ₱58.0 million from ₱56.7 million as of end-2023. The slight increase is primarily attributed to the increase in raw material prices.

Property and Equipment

Consolidated net property and equipment stood at ₱525.2 million as of March 31, 2024. Acquisition of property and equipment for the first quarter of the year reached ₱49.6 million, which was invested in the building of new stores, additional transportation equipment, office and commissary improvements.

Intangible assets

Intangible assets increased to ₱244.5 million for the period ending March 31, 2024.

Trade and other payables

Trade and other payables decreased by 5.8% for the three months ending March 31, 2024 to ₱91.5 driven by the payment of trade payables for the purchase of inventories towards the end of 2023.

Equity

As of March 31, 2024, the Group's consolidated equity increased to ₱1,666.1 million from ₱1,636.3 million as of end-2023.

Cash Flow Summary

Net cash provided by operating activities amounted to ₱64.6 million for the first three months of 2024.

Net cash used for investing activities was ₱50.9 million during first three months of 2024, driven by CAPEX.

Net cash used for financing activities was ₱6.5 million for the first three months of 2024, mainly due to the roll forward of lease liabilities.

	Interim Three Months Ended March 31, 2024	Interim Three Months Ended March 31, 2023
Revenue Growth	24.2%	55.9%
Gross Profit Margin	59.0%	59.0%
Net Income/(loss) (in million)	29.8	19.2%
	As of March 31, 2024	As of December 31, 2023
Current Ratio	2.43x	2.42x
Debr to Equity Ratio	29.7%	30.1%

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	Mar 2024	Dec 2023
ASSETS			
Current Assets			
Cash and cash equivalents	5	P 588,879,993	P581,573,621
Financial assets at fair value through profit or loss (FVPL)	6	61,316,952	61,316,952
Trade receivables	7	70,569,523	69,198,597
Merchandise inventories	8	57,968,758	56,727,021
Due from related parties	16	101,687,389	103,647,446
Deposits and advance rentals	24	112,677,242	108,657,313
Other current assets	9	98,891,051	81,205,186
Total Current Assets		1,091,990,908	1,062,326,136
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	6	1,725,000	1,725,000
Investment properties	10	169,337,000	169,337,000
Property and equipment	11	525,226,213	514,316,412
Right-of-use (ROU) assets	24	67,415,536	79,370,086
Intangible assets	12	244,458,588	241,348,448
Deferred tax assets		60,872,899	60,872,899
Advances for asset acquisition	24	-	-
Total Noncurrent Assets		1,069,035,237	1,066,969,845
		P2,161,026,145	P2,129,295,981
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	14	P261,492,156	P252,451,500
Trade and other payables	13	91,481,997	97,103,028
Current portion of:			
Lease liabilities	24	65,424,362	69,540,957
Mortgage payable	15	-	-
Income tax payable		31,360,440	19,765,691
Total Current Liabilities		449,758,955	438,861,176
Noncurrent Liabilities			
Noncurrent portion of lease liabilities	24	17,671,192	27,752,104
Security deposits	24	870,799	870,799
Retirement benefits liability	17	15,422,522	14,327,522
Deferred tax liabilities		11,214,357	11,214,357
Total Noncurrent Liabilities		45,178,870	54,164,782
Total Liabilities		494,937,825	493,025,958

(Forward)

	Note	Mar 2024	Dec 2023
Equity			
Capital stock	18		
Preferred stock		₱20,000,000	₱20,000,000
Common stock		213,368,000	213,368,000
Additional paid-in capital	18	777,837,044	777,837,044
Retained earnings	18	343,062,954	313,244,657
Other equity reserves	4	192,818,000	192,818,000
Other comprehensive income (loss)	17	1,772,342	1,772,342
Equity Attributable to Equity Holders of the Parent Company		1,545,858,340	1,519,040,043
Non-controlling interests	18	117,229,980	117,229,980
Total Equity		1,666,088,320	1,636,270,023
		₱2,161,026,145	₱2,129,295,981

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Mar-2024	Mar-2023
REVENUE	19	₱ 639,807,919	₱ 515,178,710
DIRECT COSTS	20	(263,082,247)	(211,263,377)
GROSS PROFIT		376,725,672	303,915,333
SELLING AND DISTRIBUTION EXPENSES	21	(284,938,119)	(234,723,174)
GENERAL AND ADMINISTRATIVE EXPENSES	22	(45,553,473)	(40,385,825)
INTEREST EXPENSE		(6,820,304)	(6,074,168)
OTHER INCOME	23	2,002,371	1,618,384
INCOME (LOSS) BEFORE INCOME TAX		41,416,147	24,350,551
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current		11,597,850	5,187,143
Deferred			-
		11,597,850	5,187,143
NET INCOME (LOSS)		29,818,297	19,163,407
OTHER COMPREHENSIVE INCOME			
Remeasurement gain on retirement benefits liability (net of deferred tax)	17		-
TOTAL COMPREHENSIVE INCOME (LOSS)		₱29,818,297	₱19,163,407
Basic and Diluted Earnings (Loss) per Share		₱0.014	₱0.009

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Period Ended March 31	
		2024	2023
Capital Stock	18		
Common stock		₱233,368,000	₱213,368,000
Preferred stock		–	–
		233,368,000	213,368,000
Additional Paid-in Capital	18		
Balance at beginning and end of year		777,837,044	777,837,044
Retained Earnings	18		
Balance at beginning of year		313,244,657	236,282,749
Net income (loss)		29,818,297	19,163,407
Cash dividends			–
Balance at end of year		343,062,954	255,446,156
Other Equity Reserves	4		
Balance at beginning of year		192,818,000	195,207,311
Acquisition of non-controlling interests			–
Equity transaction resulting from the listing of a subsidiary			–
Balance at end of year		192,818,000	195,207,311
Other Comprehensive Income (Loss)	17		
Balance at beginning of year		1,772,342	(808,668)
Remeasurement gain on retirement benefits liability, net of deferred tax			–
Effect of change in tax rate			–
Balance at end of year		1,772,342	(808,668)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		1,548,858,340	1,441,049,843
NON-CONTROLLING INTERESTS	18		
Balance at beginning of year		117,229,980	102,478,670
Total comprehensive income			–
Share of non-controlling interests from listing of a subsidiary	4		–
Acquisition of non-controlling interests	4		–
Balance at end of year		117,229,980	102,478,670
		₱1,666,088,320	₱1,543,528,513

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Period Ended March 31	
	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		₱41,416,147	₱24,350,551
Adjustments for:			
Depreciation and amortization	11	50,774,223	43,898,083
Interest expense		6,820,304	6,074,168
Interest income	23	(1,440,504)	(815,520)
Retirement benefits cost	17	1,095,000	810,000
Fair value loss (gain) on:			
Financial assets at FVPL	6		(613,660)
Investment properties	10	–	–
Operating income before working capital changes		98,665,170	73,703,622
Decrease (increase) in:			
Trade receivables	7	(1,370,926)	(1,387,149)
Merchandise inventories	8	(1,241,737)	(1,198,251)
Deposits and advance rentals	24	(4,019,929)	468,260
Other current assets	9	(17,685,865)	(5,458,922)
Deferred input VAT		–	–
Increase in:			
Trade and other payables	13	(5,624,131)	6,065,895
Security deposits		–	–
Net cash generated from operations		68,722,582	72,193,454
Income taxes paid			(52,993)
Interest paid		(5,520,234)	(3,734,913)
Interest received		1,440,504	815,520
Retirement benefits paid	17	–	–
Net cash provided by operating activities		64,642,853	69,221,068
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment	11	(49,644,899)	(16,944,276)
Intangible assets	12	(3,194,716)	(3,451,429)
Investment properties	10		–
Non-controlling interests	4		–
Financial assets at FVOCI	6		–
Financial assets at FVPL	6		–
Collections from related parties		1,960,057	–
Disposals of financial assets at FVPL	6		–
Advances for asset acquisition	24		–
Net cash used in investing activities		(50,879,557)	(20,395,705)

(Forward)

		Period Ended March 31	
	Note	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of notes payable	14	₱ 43,500,000	₱10,000,000
Issuances of preferred shares	18		-
Issuances of shares to non-controlling interests	4		-
Payments of:			
Notes payable	14	(34,459,344)	(4,000,000)
Lease liabilities	24	(15,497,578)	(15,882,749)
Cash dividends	18	-	-
Mortgage payable	15		(80,909)
Net cash provided by (used in) financing activities		(6,456,922)	(9,963,658)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		7,306,373	38,861,705
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		581,573,621	528,582,342
CASH AND CASH EQUIVALENTS AT END OF YEAR		₱588,879,993	₱567,444,047

See accompanying Notes to Consolidated Financial Statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**AS AT MARCH 31, 2024 AND MARCH 31, 2023 AND FOR THE YEARS ENDED MARCH 31, 2024, AND
DECEMBER 31, 2023**

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 (NTI)	June 20, 1990
Balai Ni Fruitas, Inc. (BNFI)	May 17, 2005
Fruitasgroup Incorporated (FGI)	July 13, 2010
SoyKingdom, Inc. (SKI)	August 28, 2006
Fly Kitchen Inc. (FKI)	October 1, 2019
CocoDelivery, Inc. (CDI)	September 6, 2018
Subsidiaries with indirect ownership:	
Lingnam Food Inc. (LFI)*	November 4, 2022
Green Empire International Limited (GEIL)**	May 10, 2017
Oceanic Luck Limited (OLL)***	April 25, 2016

*ownership through SKI

**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 March 31, 2024 and December 31, 2023 are presented below.

Subsidiaries	Principal Activities	Principal Place of Business		
			2024	2023
Direct:				
NTI	Trading of goods	Philippines	100	100
FGI	Trading of goods	Philippines	100	100
SKI	Trading of goods	Philippines	100	100
CDI	Trading of goods	Philippines	100	100
BNFI	Trading of goods	Philippines	74.92	74.92
FKI	Trading of goods	Philippines	100	100
Indirect:				
LNI	Restaurant	Philippines	100	–
GEIL	Holding company	British Virgin Islands	100	100
OLL	Holding company	Samoa Islands	100	100

As at March 31, 2024 and December 31, 2023, the Parent Company is 52.84% owned 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.

In June 2021, BNFI acquired the assets and the brand name *Balai Pandesal* from Balai Pandesal Corporation (BPC). The acquisition was completed following the execution of the Deed of Absolute Sale and the Deed of Assignment of the registered trademark. The Group accounted for the acquisition of the assets of Balai as an acquisition of a business since it has acquired an integrated set of business processes in addition to the group of assets acquired (see Note 4).

On December 27, 2021, the BOD and stockholder of BNFI authorized the share offering of BNFI common shares with the PSE. This was approved by the SEC and PSE on May 24, 2022 and May 26, 2022, respectively. On June 30, 2022, 325.0 million common shares were listed in the PSE. On the same date, the Parent Company sold 87.5 million shares as secondary offering. Subsequently in November 2022, the Parent Company reacquired 37.5 million shares. As a result of the listing of BNFI's common shares, the Parent Company's equity interest decreased from 100% to 74.92% in 2022 (see Note 4).

In March 2023, the LNFI acquired the assets, intellectual property rights, recipes and other know-how and related to Ling Nam brand from LN Banaue Inc. The acquisition was completed following the substantial fulfillment of the closing conditions of the Contract to Sell and Deed of Assignment of Registered Trademark and the payment of the consideration amounting to ₱60.0 million.

In June 2023, the Group acquired the net assets of Fly Kitchen Inc., a provider of high-quality cloud kitchen equipment for a total consideration amounting to ₱14.7 million.

2. Summary of Material Accounting and Reporting Policies

The material 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 compliance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

Bases of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI), investment properties which are measured at fair value and retirement benefits and lease liabilities measured at present value. The consolidated financial statements 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 used in measuring fair values is included in Notes 10 and 28 to the consolidated financial statements.

Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS effective January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its material accounting policy information and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity

discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The adoption of the amendments to PFRS did not materially affect the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

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.

Non-controlling interests

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. They are presented in the consolidated statements of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statements of comprehensive income. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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.

A change in the ownership interest of a subsidiary, without a change in control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Gain or loss arising from the loss of control is recognized in profit or loss. If the Group retains an interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as financial assets at FVOCI depending on the level of interest retained.

Non-controlling interests represent the interests of minority shareholders of BNFI.

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 statements 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 statements 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 statements 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 is at fair value plus transaction costs, unless it is carried at FVPL, in which case transaction costs are immediately expensed.

"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 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 March 31, 2024 and December 31, 2023, the Group has no financial instruments classified as 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 March 31, 2024 and December 31, 2023, the Group's cash and cash equivalents, trade 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 Assets at FVPL. Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

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

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the “Gain (loss) on change in fair value at FVPL” under “Other income (loss)” account in the consolidated statements of comprehensive income.

The Group’s investments in Unit Investment Trust Funds (UITF) which are held for trading are included in this category.

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI 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 selling the financial assets; 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.

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in other comprehensive income and presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at March 31, 2024 and December 31, 2023, the Group has classified its investments in club shares as financial assets at FVOCI.

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 March 31, 2024 and December 31, 2023, the Group's trade and other payables (excluding nonfinancial liabilities), notes payable, mortgage payable, lease liabilities and security deposits 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.

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

Impairment

The Group records an allowance for expected credit losses (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.

For trade receivables, the Group has applied the simplified approach and has calculated ECL 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.

For other financial assets at amortized cost, the Group has applied the general approach and ECL computation is based on the 12-month ECL, which pertains to the portion of lifetime ECL that results 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 statements 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 statements 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 statements 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 statements 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 cost of merchandise inventories includes all costs of purchase and other costs incurred to bring the merchandise inventories to their present location and condition. 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. Deposits and advances 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.

Investment Properties

Investment properties represent a parcel of land, land improvements, and building and building improvements, which are held to earn rental and are not for sale in the ordinary course of business or for administrative purposes.

The investment properties are initially measured at cost. Cost comprises its purchase price, after deducting discounts and rebates, and other directly attributable costs to its working condition and location for its intended use. Subsequent to initial recognition, investment properties are stated at fair value. Any gain or loss resulting from a change in the fair value of the investment properties is recognized in profit or loss as "Gain from change in fair value of investment properties" presented in the consolidated statements of comprehensive income. Fair value is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment properties.

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

Investment properties are derecognized when either these have been disposed of or when the investment properties are 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 properties are recognized in profit or loss in the year of retirement or disposal.

For tax purposes, the Group's investment properties are carried at cost less accumulated depreciation computed on a straight-line basis over the estimated useful lives of the investment properties:

Asset Type	Useful Life (in years)
Land improvements	5
Building and building improvements	5 - 20

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 structures 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. CIP will be reclassified to the appropriate items of property and equipment 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	5 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.

Advances for Asset Acquisition

Advances for asset acquisition are recognized whenever the Group pays in advance for its purchase of assets. The advances are measured at transaction amount less any impairment in value and will be reclassified to proper asset account upon completeness of the turnover of assets to the Group.

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 the results of operations, 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 arise from business reorganizations within the Group. This represents the difference between the net interest of the Parent Company and the carrying amounts of the assets and liabilities of the combined entities within the Group.

Other Comprehensive Income (Loss). This pertains to the cumulative 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 potentially dilutive common shares into common shares.

The Parent Company has no potentially dilutive common shares.

Revenue Recognition

Revenue

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

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

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

Service Fees. Service fees are recognized when the related delivery services are rendered.

Other Sources of Income

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

Dividend Income. Dividend income is recognized when the right to receive the dividend is established.

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

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

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

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

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

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

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

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

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

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

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.

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.

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:

Accounting for the 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 that 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 (see Note30). 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.

Classifying Financial Instruments. The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Classifying Lease Commitments - 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 March 31, 2024 and December 31, 2023 is disclosed in Note 24.

Assessing the ECL of Trade 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 receivables is disclosed in Note 28 to the consolidated financial statements.

The carrying amounts of the Group's trade receivables as at March 31, 2024 and December 31, 2023 are disclosed in Note 7.

Assessing the 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 the 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 2024 and 2023. 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 disclosed in Note 5, 9 and 16.

Estimating the Fair Value of Financial Instruments. When the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the earnings method. The inputs to this method are based on future maintainable earnings and price earnings ratio, but where these are not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

The fair value of the Group's financial assets at FVPL and FVOCI is disclosed in Note 26.

Estimating the 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 as at March 31, 2024 and December 31, 2023 are disclosed in Note 24.

Estimating the Fair Value of Investment Properties. Investment properties are measured at fair value. The Group works closely with external qualified appraisers who performed the valuation using appropriate valuation techniques. The appraiser used a valuation technique based on comparable market data adjusted as necessary to reflect the specific assets' location and condition and, estimated expected future cash flows, yields, occupancy rates, discount rates, replacement costs and remaining economic life. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 10.

For the purpose of fair value determination and disclosure, the Group determines the nature, characteristics and risks of the investment properties and the level of the fair value hierarchy.

Details of investment properties are disclosed in Note 10.

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, 2023 and 2022 are greater than the corresponding carrying amounts of the CGUs as at the same dates.

No impairment loss was recognized in 2023, 2022 and 2021. The carrying amount of brand names as at March 31, 2024 and December 31, 2023 is disclosed in Note 12.

Assessing the 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 2023, 2022 and 2021. The carrying amounts of deposits and advance rentals, other current assets (excluding construction bond), investment properties, property and equipment, advances for asset acquisition, software license and ROU assets are disclosed in Notes 9, 10, 11, 12 and 24, respectively.

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.

4. Accounting for Business Acquisition and Group Reorganization

Business Acquisition

Balai. In June 2021, the Group acquired the assets and the brand name Balai Pandesal from BPC. The acquisition was completed following the execution of the Deed of Absolute Sale and the Deed of Assignment of the registered trademark and the payment of the related consideration amounting to ₱11.2 million. The Group accounted for the acquisition of the assets of Balai as an acquisition of a business since it has acquired an integrated set of business processes in addition to the group of assets acquired.

Fair values of the net assets acquired are as follows:

	Amount
Store equipment	₱6,449,000
Intangible assets	3,000,000
Transportation equipment	970,000
Merchandise inventories	801,000
Fair values of the net assets	11,220,000
Total consideration	11,220,000
Difference	₱—

LNFI. In March 2023, the Group acquired the assets and the brand name Lingnam from LN Banaue Inc. for a consideration amounting to ₱60.0 million. Under the agreement, the Group will acquire the trademark, recipes and other technical know-how, leasehold improvements, certain equipment, inventory, among others, from stores located in San Juan City, Quezon City and Manila. The acquisition also includes land and building located in Caloocan City. Consequently, the business combination resulted in a gain from bargain purchase amounting to ₱24.0 million, as the fair values of the assets acquired exceeded the total consideration by the same amount.

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

	Amount
Leasehold improvement	₱33,584,244
Intangible asset	27,000,000
Store equipment	9,897,096
Store furniture and fixtures	5,859,910
Land	4,908,750
Transportation equipment	2,750,000
Fair value of identifiable assets	84,000,000
Total consideration	60,000,000
Gain from bargain purchase	₱24,000,000

FKI. In June 2023, the Group acquired 100% of the outstanding shares of FKI for a total consideration of ₱14.7 million.

Fair values of the net assets acquired are as follows:

	Amount
Property and equipment	₱1,679,536
Trade and other receivables	1,395,563
Inventories	877,426
Cash	478,903
Security deposit	26,280
Current liabilities	(16,748,397)
Fair values of the net assets	(12,290,689)
Total consideration	14,680,000
Other equity reserve	(₱2,389,311)

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 amounting to ₱55.2 million was recognized under "Other equity reserves".

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:

	Amount
Cash	₱460,714
Other current assets	44,714
Property and equipment	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)

Changes in ownership interest without a loss of control

As discussed in Note 1, the common shares of BNFI were listed in the PSE and 325.0 million new common shares were issued at an offer price of ₱0.70 a share in 2021. Expenses incurred during the listing process amounted to ₱23.7 million. This resulted to a decrease in ownership interest of the Parent Company from 100% to 78.26% and the effect is as follows:

Gross proceeds	₱227,500,000
Less expenses charged to APIC of BNFI	20,939,319
Net proceeds	206,560,681
Share of non-controlling interests	(84,779,540)
Other equity reserve	₱121,781,141

On the same day, the Parent Company disposed 87.5 million common shares of BNFI for a total consideration amounting to ₱61.3 million. Thus, further reducing the ownership interest to 72.41% and the effect is as follows:

Net proceeds	₱61,250,000
Share of non-controlling interests	(22,824,067)
Other equity reserve	₱38,425,933

Subsequently in November 2022, the Parent Company acquired ₱37.5 million common shares of BNFI through the PSE for a total consideration of ₱26.5 million. Accordingly, the acquisition increased the ownership interest to 74.92% and the effect is as follows:

Carrying amount of non-controlling interest acquired	₱10,247,458
Acquisition costs	(26,500,000)
Other equity reserve	(₱16,252,542)

The change in the Parent Company's ownership does not result to losing of control. Accordingly, no gain or loss was recognized on the consolidated statements of comprehensive income.

Details of other equity reserves follows:

	2024	2023
Group reorganization		
FGI, BNFI and NTI	₱55,192,582	₱55,192,582
CDI	(3,939,803)	(3,939,803)
Changes in ownership interest		
without a loss of control – BNFI	143,954,532	143,954,532
Business acquisition – FKI	(2,389,311)	(2,389,311)
	₱192,818,000	₱192,818,000

5. Cash and Cash Equivalents

This account consists of:

	2024	2023
Cash on hand	₱4,240,294	₱25,624,552
Cash in banks	496,718,182	445,417,230
Short-term placements	87,921,517	110,531,839
	₱ 588,879,993	₱581,573,621

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 earn interest at the prevailing short-term placement rates.

Interest income earned is disclosed in Note 23.

6. Financial Assets at FVPL and FVOCI

Financial Assets at FVPL

Investments in unit investment trust funds (UITF) are held for trading. Hence, these have been classified as financial assets at FVPL.

Movements in investments at FVPL are as follows:

	Note	2024	2023
Balance at beginning of year		₱61,316,952	₱61,305,065
Additions		–	–
Disposals		–	(1,115,720)
Dividend income	23	–	2,097,144
Unrealized loss on changes in fair value	23	–	(969,537)
Balance at end of year		₱61,316,952	₱61,316,952

Financial Assets at FVOCI

Financial asset at FVOCI pertains to the investment in club shares amounting to ₱1.7 million.

The Group designated its investment in club shares as financial asset at FVOCI because the Group intends to hold this investment for the long term and for strategic purposes. The Group has assessed that the cost of the recently acquired investment approximates its fair value as at March 31, 2024 and December 31, 2023.

7. Trade Receivables

This account consists of:

	2024	2023
Trade receivables	₱73,807,523	₱72,436,597
Less allowance for ECL	3,238,000	3,238,000
	₱70,569,523	₱69,198,597

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

8. Merchandise Inventories

This account consists of:

	2023	2023
Food and beverages	₱39,894,475	₱39,149,433
Store supplies and others	18,074,283	17,577,588
	₱57,968,758	₱56,727,021

Cost of merchandise inventories charged to “Direct costs” is disclosed in Note 20.

9. Other Current Assets

This account consists of:

	2024	2023
Advances to suppliers	P30,322,551	P32,486,510
Advances to officers and employees	20,822,011	24,114,161
Input VAT	15,278,009	10,494,435
Spare parts, materials and supplies	5,983,804	5,983,804
Prepayments	20,156,584	4,082,887
Construction bond	4,006,160	3,873,626
CWTs	155,269	–
Others	2,166,663	169,763
	P98,891,051	P81,205,186

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

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

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

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

10. Investment Properties

The composition of and movements in this account are as follows:

	2024			
	Land	Land Improvements	Building and Building Improvements	Total
Cost				
Balance at beginning of year	P95,393,047	P577,500	P31,984,503	P127,955,050
Additions	–	–	–	–
Balance at end of the year	95,393,047	577,500	31,984,503	127,955,050
Cumulative Fair Value				
Changes				
Balance at beginning of year	44,669,953	(201,500)	(3,086,503)	41,381,950
Gain (loss) from changes in fair value	–	–	–	–
Balances at end of year	44,669,953	(201,500)	(3,086,503)	41,381,950
Carrying Amount	P140,063,000	P376,000	P28,898,000	P169,337,000

	2023			
	Land	Land Improvements	Building and Building Improvements	Total
Cost				
Balance at beginning of year	₱95,393,047	₱577,500	₱31,404,503	₱127,375,050
Additions	–	–	580,000	580,000
Balance at end of the year	95,393,047	577,500	31,984,503	127,955,050
Cumulative Fair Value				
Changes				
Balance at beginning of year	43,123,803	(160,500)	(2,164,503)	40,798,800
Gain (loss) from changes in fair value	1,546,150	(41,000)	(922,000)	583,150
Balances at end of year	44,669,953	(201,500)	(3,086,503)	41,381,950
Carrying Amount	₱140,063,000	₱376,000	₱28,898,000	₱169,337,000

Fair Value

Land. The fair value of the Group's land is 140.4 million as at March 31, 2024 and December 31, 2023, respectively. The fair value of the land was determined by an independent property appraiser in 2023 and 2022. The inputs used to determine the market value of the investment properties using the sales comparison approach include location characteristics, size, time element, quality and marketability. Accordingly, the fair value measurement used is classified as Level 3 in 2023 and 2022, respectively.

Land Improvements, Building and Building Improvements. The fair value of land improvements, building and building improvements is categorized under Level 3 using the cost approach wherein the appraised value was based on the cost of constructing an equivalent new structure less depreciation adjustments.

The fair value of the land improvements, building and building improvements was determined by an independent firm of appraisers as at December 31, 2023.

Description of key inputs to valuation on land follows:

Location	Significant unobservable Inputs	Range (weighted average)	
		2023	2022
Sampaloc District, City of Manila	Selling price per square meter	₱154,000/sq. m.	₱152,300/sq. m.
	Value adjustments	1% to 15%	5% to 15%

The significant unobservable inputs to fair valuation are as follows:

Price per square meter: Estimated value prevailing in the real estate market depending on the location, area, shape and time element.

Value adjustments: Adjustments are made to bring the comparative values in approximation to the investment properties taking into account external factors (market conditions, competitiveness, economic condition/demand/growth, time element) and internal factors (location, size/shape/terrain and development).

In valuing the land using sales comparison approach, records of recent sales and offerings of similar land are analyzed and comparisons were made for such factors as size, characteristic of the lot, location, quality and prospective use.

Sensitivity Analysis. Generally, significant increases (decreases) in useful life of assets (excluding land) would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in factors that contributed in the physical deterioration and all relevant forms of obsolescence in isolation would result in a significantly lower (higher) fair value measurement.

11. Property and Equipment

The composition of and movements in this account follows:

2024							
	Land	CIP	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Store Furniture, Fixtures and Equipment	Total
Cost							
Balance at beginning of year	P=148,842,350	P=	P=340,174,436	P=96,863,406	P=50,581,528	P=450,115,577	P=1,086,577,297
Additions	8,350,026	-	3,520,796	8,272,596	2,759,148	26,742,333	49,644,899
Disposals	-	-	-	-	-	-	-
Balance at end of year	P=157,192,376	-	343,695,232	105,136,002	53,340,676	476,857,910	1,136,222,196
Accumulated							
Depreciation and Amortization							
Balance at beginning of year	-	-	190,626,785	47,426,441	38,447,301	295,760,358	572,260,885
Depreciation and amortization	-	-	11,223,512	7,316,578	1,628,667	18,566,341	38,735,098
Disposals	-	-	-	-	-	-	-
Balance at end of year	-	-	201,850,297	54,743,019	40,075,968	314,326,699	610,995,983
Carrying Amount	P=157,192,376	P=-	P=141,844,935	P=50,392,983	P=13,264,708	P=162,531,211	P=525,226,213
2023							
	Land	CIP	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Store Furniture, Fixtures and Equipment	Total
Cost							
Balance at beginning of year	P=32,600,000	P=-	P=261,522,408	P=77,550,250	P=53,294,882	P=396,436,780	P=821,404,320
Additions	116,242,350	-	80,333,097	19,313,156	7,822,593	77,394,777	301,105,973
Disposals	-	-	(1,681,069)	-	(10,535,947)	(23,715,980)	(35,932,996)
Balance at end of year	148,842,350	-	340,174,436	96,863,406	50,581,528	450,115,577	1,086,577,297
Accumulated							
Depreciation and Amortization							
Balance at beginning of year	-	-	148,703,254	32,153,905	41,324,155	239,221,917	461,403,231
Depreciation and amortization	-	-	43,604,600	15,272,536	7,659,093	80,254,421	146,790,650
Disposals	-	-	(1,681,069)	-	(10,535,947)	(23,715,980)	(35,932,996)
Balance at end of year	-	-	190,626,785	47,426,441	38,447,301	295,760,358	572,260,885
Carrying Amount	P=148,842,350	P=-	P=149,547,651	P=49,436,965	P=12,134,227	P=154,355,219	P=514,316,412

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 June 2022, the Group entered into an agreement with LN Banaue Inc. to acquire the assets relating to the latter's business.

In March 2023, the acquisition of LN Banaue Inc.'s assets, intellectual property rights, recipes and other know-how related to Ling Nam brand was completed following the substantial fulfillment of the closing conditions of the Contract to Sell and Deed of Assignment of Registered Trademark and the payment of the consideration amounting to ₱60.0 million. Consequently, As a result, the Group recognized brand name amounting to ₱27.0 million following the completion of the acquisition of *Ling Nam* brand from LN Banaue Inc. see Note 4.

In 2021, the Group also recognized a brand name amounting to ₱3.0 million following the acquisition of the Balai Pandesal brand from Balai (see Note 4).

In 2018, the Group recognized a brand name amounting to ₱11.2 million following the completion of the acquisition of *Sabroso Lechon* brand from SLI.

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 2% to 8%.

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 is 12.6% to 19.0% in 2023 and 11.5% to 12.0% in 2022, respectively. The recoverable amount of each CGU, calculated using value in use, exceeded the carrying amount of the CGU as at December 31, 2023 and 2022.

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.

13. Trade and Other Payables

This account consists of:

	Note	2024	2023
Trade payables		₱55,145,246	₱63,441,399
Statutory payables		30,493,572	25,643,105
Accrued expenses		5,676,512	7,851,857
Dividend payable	18	166,667	166,667
		₱ 91,481,997	₱97,103,028

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

Statutory payables pertain to obligations to government agencies which are normally settled in the following month.

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

14. Notes Payable

Balances and movements in this account are as follows:

	2024	2023
Balance at beginning of year	₱252,451,500	₱205,000,000
Availments	43,500,000	252,800,000
Payments	(34,459,344)	(205,348,500)
Balance at end of year	₱261,492,156	₱252,451,500

In 2024 and 2023, the Group availed short-term loans from various local banks which bear interest at rates ranging from 4.75% per annum to 7.78% per annum. The purpose of the loans is to support the Group's working capital requirements.

15. Mortgage Payable

The Group obtained loans from local commercial banks to finance its acquisition of transportation equipment. The loans are payable in monthly installments up to May 2023 with effective interests ranging from 7.70% per annum to 10.00% per annum. As at December 31, 2022, the Group's loan amounting to ₱80,909 was subsequently paid in 2023. Interest expense is disclosed in Note 14.

16. Related Party Transactions

The Group, in the normal course of business, has outstanding advances with the Parent Company for working capital amounting to ₱101.7 million and ₱103.6 million as at March 31, 2024 and December 31, 2023, respectively.

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 operate. There were no impairment losses recognized in 2024, 2023.

17. 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 most recent actuarial valuation was made by an independent actuary as at December 31, 2023.

The table below summarizes the components of retirement benefits cost recognized in the consolidated statements of comprehensive income (see Note 22).

	Mar 2024	Mar 2023
Current service cost	₱1,095,000	₱810,000
Interest cost	-	-
	₱1,095,000	₱810,000

Movements in the retirement benefits liability are as follows:

	2024	2023
Balance at beginning of year	₱14,327,522	₱13,897,930
Current service cost	1,095,000	3,501,193
Interest cost	-	723,402
Actuarial loss (gain)	-	(3,500,003)
Benefits paid	-	(295,000)
Balance at end of year	₱15,422,522	₱14,327,522

The principal assumptions used in determining the retirement benefits liability as at December 31, 2023 and 2022 are as follows:

	2023	2022
Discount rate	6.12%	5.13%
Future salary increases	3.00%	3.00%

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 2023 and 2022.

	Basis Points	2023	2022
Discount rate	+1%	(P2,227,576)	(P2,459,410)
	-1%	2,797,163	3,193,870
Salary increase rate	+1%	2,940,008	3,253,929
	-1%	(2,362,810)	(2,539,971)

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, 2023 is 23.4 years.

18. Equity

Capital Stock

The composition of and movements in this account are as follows:

	<u>2024</u>		<u>2023</u>	
	Number of Shares	Amount	Number of shares	Amount
Authorized				
Common Stock – ₱0.10 par value	4,700,000,000	₱470,000,000	4,700,000,000	₱470,000,000
Preferred Stock – ₱0.01 par value	3,000,000,000	30,000,000	3,000,000,000	30,000,000
Issued and Outstanding				
Common Stock – ₱0.10 par value				
Balance at beginning and end of year	2,133,680,000	₱213,368,000	2,133,680,000	₱213,368,000
Preferred Stock - ₱0.01 par value				
Issued and balance at end of year	2,000,000,000	20,000,000	2,000,000,000	20,000,000
	4,133,680,000	₱233,368,000	4,133,680,000	₱233,368,000

Common Shares

On November 29, 2019, the Parent Company's common shares were listed on the PSE. As at March 31, 2024 and December 31, 2023, 2,133,680,000 common shares are listed in the PSE.

Preferred Shares

The salient features of the preferred shares are as follows:

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

In 2024 the Group declared dividends amounting to ₱166,667, representing the guaranteed dividends based on outstanding balance in 2024 (see Note 13).

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 amounting to ₱777.8 million.

Retained Earnings

The Parent Company declared dividends from available retained earnings as follows:

Common Shares

Date of Declaration	Stockholders of Record	Date of Payment	Amounts Received	
			Per Share	Total
October 13, 2023	November 8, 2023	November 29, 2023	₱ 0.01	₱21,336,800
July 25, 2022	August 8, 2022	September 1, 2022	₱ 0.01	₱21,336,800

In 2023, the Company paid dividends amounting to ₱ 21.4 million, representing dividends declared in 2022.

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:

	2024	2023
Total debt	₱ 494,937,825	₱493,025,958
Total equity	1,666,088,320	1,636,270,023
Debt-to-equity ratio	0.30:1	0.30:1

Pursuant to the PSE's rules on minimum public ownership, at least 15.00% of the issued and outstanding shares of a listed company must be owned and held by the public. The public ownership is about 40.75% as at March 31, 2024 and December 31, 2023, respectively.

The total number of shareholders of the Parent Company as at March 31, 2024 and December 31, 2023 is 122.

Non-controlling Interests

The Group's non-controlling interests represent ownership of non-controlling interests' stockholders of BNFI amounting to ₱117.2 million as at March 31, 2024 and December 31, 2023, respectively.

19. Revenue

This account consists of:

	Note	Mar 2024	Mar 2023
Net sales		₱ 638,551,023	₱513,367,838
Franchise revenue	24	180,000	180,000
Rental income	24	1,076,896	1,630,872
		₱ 639,807,919	₱515,178,710

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.

20. Direct Costs

This account consists of:

	Note	Mar 2024	Mar 2023
Direct materials	8	₱242,537,305	₱191,189,548
Salaries, wages and other employee benefits		16,633,650	15,982,060
Depreciation and amortization	11	2,705,114	3,005,681
Utilities		1,206,178	1,086,088
			-
		₱263,082,247	₱211,263,377

21. Selling and Distribution Expenses

This account consists of:

	Note	Mar 2024	Mar 2023
Salaries, wages and other employees' benefits		₱ 86,229,443	₱78,321,591
Rental	24	52,129,288	50,917,073
Depreciation and amortization	11	45,522,341	38,286,559
Outside services		27,081,698	20,647,630
Utilities		24,960,996	19,706,399
Transportation and travel		12,219,164	8,649,910
Repairs and maintenance		4,195,419	2,997,406
Advertisement		10,062,566	4,601,665
Management fees		2,150,032	3,964,250
Service fee		14,899,367	4,873,064
Distribution supplies		3,981,380	873,189
Insurance		1,290,358	854,728
Others		216,065	29,709
		₱ 284,938,119	₱234,723,174

22. General and Administrative Expenses

This account consists of:

	Note	Mar 2024	Mar 2023
Salaries, wages and other employees' benefits		₱ 9,148,125	₱9,748,125
Depreciation and amortization	11	2,546,768	2,605,842
Taxes and licenses		10,524,547	8,174,829
Professional fees		2,548,291	1,049,009
Rental	24	2,045,138	2,167,114
Outside services		2,954,195	3,345,929
Representation		3,659,163	4,034,590
Utilities		2,608,036	1,901,543
Store and office supplies		-	-
Retirement benefits cost	17	1,095,000	810,000
Training		1,879,401	3,249,605
Others		6,544,809	3,229,240
		₱45,553,473	₱40,385,825

23. Other Income (Charges)

This account consists of:

	Note	Mar 2024	Mar 2023
Interest income	5	1,440,504	815,820
Dividend income	6	-	613,661
Others		561,867	189,203
		₱ 2,002,371	₱1,618,384

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

24. Significant Agreements

Acquisition of Assets Agreement

In June 2022, the Group entered into an agreement with a third party to purchase the latter's assets. The acquisition is expected to be completed upon substantial fulfillment of the closing of the Contract to and upon full payment of the total consideration.

Advances paid by the Company amounted to ₱6.0 million and ₱54.0 million in 2023 and 2022, respectively. The advances were applied as consideration for the acquisition of LNFI in March 2023. (see Note 4).

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:

	2024	2023
Rental deposits	₱103,721,231	₱102,404,640
Advance rentals	8,956,011	6,252,673
	₱112,677,242	₱108,657,313

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	Mar 2024	Mar 2023
Selling and distribution expenses	21	₱52,129,288	₱50,917,073
General and administrative expenses	22	2,045,138	2,167,144
		₱54,174,426	₱53,084,217

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 and movements in ROU assets are as follows:

	Note	2024		
		Outlets Spaces	Land and Building	Total
Cost				
Balance at beginning of year		₱102,399,301	₱139,100,805	₱241,500,106
Additions		–	–	–
Retirement of lease		–	–	–
Balance at end of year		102,399,301	139,100,805	241,500,106
Accumulated Amortization				
Balance at beginning of year		68,164,296	93,965,724	162,130,020
Amortization	11	9,993,948	1,960,602	11,954,550
Retirement of lease		–	–	–
Balance at end of year		78,158,244	95,926,326	174,084,570
Carrying Amount		₱24,241,057	₱43,174,479	₱67,415,536
	Note	2023		
		Outlets Spaces	Land and Building	Total
Cost				
Balance at beginning of year		₱106,444,958	₱123,949,865	₱230,394,823
Additions		–	22,584,216	22,584,216
Retirement of lease		(4,045,657)	(7,433,276)	(11,478,933)
Balance at end of year		102,399,301	139,100,805	241,500,106
Accumulated Amortization				
Balance at beginning of year		52,974,594	63,939,980	116,914,574
Amortization	11	19,235,359	37,459,020	56,694,379
Retirement of lease		(4,045,657)	(7,433,276)	(11,478,933)
Balance at end of year		68,164,296	93,965,724	162,130,020
Carrying Amount		₱34,235,005	₱45,135,081	₱79,370,086

The balance of and movements in lease liabilities are as follows:

	Note	2024		
		Outlets Spaces	Land and Building	Total
Balance at beginning of year		₱31,829,767	₱65,463,294	₱97,293,061
Additions		–	–	–
Rental payments		(7,152,393)	(8,345,184)	(15,497,577)
Interest		682,223	617,847	1,300,070
Balance at end of year		25,359,597	57,735,957	83,095,554
Less current portion		25,359,597	40,064,765	65,424,362
Noncurrent portion		₱-	₱17,671,192	₱17,671,192

	Note	2023		
		Outlets Spaces	Land and Building	Total
Balance at beginning of year		₱65,349,896	₱67,359,957	₱132,709,853
Additions		–	22,584,216	22,584,216
Rental payments		(36,452,456)	(31,538,831)	(67,991,287)
Interest		2,932,327	7,057,952	9,990,279
Balance at end of year		31,829,767	65,463,294	97,293,061
Less current portion		27,929,634	41,611,323	69,540,957
Noncurrent portion		₱3,900,133	₱23,851,971	₱27,752,104

The incremental borrowing rates applied to the lease liabilities range from 10.87% to 11.00% per annum, 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.

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.

In 2021, the Group leased out certain commercial spaces of its building to several parties under various noncancellable operating lease agreements with a term of one year to five years, renewable upon mutual agreement by the parties.

Security deposits amounting to ₱870,799 as at March 31, 2024 and December 31, 2023, respectively, are noninterest-bearing and will be refunded at the end of the lease term.

Rental income is disclosed in Note 19.

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 revenue is disclosed in Note 19.

25. Financial Instruments Risk Management Objectives and Policies

The Group's financial instruments comprise cash and cash equivalents, financial assets at FVPL, trade receivables, due from related parties, construction bond, trade and other payables (excluding non financial liabilities), notes payable, mortgage payable, lease liabilities, and due to related parties. 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:

	2024	2023
Cash and cash equivalents	P 588,879,993	P581,573,621
Financial assets at FVPL	61,316,952	61,316,952
Financial assets at FVOCI	1,725,000	1,725,000
Trade receivables	70,569,523	69,198,597
Due from related parties	101,687,389	103,647,446
Construction bond*	4,006,160	3,873,626
	P828,185,017	P821,335,242

*Presented under "Other current assets"

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:

	2024				
	Neither Past Due nor Impaired				Total
	High Grade	Standard Grade	Past Due but Not Impaired	Impaired	
Cash and cash equivalents	P588,879,993	P-	P-	P-	P588,879,993
Financial assets at FVPL	61,316,952	-	-	-	61,316,952
Financial assets at FVOCI	1,725,000	-	-	-	1,725,000
Trade receivables	-	70,569,523	-	3,238,000	73,807,523
Due from related parties	-	101,687,389	-	-	101,687,389
Construction bond	-	4,006,160	-	-	4,006,160
	P651,921,945	P176,263,072	P-	P3,238,000	P831,423,017

	2023				
	Neither Past Due nor Impaired				Total
	High Grade	Standard Grade	Past Due but Not Impaired	Impaired	
Cash and cash equivalents	P581,573,621	P-	P-	P-	P581,573,621
Financial assets at FVPL	61,316,952	-	-	-	61,316,952
Financial assets at FVOCI	1,725,000	-	-	-	1,725,000
Trade receivables	-	69,198,597	-	3,238,000	72,436,597
Due from related parties	-	103,647,446	-	-	103,647,446
Construction bond	-	3,873,626	-	-	3,873,626
	P644,615,573	P176,719,669	P-	P3,238,000	P824,573,242

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 receivables are written-off if past due for more than one year and are not subject to enforcement activity.

Trade 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 ₱3.2 million as at March 31, 2024 and December 31, 2023, 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, due from related parties, and construction bond, 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 and financial capacity of the third party service provider to refund the construction bond once the construction contract is completed.

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 14 and 15, 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.

26. Fair Value Measurement

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

	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets at Amortized Cost				
Cash and cash equivalents	₱ 588,879,993	₱ 588,879,993	₱581,573,621	₱581,573,621
Trade receivables	70,569,523	70,569,523	69,198,597	69,198,597
Due from related parties	101,687,389	101,687,389	103,647,446	103,647,446
Construction bond	4,006,160	4,006,160	3,873,626	3,873,626
Financial Assets at FVPL	61,316,952	61,316,952	61,316,952	61,316,952
Financial Assets at FVOCI	1,725,000	1,725,000	1,725,000	1,725,000
	₱828,185,017	₱828,185,017	₱821,335,242	₱821,335,242

	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities at Amortized Cost				
Trade and other payables*	₱60,988,425	₱60,988,425	₱71,459,923	₱71,459,923
Notes payable	261,492,156	261,492,156	252,451,500	252,451,500
Lease liabilities	83,095,554	83,095,554	97,293,061	97,293,061
Mortgage payable	–	–	–	–
	₱405,576,135	₱405,576,135	₱421,204,484	₱421,204,484

* Excluding statutory payables.

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

Cash and Cash Equivalents, Trade Receivables, Due from Related Parties, Construction Bond, Trade and Other Payables (Excluding Statutory Payable) and Notes Payable. The carrying amounts of these financial instruments approximate their fair values due to the relatively short-term maturity and demand features of these financial instruments.

Financial Assets at FVPL. The fair value of investments at FVPL classified as Level 1 was determined using the quoted market prices as published by the trust company.

Financial Assets at FVOCI. The fair value of investment in club shares designated as financial assets at FVOCI is classified under Level 3 of the fair value hierarchy.

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 mortgage payable range from 2.42% to 3.76%, while rates applied to lease liabilities range from 7.30% to 8.35%.

27. Operating Segment Information

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

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

Outlet stores sales are attributable to revenue from the general public, which are generated through the Group's store outlets. Consequently, the Group has no concentrations of revenue from a single customer in 2024 and 2023.