



April 13, 2022

PHILIPPINE STOCK EXCHANGE, INC.

3rd Floor Philippine Stock Exchange Plaza,
Ayala Triangle, Ayala Avenue,
Makati City, Philippines

Attention: **Ms. JANET A. ENCARNACION**
Head, Disclosure Department

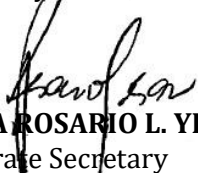
RE: **Annual Report**

Gentlemen:

We submit herewith Shakey's Pizza Asia Ventures Inc.'s 2021 Annual Report - SEC Form Amended 17-A.

We trust that you find the attachments sufficient and in order.

Very Truly Yours,


MARIA ROSARIO L. YBANEZ
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **31 December 2021**
2. SEC Identification Number **54666**
3. BIR Tax Identification No. **000-163-396**
4. Exact name of issuer as specified in its charter **SHAKEY'S PIZZA ASIA VENTURES INC.**
5. **MANILA, PHILIPPINES**
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **15 KM EAST SERVICE ROAD CORNER MARIAN ROAD 2,**
BARANGAY SAN MARTIN DE PORRES, PARANAQUE CITY
Address of principal office
- 1700**
Postal Code
8. **(632) 839-0156**
Issuer's telephone number, including area code
9. **NA**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	1,683,760,178

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

Yes [☒] No [☐]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange

Common Shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [☒] No [☐]

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

Yes [☐] No [☒]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

PHP13,385,893,415 COMPUTED USING THE CLOSING PRICE OF PHP7.95 AND ISSUED SHARES OF 1,683,760,178 AS OF MARCH 31, 2022.

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [☒] No [☐]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

List of Stockholders attached as Annex A referred to in Item 11 on page 22.

2021 Sustainability Report attached as Annex B.

2021 Consolidated Financial Statements of Shakey's Pizza Asia Ventures Inc. and its Subsidiaries attached as Annex C referred to in Item 6 on page 10.

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

a) Overview

Shakey's Pizza Asia Ventures Inc. (SPAVI) or PIZZA, is the market leader in both chained pizza full service restaurant and chained full service restaurant with 67.1% and 28.9% market share as cited by Euromonitor. As of December 31, 2021, it operated a total of 316 stores a mix of company-owned and franchise stores in the Philippines and abroad,

PIZZA has over 40 years of brand legacy in the Philippines. Originally an American brand established in 1954, Shakey's expanded into the Philippines in 1975, and has since become a household name to generations of Filipinos. PIZZA is a strong brand because of its unique products paired with excellent guest service. It is best known for its original thin crust pizza and iconic Chicken N' Mojos.

PIZZA owns the trademarks and licenses to operate the Shakey's brand in the Philippines. With this, PIZZA has full control over the management and execution of Shakey's Philippine operations. As the brand owner, PIZZA generates additional revenue from franchising while not having to pay royalty fees for the use of the Shakey's name. PIZZA also owns the rights and trademarks in Asia (except Malaysia and Japan), China, Middle East, Australia and Oceania. This gives the company international expansion opportunities in the long-term. As of today, PIZZA operates stores in the Philippines, United Arab Emirates and Singapore.

PIZZA is able to serve the A, B and upper C income classes through its various sales channels. PIZZA's dine-in segment caters mostly to families and friends who want an affordable upgrade from the usual fast-food dining. At the same time, PIZZA also reaches its guests through its delivery segment. With the shift of consumer trends towards safety and convenience, PIZZA ensures that it continues to operate well-designed, comfortable, clean and guest-oriented stores, operate an efficient delivery system for guests, and expand its online sales platform to align itself with current market and consumption trends.

PIZZA is accessible nationwide through various store formats. These formats differ in size ranging from 120 sqm to 400 sqm. Smaller stores tend to need lower capital investment. This allows PIZZA flexibility to serve the demand of a specific market, while still achieving the desired profitability.

PIZZA has an in-house commissary that supplies proprietary raw materials and other baked products to its stores. With this vertical integration strategy, product quality is preserved and controlled while also enabling for higher sales margins.

Finally, PIZZA operates a simple business model that is cash generative and requires low upfront costs due to the simplicity of its products. This model enables high financial liquidity and an average payback period of 3 to 4 years. PIZZA also has a well-established franchised model with an industry-leading return on investment averaging 4 years.

In 2016, Century Pacific Group Inc. (CPGI) and the sovereign wealth fund of Singapore acquired majority ownership of PIZZA. CPGI is the parent company of Century Pacific Food Inc. (CNPF), the largest manufacturer of canned food in the Philippines.

Subsequently, on December 15, 2016, PIZZA successfully listed on the Main Board of the Philippine Stock Exchange (PSE) with a total of 1,531,321,053 common shares at ₱11.26 per share.

In June 2019, PIZZA acquired *Peri-Peri Charcoal Chicken*, an emerging fast casual and full service

restaurant brand in the Philippines. The acquisition includes assets and intellectual property relating to the Peri business, including its brand, trade name, and the various proprietary recipes used by the chain to make its trademark peri-peri chicken.

In August 2020, the Company entered into a master franchise agreement with Singapore-based Koufu Group Ltd to bring the *R&B milk tea* brand to the Philippines. R&B is one of the leading milk tea and bubble tea players in Singapore. It currently has more than 1,000 outlets worldwide, spanning across China, US, Singapore, Cambodia, Vietnam, Malaysia and Indonesia. Under the agreement, PIZZA shall be awarded the territorial rights to sell *R&B* milk tea, bubble tea, and other specialty tea drinks in the Philippines, through stand-alone store formats and co-branding in select *Shakey's* and *Peri-Peri Charcoal Chicken* outlets.

Last December 2021, the Company entered into an agreement to purchase assets and intellectual property relating to Potato Corner. Potato Corner is one of the leading and most established food kiosk chains in the Philippines. Since its inception in 1992, the brand has built a vast network of over 1,000 outlets domestically and has a growing international footprint in Asia and beyond.

b) Key Risks

The Philippine food service industry is a highly competitive market with low barriers to entry. PIZZA competes directly and indirectly with both local and foreign full-service, casual dining and fast food stores that offer dine-in, delivery, and catering services nationwide. Failure to successfully compete and consistently outperform its peers may adversely affect its business and financial and operational results.

PIZZA growth is partially dependent on the strength of its brand, recognized for its high-quality product offerings and world-class guest service, as well as excellent culture and warm ambience of its stores. Any damage to its brand reputation and negative publicity to its stores may have an impact on the business, results of operations, and its prospective plans.

PIZZA is reliant on its franchisees for the successful management and operations of its franchise stores. In addition, a portion of the company's revenue is derived from royalty and franchise payments. A failure by the franchisees to deliver what is expected of them may significantly harm the brand image and goodwill of the Shakey's brand, as well as adversely affect the business operations and results of operations of PIZZA.

PIZZA's growth is highly dependent on its ability to open new stores, maintain existing stores, and operate these stores in a profitable manner. Failure to successfully locate and secure suitable store locations in its target markets may delay PIZZA store openings and significantly affect its business and results of operations. In addition, PIZZA's expansion plans may be limited by unforeseen economic and market conditions that are beyond its control.

PIZZA relies on key third-party suppliers and its in-house commissary to supply key raw material requirements. A failure by these third-party suppliers to adhere to contractual obligations or a significant disruption in the supply chain and logistics can significantly affect its business operations.

PIZZA hires approximately 1,300 full-time employees, a portion of which are covered by a 5-year collective bargaining agreement renewed on October 15, 2021. Although PIZZA's operations have never been affected by any labor dispute in the past, it cannot assure that it will not experience labor unrest and activism in the future, which may affect its business, financial condition and result of operations.

PIZZA outsources a portion of its labor requirements from a third-party manpower service provider. Significant changes in labor laws and regulations, particularly in relation to the use of manpower service providers, may impact labor costs, as well as adversely affect the business operations and results on operations of PIZZA.

PIZZA relies on third-party service providers for certain services and the failure by these service providers to adhere and perform contractual obligations may adversely affect the business operations and results of operations of PIZZA.

PIZZA's profitability and operating margins are partially dependent on its ability to anticipate and react to changes in food and beverage costs. Any significant changes in raw materials costs that are not handled properly by the company may affect its business and results of operations.

Item 2. Properties

As of December 31, 2021, PIZZA does not own land. PIZZA enters into long-term leases for the properties wherein all its Company-owned stores are constructed while its franchisees have either independent lease agreements for their franchise stores or may own land on which the store is constructed. The company's lease agreements with its lessors are typically for a term of 10-15 years, renewable upon mutual agreement of the parties.

PIZZA's head office is located at 15km East Service Road corner Marian Road 2, Brgy. San Martin de Porres, Parañaque City, Metro Manila, Philippines.

None of the leased premises is mortgaged or encumbered. The company does not plan to acquire any property in the next 12 months.

Item 3. Legal Proceedings

As of date of this report, the Company is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Company or on the results of its operations. No litigation or claim of material importance is known to be pending or threatened against the Company or any of its properties.

Item 4. Submission of Matters to a Vote of Security Holders

Except for matters taken up during the annual meeting of the stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

a) Market Information

The Company's common shares are traded in the Main Board of The Philippine Stock Exchange, Inc. ("PSE"). The common shares were listed on December 15, 2016.

The following table shows the high and low prices (in pesos per common share) of the Company's shares in the PSE for each quarter within the last 2 years:

Period	High	Low
1st Quarter of 2020	9.91	4.71
2nd Quarter of 2020	6.95	4.70
3rd Quarter of 2020	6.30	5.31
4th Quarter of 2020	8.80	5.62
January 1, 2020 to December 31, 2020	9.91	4.70
1st Quarter of 2021	8.29	6.60
2nd Quarter of 2021	8.80	6.98
3rd Quarter of 2021	8.80	7.40
4th Quarter of 2021	11.20	7.65
January 1, 2021 to December 31, 2021	11.20	6.60
January 1, 2022 to March 31, 2022	10.28	7.75

Source: Daily Quotation Reports of the Philippine Stock Exchange

The market capitalization of the Company's common shares as of end of 2021, based on the closing price of ₱10.10 per share was ₱17,005,977,798. The market capitalization of the Company's common shares as of March 31, 2022, based on the closing price of ₱7.95 per share was ₱13,385,893,415.

b) Holders

Total shares outstanding as of December 31, 2021, is 1,683,760,178 with a par value of ₱1.00.

The number of shareholders of record as of December 31, 2021, was 43. The shareholders as of the same date are as follows:

Name of Shareholder	Number of Shares	% Ownership
Century Pacific Group, Inc.	807,973,841	47.92%*
PCD Nominee Corp. (Non-Filipino)	471,991,084	26.37%
PCD Nominee Corp. (Filipino)	204,270,806	11.41%
JE Holdings, Inc.	152,439,025	9.05%
Century Pacific Group, Inc.	40,000,000	2.37%
Ma. Luisa P. Lovina	13,766,511	0.81%
Leopoldo M. Prieto III	6,882,542	0.40%
Jamille P. Torres	3,706,257	0.22%
Panda Development Corporation	3,314,264	0.19%
Jamille M. P. Torres	3,176,285	0.18%
Ma. Consuelo P. Guerrero	2,923,808	0.17%
Ma. Pilar P. Lorenzo	2,923,808	0.17%
Ma. Cristina P. Moraza	2,923,808	0.17%
Carlos M. Prieto	2,923,808	0.17%
Eduardo M. Prieto	2,923,808	0.17%
Rosario Anne R. Prieto	2,811,823	0.16%
L.L.P. Enterprises, Inc.	2,808,968	0.16%
Ramon M. Prieto	2,760,093	0.16%
Ma. Ines P. Borromeo	1,943,056	0.11%
Ma. Teresa P. Rufino	1,514,170	0.09%
Ma. Teresa R. Prieto	1,297,653	0.07%
Alma Bella Pil Alberastine	2,000	-
Percival Byron Salazar Bueser	2,000	-

Name of Shareholder	Number of Shares	% Ownership
Veronica Aguilar Pedrasa	2,000	-
Leopoldo H. Prieto, Jr.	1,427	-
Dondi Ron R. Limgenco	1,111	-
Christine F. Herrera	1,000	-
Gabrielle Claudia F. Herrera	1,000	-
John T. Lao	1,000	-
Teresa P. Marcelino	1,000	-
Celina F. Lucero	200	-
Roy Eduardo T. Lucero	200	-
Owen Nathaniel S Au ITF: Li Marcus Au	110	-
Shareholders' Association of the Philippines Inc.	100	-
Victor Co and/or Alian Co	100	-
Lance Y. Gokongwei	100	-
Jesus San Luis Valencia	100	-
Gerardo L. Salgado	8	-
Joselito T. Bautista	1	-
Paulo L. Campos III	1	-
Botschaft N. Cheng or Sevilla Ngo	1	-
Fernan Victor P. Lukban	1	-

* Century Pacific Group, Inc. owns 796,445,141 shares of the Company in its own name and another 11,528,700 shares of the Company lodged under PCD Nominee Corp. (Filipino).

c) Dividends

Last July 15, 2021, the Company declared regular cash dividends amounting to Php0.02 per share on all shares of common stock issued and outstanding to stockholders of record as of August 17, 2021. This amount represents the total cash declared and paid for in 2021.

There are no outstanding dividends payable as at December 31, 2021 and December 31, 2020.

d) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

The Company did not issue any stocks to its employees as of December 31, 2021.

Item 6. Management's Discussion and Analysis

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

FY21 Results of Operations

Key Highlights

- PIZZA saw its full-year 2021 bottomline stood at ₱123 million, a reversal from 2020's recorded net loss after tax of ₱254 million driven primarily by the impact of the COVID-19 pandemic on the restaurant industry.

- Systemwide sales reached ₱7.01 billion, equivalent to 68% recovery of 2019 sales. For most of 2021, the Philippines was under varying phases of lockdowns. Quarantine measures have started to ease by the end of the year, with store traffic inching up slowly during the middle of the fourth quarter.

Revenues and Systemwide Sales

In ₱ Millions	2020 Reported	2021 Reported	YOY
Systemwide Sales	6,622	7,011	6%
Net Revenues	5,297	5,480	3%

Systemwide sales, which comprises sales from both company-owned and franchise stores, increased by 6% from ₱6.62 billion to ₱7.01 billion as of end 2021. On a same-store sales basis, excluding the impact of closed stores, sales were flattish year-on-year.

Consolidated net revenues, composed of sales from company-owned stores, franchise and royalty fees from franchisees, and revenues from wholly-owned subsidiaries, reached ₱5.5 billion, increasing by 3% from reported revenues of ₱5.3 billion for the twelve months ending December 31, 2020.

Cost of Sales

For the year ending 2021, consolidated cost of sales declined by 4% from ₱4.4 billion in 2020 to ₱4.2 billion.

Consolidated cost of sales is mainly composed of raw material and packaging costs, direct labor costs, and store-related costs including rent, utilities, etc.

Gross Profit

Consolidated gross profit amounted to ₱1.27 billion for the full year 2021, representing a 37% increase from the ₱933 million in the previous year. This yielded a gross profit margin of 23%, a significant improvement versus the previous year's 18%.

General and Administrative Expenses

For the twelve months ending December 31, 2021, consolidated general and administrative expenses totaled ₱837 million, representing a cost-to-sales ratio of 15%. This is lower than the cost-to-sales ratio of 18% during the same period in 2020.

Operating Income

Consolidated operating income turned around from a negative at ₱40 million loss in 2020 to ₱436 million in 2021.

Net Interest Expense

Interest expense of ₱292 million was recorded for the twelve months ending December 31, 2021. This amount pertains to interest on the acquisition loan used to acquire the wholly-owned subsidiaries, as well as the ₱1.05 billion loan used to support operating activities that were negatively affected by the COVID-19 pandemic.

Other Income

Other income totaled ₱86 million as of year-end 2021. This is composed mainly of other income from franchisees, service income, provisions and loss from store retirement. This is an increase from the ₱5 million reported in 2020 which was impacted by the recognition of provisions and loss from store retirement.

Net Income

For the year ending 2021, consolidated net income after tax stood at ₱123 million, yielding a net income margin of 2.2%. This is a reversal from 2020's recorded net loss after tax of ₱254 million.

FY21 Financial Condition

PIZZA had consolidated total assets of ₱12.63 billion as of December 31, 2021, an increase versus total assets of ₱12.22 billion as of end 2020.

Cash and cash equivalents

As of end 2021, cash and cash equivalents totaled ₱485 million. 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 stood at ₱724 million as of year-end 2021 compared to ₱551 million in 2020.

Inventories

As of December 31, 2021, inventories remained steady at ₱433 million from ₱445 million in 2019.

Property, plant, and equipment

Consolidated net property, plant, and equipment stood at ₱1.37 billion as of year end 2021. Capital expenditures for the year reached ₱279 million, which were primarily invested in the building of new stores.

Intangible assets

Intangible assets remained steady at ₱7.03 billion from ₱7.05 billion in 2020.

Accounts payable and other current liabilities

Accounts payable and other current liabilities remained steady at ₱968 million from ₱801 million during the previous year.

Loans payable

As of December 31, 2021, the Company's total interest-bearing debt stood at ₱3.74 billion. The 2020 short-term loans amounting to ₱1.05 billion used to support the Company's operations amidst the COVID-19 pandemic were fully paid in 2021.

The outstanding loans payable by year end 2021 was primarily used prior to the Company's IPO in 2016 for the acquisition of the in-house commissary, as well as the trademark companies holding the rights and trademarks of the *Shakey's* brand.

Capital stock and Additional paid-in capital

The increase in capital stock and additional paid-in capital is from the issuance of 152,439,025 primary shares at P8.20 per share to JE Holdings, the Company's new strategic investor. Capital stock increased by 10% while additional paid-in capital increased by 81% as a result of the investment.

Cash flows

Consolidated net cash provided by operating activities amounted to ₱966 million for the full year 2021, an improvement of 194% versus the previous year's ₱328 million.

Consolidated net cash used in investing activities was ₱806 million. This is mainly attributable to capital expenditures for new store openings and other corporate investments.

Consolidated net cash used in financial activities was ₱283 million in 2021, which includes the proceeds from the strategic investors, settlement of loans, financing cost and dividend payments.

All in all, net cash used for the year totaled ₱123 million, leading to cash and cash equivalents balance of ₱485 million at year-end 2021.

Key Performance Indicators (KPIs)

	Audited Twelve Months Ended December 31, 2020	Audited Twelve Months Ended December 31, 2021
Gross Profit Margin	17.6%	23.2%
Before Tax Return on Sales	-7.0%	4.2%
Return on Equity	-5.3%	2.2%
Net Gearing Ratio	0.88x	0.53x
Current Ratio	0.88x	1.89x

Notes:

1 Gross Profit margin = Gross Profit / Net Revenue

2 Before Tax Return on Sales = Net Profit Before Tax / Net Revenue

3 Return on Equity = Net Income / Average Equity

4 Net gearing ratio = (Interest-bearing liabilities – Cash) / Total Equity

5 Current Ratio = Total Current Assets / Total Current Liabilities

Item 7. Financial Statements

The Company's financial statements and notes thereto form part of this SEC Form as "Annex A".

Item 8. Information on Independent Public Accountants

a) External Auditor

SGV & Co., a member firm of Ernst & Young, independent auditors, has audited the Company's financial statements as at and for the years ended December 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020. SGV & Co. has been the Company's Independent Public Accountants since 1975 and will be recommended to be re-appointed as the external auditor of the Company for the ensuing year. Maria Pilar B. Hernandez is the current audit partner and has served as such since 2015. The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in us nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in us. SGV & Co. does not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

Representatives of SGV & Co. are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

SGV & Co. also audited the Company's financial statements as of December 31, 2021 in accordance with the Philippine Standards on Auditing.

SGV & Co. has reviewed our pro forma adjustments and the application of those adjustments to the historical amounts in the pro forma condensed consolidated financial information as of December 31, 2019 in accordance with the Philippine Standard on Assurance Engagements 3000, *Assurance Engagements Other than Audits or Review of Historical Financial Information*, and the Philippines Securities and Exchange Commission Memorandum Circular No. 2, Series of 2008, *Guideline on Attestation of Pro Forma Financial Information*. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assumptions, the pro forma adjustments and the application of those adjustments to historical financial information. Accordingly, SGV & Co. does not express such opinion on the pro forma condensed consolidated financial information.

b) Audit Fees

The following table sets out the aggregate fees billed for 2020 and 2021 for professional services rendered by SGV & Co., excluding fees directly related to the Offer. SGV & Co. does not provide other services that are not reasonably related to the performance of the audit or review of our financial statements.

	2020	2021
Audit and Audit-Related fees		
.....	PhP3,260,000.00	PhP3,415,000.00

The following table sets out the aggregate fees billed for 2021

Name of Auditor	Regular Fees
SGV & Co. (member firm of Ernst and Young)	PhP3,415,000.00

Audit and Audited-Related Fees refer to the professional services rendered by SGV & Co. for audit of the Company's annual financial statements and services that are normally provided in connection with statutory and regulatory filings for the said calendar years. The fees presented above include out-of-pocket expenses incidental to the Independent Auditors' services except for the year 2021 which is only the basic fee.

c) Audit Committee and Policies

In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual provides that the audit committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

The audit committee consists of three members of the Board of Directors, at least one of whom is an independent director, including the chairman of the committee. The audit committee, with respect to an external audit:

- Reviews the independent auditors audit plan — discusses scope, staffing, reliance upon management and the internal audit department, general audit approach, and coverage provided to any significant areas of concern that the audit committee may have.
- Reviews and confirms the independence of the external auditors on relationships by obtaining statements from the auditors on the relationships between the auditors and the Company, including non-audit services, and discussing the relationships with the auditors.
- Prior to publishing the year-end earnings, discusses the results of the audit with the independent auditors.
- On an annual basis, the audit committee reviews and discusses with the independent auditors all significant relationships they have with the Company that could impair the auditors' independence.
- On a regular basis, the audit committee meets separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

The Audit Committee reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters: (i) any change/s in accounting policies and practices, (ii) areas where a significant amount of judgment has been exercised, (iii) significant adjustments resulting from the audit, (iv) going concern assumptions, (v) compliance with accounting standards and (vi) compliance with tax, legal and regulatory requirements. The Audit Committee also reviews the disposition of the recommendations in the External Auditor's management letter.

The Audit Committee is composed of the following members, the chairman of which is an independent director:

Name	Position
Fernan Victor P. Lukban	Chairman
Ricardo Gabriel T. Po	Member

d) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no disagreements with Accountants on Accounting and Financial Disclosure or Changes in Accounting Policies for the period ended December 31, 2021.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

a. Directors, Including Independent Directors, and Executive Officers

The overall management and supervision of the Company is undertaken by the Company's Board of Directors. The Company's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. Pursuant to the Company's amended articles of incorporation, the Company's board of directors shall consist of nine members, of whom three are independent directors.

The table below sets forth each member of the board of directors as of December 31, 2021:

Name	Age	Nationality	Position
Christopher T. Po	50	Filipino	Chairman
Ricardo Gabriel T. Po	53	Filipino	Vice Chairman
Teodoro Alexander T. Po	51	Filipino	Vice Chairman
Leonardo Arthur T. Po	43	Filipino	Member
Paulo L. Campos III	37	Filipino	Independent Director
Vicente L. Gregorio	56	Filipino	Member
Lance Y. Gokongwei	55	Filipino	Director
Fernan Victor P. Lukban	60	Filipino	Independent Director
Frances J. Yu	52	Filipino	Independent Director

Christopher T. Po (first elected October 5, 2016) was re-elected as the Company's Executive Chairman on July 15, 2021. He concurrently serves as the Chairman of Shakey's Pizza Asia Ventures, Inc. (PIZZA) and as a Director of Arthaland Corporation (ALCO), a property developer listed on the PSE. Prior to those roles, he was Managing Director for Guggenheim Partners, a U.S. financial services firm where he was in charge of the firm's Hong Kong office. Previously, he was a Management Consultant at McKinsey and Company working with companies in the Asian region. He also worked as the Head of Corporate Planning for JG Summit Holdings, a Philippine-based conglomerate with interests in food, real estate, telecom, airlines, and retail. He graduated summa cum laude from the Wharton School and College of Engineering of the University of Pennsylvania with dual degrees in Economics (finance concentration) and applied science (system engineering) in 1991. He holds a Master degree in Business Administration from the Harvard University Graduate School of Business Administration. He is a member of the Board of Trustees of the Ateneo de Manila University as well as a member of the Board of Asia Society Philippines, and he is the President of the CPG-RSPo Foundation.

Ricardo Gabriel T. Po, Jr. (first elected October 5, 2016) was re-elected as the Company's Vice Chairman on July 15, 2021. He concurrently serves as a Vice Chairman of PIZZA and as a Vice Chairman of ALCO. He was the Executive Vice President and Chief Operations Officer of CNPF from

1990 to 2006 and became the Vice Chairman of its Board of Directors in 2006. He graduated magna cum laude from Boston University with a Bachelor of Science degree in Business Management in 1990. He also completed the Executive Education Program (Owner-President Management Program) at Harvard Business School in 2000.

Teodoro Alexander T. Po, (first elected October 5, 2016) was re-elected as the Company's Vice Chairman, President, and Chief Executive Officer on July 15, 2021. He concurrently serves as a Vice Chairman of PIZZA. Since 1990, he has held various positions in CNPF. He graduated summa cum laude from Boston University with a Bachelor of Science degree in Manufacturing Engineering in 1990. He also completed the Executive Education Program (Owner-President Management Program) at Harvard Business School.

Leonardo Arthur T. Po, (first elected October 5, 2016) was re-elected as the Company's Director and Treasurer on July 15, 2021. He concurrently serves as the Director and Treasurer of PIZZA. He graduated magna cum laude from Boston University with a degree in Business Administration and has extensive and solid business development experience in consumer marketing, finance and operations of fast-moving consumer goods (FMCG), foodservice, quick-serve restaurants, and real estate development.

Paulo L. Campos III, (first elected October 14, 2016) was re-elected as Independent Director of the Company on July 15, 2021. He was first elected an Independent Director of the Company on October 14, 2016. Mr. Campos is the co-founder and Chief Executive Officer of ZALORA Philippines, having founded the company in the late 2011. Prior to ZALORA, he was a management consultant with The Boston Consulting Group in Singapore where he worked with companies across the region on issues related to business development, organizational development, investor communications and strategy. Mr. Campos holds a Master in Business Administration from Harvard Business School and graduated magna cum laude from Princeton University with a degree from its Woodrow Wilson School of Public and International Affairs. After university, he was employed with Ayala Land, Inc. as Special Assistant to the President until 2008.

Vicente L. Gregorio, (first elected October 5, 2016) was re-elected as the Company's director on July 15, 2021 and has been a director since March 31, 2016. Mr. Vicente Gregorio has also been the Company's President and Chief Executive Officer since March 2013. He has more than 30 of experience in the food business, previously serving as Operations Director in various food service companies prior to assuming the position of Executive Vice President and Chief Operations Officer of the Company in February 2003. He also currently serves as a member of the board of the Philippine Franchise Association, Cavallino, Inc., Don Bosco Technical College, Bosconian International Chamber of Commerce, and Plan Master Insurance and Financial Services, Inc. Mr. Vicente Gregorio graduated from Central Colleges of the Philippines with a degree in Bachelor of Science in Electrical Engineering and has earned units in the Business Administration Master's program of the Graduate School of Business at Ateneo de Manila University.

Lance Y. Gokongwei, who is nominated as a non-Independent Director, is the Chairman of URC. He is the President and Chief Executive Officer of JGSHI. He is the Chairman of Altus Ventrues Property, Inc., Robinsons Retail Holdings, Inc., Robinsons Land Corporation, JG Summit Petrochemical Corporation, JG Summit Olefins Corporation and Robinsons Bank Corporation. He is the President and Chief Executive Officer of Cebu Air, Inc. He is a director and Vice Chairman of Manila Electric Company and a director of Oriental Petroleum and Minerals Corporation, United Industrial Corporation Limited and Meralco Powergen Corporation. He is also member of the Board of Global Reporting Initiative. He is also the Chairman and trustee of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.

Fernan Victor P. Lukban, (first elected October 14, 2016) was re-elected as the Company's Lead Independent Director on July 15, 2021. He concurrently serves as the Lead Independent Director of PIZZA, as an Independent Director of ALCO, and as a Director of Central Azucarera de Tarlac, Inc. (CAT). He is a highly regarded consultant in family business, strategy, entrepreneurship, and governance. He is active in Base of the Pyramid initiatives all over the Philippines and helps professionalize Boards throughout the country. He holds undergraduate degrees in engineering (Industrial Management - Mechanical from De La Salle University, Manila) and graduate degrees in economics (MSc in Industrial Economics from the Center for Research & Communication, now University of Asia & the Pacific) and in business (MBA from IESE Barcelona, Spain). He spent much of his early professional years in academia, helping establish the University of Asia & the Pacific where he currently participates as a consultant, mentor, and guest lecturer. He is a founding fellow of the Institute of Corporate Directors.

Frances J. Yu, (first elected August 16, 2018) was re-elected as the Company's Independent Director on July 15, 2021. She concurrently serves as an Independent Director of PIZZA. She was previously the Chief Retail Strategist of Mansmith and Fielders, Inc., the largest marketing and sales training company in the Philippines. Prior to this, she was the Vice President and Business Unit Head of Rustan's Supermarket and the Vice President and Head of Marketing Operations for Rustan's Supercenters, Inc. She founded FJY Consulting, Inc., a corporate marketing and management consulting company which she managed as President. She was also the Vice President and General Manager of a marketing research and consulting firm catering to the top 500 corporations in several sectors. From 2003 to 2005, she served as the Chairperson for the National Retail Conference and Stores Asia Expo (NRCE) Programs Committee of the Philippine Retailers Association. She graduated summa cum laude from Fordham University, New York with a Bachelor of Arts degree in English Literature.

The table below sets forth the key executive and corporate officers as of December 31, 2021:

Name	Age	Nationality	Position
Jose Arnold T. Alvero	58	Filipino	Vice President - Internal Operations & Director for Franchise & Business Development
Alois Brielbeck	60	German	General Manager (commissary)
Jorge Maria Q. Concepcion	66	American and Filipino	General Manager
Manuel T. Del Barrio	57	Filipino	Vice-President and Chief Financial Officer
Vicente L. Gregorio	55	Filipino	President and Chief Executive Officer
Darel G. Pallesco	36	Filipino	Chief Audit Executive
Leonardo Arthur T. Po	44	Filipino	Treasurer
Maria Elma C. Santos	46	Filipino	General Manager – Peri Peri
Gilbert L. Tolentino	50	Filipino	Business Unit Director and R&B General Manager
Maria Rosario L. Ybanez	46	Filipino	Corporate Secretary
Myrose April C. Victor	38	Filipino	Investor Relations Head

Alois Brielbeck, has been the General Manager of the Company's in-house commissary since October 2005. He moved to the Philippines in February 2000 as the Chief Operating Officer for Culinary Systems Specialists Inc., a company involved in the production of bakery products to both local and export markets. He has held key positions in pastry kitchens in Hong Kong and Tokyo, Japan before moving to the Philippines. Mr. Alois Brielbeck is a fully-qualified Baker with a Baker Master Diploma from the Master School of Lochham in Munich, Germany.

Manuel T. Del Barrio, was re-elected Vice-President and Chief Financial Officer on July 15, 2020 and has been Vice-President and Chief Financial Officer since March 31, 2016. He concurrently holds the position of Chief Risk Officer and Compliance Officer of the Company. He was previously the Assistant Vice-President for Finance of CNPF and The Pacific Meat Company, Inc. He previously worked as an Industrial Accounting Manager in TEMIC Telefunken Semiconductors, Inc. and held accounting positions in Hooven Philippines and Sanara, Inc. He has a degree in Bachelor of Science in Business Administration from the University of the East, and holds a Master in Business Administration (Regis Program) from the School of Business of the Ateneo de Manila University. He is a Certified Public Accountant and a Certified Management Accountant.

Jorge Maria Q. Concepcion, has been the Company's General Manager since his repatriation from the US in 2014. He previously held the position of Executive Vice-President & General Manager in Gallo Giro (a Mexican restaurant chain in California), Red Ribbon Bakeshop, Inc. (US and the Philippines) and Goldilocks Corp. of California. Before entering the foodservice retail industry, Mr. Concepcion started in the Branded Foods FMCG business where he worked for various Unilever Asia affiliates in the Philippines, Malaysia and Singapore in different capacities in marketing, sales, corporate planning and general management. He first repatriated to the Philippines in 1996 with the ConAgra joint-venture company, Hunts-URC. He then subsequently and concurrently headed URC-Dairy Product Division and URC-Food Service Division before eventually migrating to the US in 2006. He has a degree in Bachelor of Arts (Honors) in Mathematics from De La Salle University and has a Master of Science in Industrial Engineering and Operations Research from the University of the Philippines.

Jose Arnold T. Alvero was appointed as the Corporation's Vice President - Internal Operations & Director for Franchise & Business Development in January 2020. is a hospitality professional with more than 35 years of transnational experience in Hotel Operations, Restaurant General Management, Franchising, Business Development, Guest Service Management, and Strategic Planning. Prior to his new appointment, he was the Business Unit GM for Franchised Store Operations as well as Director for Franchise and Business Development where he led the store network expansion & growth of Shakey's Philippines outside of Metro Manila and developed the Franchise ACE program for its esteemed franchisees. Previous to that, he was Planning and Business Development Director of Shakey's Philippines wherein he strengthened the brand's Countrywide Development Plan and steered the company's Business Development team. Before joining Shakey's Philippines, he was the Corporate Franchising and Channel Development Head of One Food Group and oversaw the development of the Tokyo Tokyo and Mister Donut franchising programs. Before that, he also served as Regional Business Unit (RBU) General Manager for both Company-Owned and Franchised stores for Mister Donut. He also had stints in Red Ribbon Bakeshop, Inc, McDonald's Philippines, The Palace Hotel, Beijing, and The Mandarin Oriental, Manila in various managerial capacities in Operations and Guest Services early in his career. Jose is a graduate of the University of the Philippines where he finished a B.S. Hotel and Restaurant degree, cum laude.

Darel G. Pallesco, is the Corporation's Chief Audit Executive. Mr. Pallesco has been heading the Corporate Internal Audit since he joined the company in 2014. He started his career with SGV & Co. in 2006 as an internal auditor and continued though it with multinational companies such as Johnson & Johnson, Philip Morris and Luen Thai where he primarily audited and contributed on facets of governance, risk management and internal controls. He earned his degree of Bachelor of Science in Accountancy from San Sebastian College-Recoletos in 2005, a Certified Public Accountant (CPA) and a Certified Internal Auditor (CIA).

Maria Elma C. Santos, is the Corporation's General Manager for Peri Peri Business Unit. Ms. Santos was previously Shakey's Guest Engagement Director in 2015, and General Manager of Project Pie from 2016 to 2017. Mid of 2017, became Shakey's Delivery Systems Head and headed the HR Division of Shakey's until mid-2019. She currently leads the team of Peri-Peri as the General

Manager. She earned her Master's degree in Business Administration from the Ateneo-Regis Program.

Gilbert L. Tolentino, is the Corporation's Business Unit Director and R&B Tea General Manager. Mr. Tolentino has 33 years of experience in the food industry and has handled different departments like Operations, Training, Organization Development, Franchising, Business Development, and Technical Services. Previously the Group Training Manager for Pancake House, Dencio's, and Teriyaki Boy. Mr. Tolentino has been with PIZZA for 15 years.

Myrose April C. Victor, was elected as the Company's Investor Relations Head in July 2021. Ms. Victor has 16 years of work experience in the Finance, Accounting, Corporate Planning, Systems Implementation and General Management functions in different industries such as food retail, banking and energy. Prior to joining CPFI, Ms. Victor was the Head of Finance for DOLE's Packaged Division, handling the functions of Finance Planning and Controllershship for the Philippines and Other Distributor Markets. Ms. Victor also handled various roles on general and finance management and led transformation and turnaround projects for companies in the food, energy and banking industries. Graduated in 2005 from the University of the Philippines with a degree in BS Business Administration and Accountancy (mcl). Ms. Victor also completed her Global Master in Finance from IE Business School in 2019.

Maria Rosario L. Ybanez, 45, was elected as the Company's Corporate Secretary in June 1, 2018. She concurrently serves as the Legal Counsel and Compliance Officer of CNPF. Atty. Ybanez graduated with a Bachelor of Arts degree in Legal Management from the Ateneo de Manila University and obtained her J.D. from the Ateneo de Manila School of Law. She has been involved in the practice of Civil, Labor, Criminal, Corporate and Intellectual Property laws since 2001.

b. Family Relationships

Mr. Christopher T. Po, Mr. Ricardo Gabriel T. Po, Mr. Teodoro Alexander T. Po and Mr. Leonardo Arthur T. Po are brothers. Aside from the foregoing, there are no family relationships between any Directors and any members of the Company's senior management as of December 31, 2021.

c. Involvement in Certain Legal Proceedings

None of the directors and officers have been involved in any bankruptcy proceeding, nor have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment, or decree of competent jurisdiction, permanent or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or found in action by any court or administrative bodies to have violated a securities of commodities law, for the past five (5) years up to the latest date.

As of date of this report, the Company is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Company or on the results of its operations. No litigation or claim of material importance is known to be pending or threatened against the Company or any of its properties.

Item 10. Executive Compensation

a. General

The levels of remuneration of the Company should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

No director should participate in deciding on his remuneration.

The Company may, in exceptional cases, e.g., when the Company is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

b. Summary Compensation Table

a. CEO and five other most highly compensated executive officers

Name	Principal Position	Year	Compensation
Vicente L. Gregorio	President & CEO	2021	₱60,409,637
Alois Brielbeck	General Manager – BMI		
Jorge Maria Q. Concepcion	General Manager – Shakey's		
Manuel T. Del Barrio	Vice President & CFO		
Jose Arnold T. Alvero	Vice President – International Operations & Director – Franchise & Business Development		
Gilbert L. Tolentino	Director – Company-Owned Store Operations		

b. Compensation of Directors and Officers as a Group

Name	Principal Position	Year	Compensation
Aggregate compensation paid to all executive officers and directors as a group unnamed		2021	₱147,128,102

c. Compensation of Directors

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	None		
(b) Variable Remuneration	None		
(c) Per diem Allowance	None		₱263,157.90
(d) Bonuses	None		
(e) Stock Options and/or other financial instruments	None		
(f) Others (Specify)	None		

Other Benefits	Executive Directors	Non-Executive Directors (other than independent)	Independent Directors
----------------	---------------------	--	-----------------------

		directors)	
1) Advances	None		
2) Credit granted			
3) Pension Plans / Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan			
(h) Others (Specify)			

d. Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

There are no special employment contracts or other arrangements between the Company and its officers or directors.

e. Warrants and Options Outstanding

There are no outstanding warrants or options held by any of the Company's officers or directors.

Item 11. Security Ownership of Certain Beneficial Owners and Management

a. Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2021, the following were owners of more than 5% of the Company's outstanding shares:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	% to Total Outstanding
Common	Century Pacific Group, Inc. / 7F Centerpoint Building, Julia Vargas Avenue, Ortigas Center, Pasig City / Stockholder of Record	Ricardo Gabriel T. Po, Chairman Christopher T. Po, President Teodoro Alexander T. Po, Chief Operating Officer Leonardo T. Po, Director	Filipino	807,973,841	47.92%*
Common	PCD Nominee Corp. (Non-Filipino) / The Enterprise Center, Ayala Avenue corner	Please see BDO Report as December 31, 2021 attached as Annex "B"	Non-Filipino	444,100,534	26,37%

	Paseo de Roxas, Makati City / Stockholder of Record				
Common	Arran Investment Pte. Ltd. / 168 Robinson Road, #37-01 Capital Tower, Singapore / Stockholder of Record	GIC Private Limited (GIC) – sovereign wealth fund of the Government of Singapore, Parent company of Arran	Singaporean	283,063,432	16.81%
Common	PCD Nominee Corp. (Filipino) / The Enterprise Center, Ayala Avenue corner Paseo de Roxas, Makati City / Stockholder of Record	Please see BDO Report as of December 31, 2021 attached as Annex “B”	Filipino	192,150,256	11.41%

b. Security Ownership of the Board of Directors and Senior Management

The following are the number of shares owned of record by the directors and key officers of the Company as of December 31, 2021

Title of Class	Name of Beneficial Owner	Citizenship	Amount and Beneficial Ownership		% of Capital Stock
			Number of Direct shares	Number of Indirect shares	
Common	Ricardo Gabriel T. Po	Filipino	1	-	-
Common	Teodoro Alexander T. Po	Filipino	1	-	-
Common	Christopher T. Po	Filipino	1	-	-
Common	Leonardo Arthur T. Po	Filipino	1	-	-
Common	Vicente L. Gregorio	Filipino	2,206,989	-	-
Common	Fernan Victor P. Lukban	Filipino	95,001	-	-
Common	Paulo L. Campos III	Filipino	1	89,000	-
Common	Frances J. Yu	Filipino	1	-	-
	Lance Y. Gokongwei	Filipino	100	-	-
Common	Manuel T. Del Barrio	Filipino	210,342	-	-
Common	Maria Rosario L. Ybanez	Filipino	-	-	-
Common	Jorge Maria Q. Concepcion	American	408,245	-	-
Common	Alois Brielbeck	German	359,600	-	-
Common	Jose Arnold T. Alvero	Filipino	75,555	-	-
Common	Myrose April C. Victor	Filipino	5,000	-	-
Common	Maria Elma C. Santos	Filipino	-	-	-
Common	Gilbert L. Tolentino	Filipino	3,000	-	-
Common	Darel G. Pallesco				
TOTAL			3,363,838	89,000	-

c. Voting Trust Holder of 5% or more

As of December 31, 2021, there are no persons holding more than 5.0% of a class of shares under a voting trust or similar agreement.

d. Changes in Control

There are no arrangements which may result in a change in control of the Registrant as of December 31, 2021.

Item 12. Certain Relationships and Related Transactions

The Company is a subsidiary of Century Pacific Group, Inc. (CPGI) and is a member of Century Pacific Group, Inc.'s Group of Companies (the Group). As of December 31, 2021, CPGI holds 47.92% of the outstanding shares of the Company.

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with companies in the Group and other companies controlled by the Po Family.

The most significant of these transactions would include:

- a) 25-year lease agreement with CPGI on a property in Paranaque City, Metro Manila where the Company's new corporate headquarters and commissary plant will be constructed
- b) Purchase of inventory such as corned beef and tuna from CNPF
- c) The sale of inventory such as cheese, chicken, and dining supplies to DBE Project, Inc., also a subsidiary of CPGI

The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

Further information on the Company's related party transactions, including detailed breakdowns of amounts receivable from and amounts payable to affiliated companies, can be found in the notes to the Company's financial statements.

PART IV - EXHIBITS AND SCHEDULES

Shakey's Pizza Asia Ventures Inc. has five (5) subsidiaries as of December 31, 2021:

Subsidiary	Business	% Ownership	Country of Residence
Bakemasters, Inc.	Manufactures and distributes fresh, frozen, pan-baked and baked breads, pastries, cakes, desserts, confectionery items, pie crusts, and party shells.	100	Philippines
Shakey's International Limited	Holds Shakey's trademark and license to operate in the ASEAN region.	100	Hong Kong
Wow Brand Holdings, Inc.	Operates Peri Peri Charcoal Chicken and Sauce Bar restaurants	100	Philippines
Shakey's Seacrest Inc.	Trademark holding company	100	Philippines
Shakey's Pizza Regional Foods Limited	Operates Shakey's franchising activities outside of the Philippines	100	Hong Kong
Shakey's Pizza Commerce, Inc.	Buys, sells, and distributes goods and merchandise to Shakey's stores	100	Philippines

Reports on SEC Form 17-C:

Date	Subject of Report
January 05, 2021	Press Release: Shakey's Pizza Set to Open in Singapore
February 23, 2021	Press Release: Shakey's Pizza set to open 15 Shakey's and 15 Peri stores in 2021
March 15, 2021	Notice of the Annual Stockholders' Meeting
April 05, 2021	Press Release: Shakey's reverts to positive bottomline in the fourth quarter; Projects return to profitability in 2021 amidst continued uncertainty around COVID-19 pandemic
April 12, 2021	Press Release: Shakey's Pizza to vaccinate all employees for free; Donating 5,000 doses to government
May 12, 2021	Shakey's welcomes the entry of a new strategic investor to further strengthen post COVID-19 expansion plans
May 12, 2021	Press Release: Shakey's Pizza continues on its road to recovery; Makes headway on store expansion, on track to hitting 30 new stores this year
May 12, 2021	Amendment on the Notice of the Annual Stockholders' Meeting
June 22, 2021	Press Release: Shakey's Pizza Launches Plant-based Nuggets in Partnership with unMeat

SEC Form 17-A
SHAKEY'S PIZZA ASIA VENTURES, INC.

July 1, 2021	Shakey's Pizza Asia Ventures Inc's and JE Holdings, Inc. signed today the Subscription Agreement covering 152,439,025 of SPAVI shares
July 2, 2021	Press Release: Shakey's Pizza Reduces Employees' Travel Time to Work, Effectively Boosting Satisfaction and Productivity
July 15, 2021	Results of the Annual Stockholders' Meeting
July 15, 2021	Declaration of cash dividends
July 16, 2021	Appointment of Officers
July 16, 2021	Results of the Organizational Meeting of the Board of Directors
August 11, 2021	Press Release: PIZZA bottomline swings to positive territory in 1H21; Company adds 16 outlets to store network
September 28, 2021	Press Release: Shakey's Pizza boosts off-premise delivery capabilities with new Shakey's Super App
October 25, 2021	Press Release: Shakey's rolls out the first and only 31-minute delivery guarantee in Metro Manila; Leveraging infrastructure to create superior delivery service
November 3, 2021	Press Release: Shakey's Pizza opens its first R&B milk tea drive-through outlet in Manila
November 11, 2021	Press Release : Shakey's Pizza Weathers Through 9M 2021: Sees steady return to bottomline profitability by year end, makes reopening plays, adding 28 outlets to store network
November 29, 2021	Press Release: Shakey's Pizza's Peri-Peri Charcoal Chicken Chain Opens 50th Store
December 13, 2021	Press Release: Shakey's opens New Project Pie Artisan Pizza Outlet at Shopwise Hypermarket
December 20, 2021	Press Release: Shakey's Pioneers New 100% Plant-Based Pizza in PH
December 24, 2021	Shakey's Pizza acquires leading food kiosk brand 'Potato Corner'
December 24, 2021	Press Release: Shakey's Pizza acquires leading food kiosk brand 'Potato Corner'
December 24, 2021	Amendment to the Disclosure: Shakey's Pizza acquires leading food kiosk brand 'Potato Corner'


Reports on SEC Form 17-Q

Date Filed	Subject of Report
May 12, 2021	First Quarter Results
August 11, 2021	Second Quarter Results
November 11, 2021	Third Quarter Results
November 12, 2021	Amended Third Quarter Results


SIGNATURES

Pursuant to the requirement of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized _____ on _____ 2022.

By:


Vicente L. Gregorio
Principal Executive Officer


Manuel T. del Barrio
Principal Financial Officer


Jorge Q. Concepcion
Principal Operating Officer


Maria Rosario L. Ybanez
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 12 2022 day of _____ affiant(s) exhibiting to me his/their valid IDs as follows:

NAMES	IDENTIFICATION
Vicente L. Gregorio	TIN No. 115-733-046
Jorge Q. Concepcion	TIN No. 192-328-793
Manuel T. del Barrio	TIN No. 120-616-990
Maria Rosario L. Ybanez	TIN No. 216-466-794

Doc. No. 921;
Page No. 65;
Book No. X;
Series of 2022.


ATTY. IRISH S. PRECION
Roll of Attorney's No. 69281/05.31.17
PTR No. A-5386637/01.07.2022 (Taguig City)
IBP No. 197081/01.07.2022
MCLE Exemption No. VI-002453 / Valid Until 14, April 2022
Unit 1124 Tower 2 Grace Residences Condominium
Levi Mariano Ave. Taguig City

ANNEX A

List of Stockholders

STOCKHOLDER'S NAME	OUTSTANDING & ISSUED SHARES (FULLY PAID)	OUTSTANDING & ISSUED SHARES PARTIALLY PAID	TOTAL HOLDINGS (SUBSCRIBED)	PERCENTAGE TO TOTAL
CENTURY PACIFIC GROUP, INC.	796,445,141	0	796,445,141	47.302
PCD NOMINEE CORP. (NON-FILIPINO)	444,100,534	0	444,100,534	26.376
PCD NOMINEE CORP. (FILIPINO)	192,150,256	0	192,150,256	11.412
JE HOLDINGS, INC.	152,439,025	0	152,439,025	9.053
CENTURY PACIFIC GROUP INC.	40,000,000	0	40,000,000	2.376
MA. LUISA P. LOVINA	13,766,511	0	13,766,511	0.818
LEOPOLDO M. PRIETO III	6,882,542	0	6,882,542	0.409
JAMILLE P. TORRES	3,706,257	0	3,706,257	0.220
PANDA DEVELOPMENT CORPORATION	3,314,264	0	3,314,264	0.197
JAMILLE M. P. TORRES	3,176,285	0	3,176,285	0.189
MA. CONSUELO P. GUERRERO	2,923,808	0	2,923,808	0.174
MA. PILAR P. LORENZO	2,923,808	0	2,923,808	0.174
MA. CRISTINA P. MORAZA	2,923,808	0	2,923,808	0.174
CARLOS M. PRIETO	2,923,808	0	2,923,808	0.174
EDUARDO M. PRIETO	2,923,808	0	2,923,808	0.174
ROSARIO ANNE R. PRIETO	2,811,823	0	2,811,823	0.167
L.L.P. ENTERPRISES, INC.	2,808,968	0	2,808,968	0.167
RAMON M. PRIETO	2,760,093	0	2,760,093	0.164
MA. INES P. BORROMEO	1,943,056	0	1,943,056	0.115
MA. TERESA P. RUFINO	1,514,170	0	1,514,170	0.090
MA. TERESA R. PRIETO	1,297,653	0	1,297,653	0.077
PYTHON ROCK ENTERPRISES INC	11,100	0	11,100	0.001
ALMA BELLA PIL ALBERASTINE	2,000	0	2,000	0.000
PERCIVAL BYRON SALAZAR BUESER	2,000	0	2,000	0.000
VERONICA AGUILAR PEDRASA	2,000	0	2,000	0.000
LEOPOLDO H. PRIETO, JR.	1,427	0	1,427	0.000
DONDI RON R. LIMGENCO	1,111	0	1,111	0.000
CHRISTINE F. HERRERA	1,000	0	1,000	0.000
GABRIELLE CLAUDIA F. HERRERA	1,000	0	1,000	0.000
JOHN T. LAO	1,000	0	1,000	0.000
TERESA P. MARCELINO	1,000	0	1,000	0.000
CELINA F. LUCERO	200	0	200	0.000
ROY EDUARDO T. LUCERO	200	0	200	0.000
OWEN NATHANIEL S AU ITF: LI MARCUS AU	110	0	110	0.000
VICTOR CO AND/OR ALIAN CO	100	0	100	0.000
LANCE Y. GOKONGWEI	100	0	100	0.000
SHAREHOLDERS' ASSOCIATION OF THE PHILIPPINES, INC.	100	0	100	0.000
JESUS SAN LUIS VALENCIA	100	0	100	0.000
GERARDO L. SALGADO	8	0	8	0.000
JOSELITO T. BAUTISTA	1	0	1	0.000
PAULO L. CAMPOS III	1	0	1	0.000
BOTSCHAFT N. CHENG OR SEVILA NGO	1	0	1	0.000
FERNAN VICTOR P. LUKBAN	1	0	1	0.000
GRAND TOTAL (43)	1,683,760,178	0	1,683,760,178	

OUTSTANDING BALANCES FOR A SPECIFIC COMPANY

Company Code - PIZZA0000000

Business Date: December 31, 2021

BPNAME	HOLDINGS
THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS' ACCT.	321,042,885
STANDARD CHARTERED BANK	73,394,800
CITIBANK N.A.	57,881,103
GOVERNMENT SERVICE INSURANCE SYSTEM	25,536,110
PAPA SECURITIES CORPORATION	19,810,959
A & A SECURITIES, INC.	15,917,800
MANDARIN SECURITIES CORPORATION	14,324,611
DEUTSCHE BANK MANILA-CLIENTS A/C	12,976,600
REGIS PARTNERS, INC.	11,334,285
BPI SECURITIES CORPORATION	10,949,311
FIRST METRO SECURITIES BROKERAGE CORP.	10,469,492
COL Financial Group, Inc.	10,307,503
S.J. ROXAS & CO., INC.	10,125,900
BDO SECURITIES CORPORATION	6,352,234
IGC SECURITIES INC.	6,198,600
TOWER SECURITIES, INC.	3,911,500
MAYBANK ATR KIM ENG SECURITIES, INC.	2,809,402
UOB KAY HIAN SECURITIES (PHILS.), INC.	2,718,300
WEALTH SECURITIES, INC.	2,040,335
MBTC - TRUST BANKING GROUP	1,846,420
ABACUS SECURITIES CORPORATION	1,007,167
FIRST INTEGRATED CAPITAL SECURITIES, INC.	947,800
DAVID GO SECURITIES CORP.	932,400
TRITON SECURITIES CORP.	913,100
PHILSTOCKS FINANCIAL INC	878,664
AB CAPITAL SECURITIES, INC.	759,200
SUMMIT SECURITIES, INC.	743,100
SB EQUITIES, INC.	622,200
EAGLE EQUITIES, INC.	562,000
AP SECURITIES INCORPORATED	548,700
EVERGREEN STOCK BROKERAGE & SEC., INC.	529,300
UNICAPITAL SECURITIES INC.	394,015
CAMPOS, LANUZA & COMPANY, INC.	383,600
QUALITY INVESTMENTS & SECURITIES CORPORATION	329,000
SOLAR SECURITIES, INC.	324,000
CHINA BANK SECURITIES CORPORATION	298,300
EASTERN SECURITIES DEVELOPMENT CORPORATION	248,000
MERIDIAN SECURITIES, INC.	242,400
R. NUBLA SECURITIES, INC.	225,500
DIVERSIFIED SECURITIES, INC.	215,100
SALISBURY BKT SECURITIES CORPORATION	211,612
TANSENGCO & CO., INC.	209,000
GOLDSTAR SECURITIES, INC.	202,400
BANK OF COMMERCE - TRUST SERVICES GROUP	191,600
R. COYIUTO SECURITIES, INC.	187,900
HDI SECURITIES, INC.	186,500
EQUITIWORLD SECURITIES, INC.	180,400
A. T. DE CASTRO SECURITIES CORP.	180,100
THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.	175,100
G.D. TAN & COMPANY, INC.	174,100
STANDARD SECURITIES CORPORATION	167,400
REGINA CAPITAL DEVELOPMENT CORPORATION	155,200
YAO & ZIALCITA, INC.	154,200

BPNAME	HOLDINGS
BERNAD SECURITIES, INC.	140,700
PAN ASIA SECURITIES CORP.	138,100
YU & COMPANY, INC.	125,800
INVESTORS SECURITIES, INC,	123,200
VALUE QUEST SECURITIES CORPORATION	118,400
E. CHUA CHIACO SECURITIES, INC.	106,600
RCBC SECURITIES, INC.	99,100
RTG & COMPANY, INC.	88,300
AAA SOUTHEAST EQUITIES, INCORPORATED	86,800
NEW WORLD SECURITIES CO., INC.	80,000
OPTIMUM SECURITIES CORPORATION	77,100
PHILIPPINE EQUITY PARTNERS, INC.	76,683
F. YAP SECURITIES, INC.	75,100
AURORA SECURITIES, INC.	72,600
ALAKOR SECURITIES CORPORATION	72,000
BELSON SECURITIES, INC.	71,500
DEUTSCHE BANK MANILA-CLIENTS A/C	70,909
ALPHA SECURITIES CORP.	67,000
PNB TRUST BANKING GROUP	63,000
UCPB SECURITIES, INC.	62,100
GLOBALINKS SECURITIES & STOCKS, INC.	57,000
SECURITIES SPECIALISTS, INC.	54,600
ASIASEC EQUITIES, INC.	47,400
INTRA-INVEST SECURITIES, INC.	45,800
PNB SECURITIES, INC.	43,400
JAKA SECURITIES CORP.	42,700
UPCC SECURITIES CORP.	41,600
CTS GLOBAL EQUITY GROUP, INC.	39,000
FIRST ORIENT SECURITIES, INC.	37,000
DA MARKET SECURITIES, INC.	36,500
TIMSON SECURITIES, INC.	34,600
SunSecurities, Inc.	33,500
SARANGANI SECURITIES, INC.	32,600
ANSALDO, GODINEZ & CO., INC.	32,200
ASTRA SECURITIES CORPORATION	30,000
CUALOPING SECURITIES CORPORATION	30,000
STRATEGIC EQUITIES CORP.	29,890
PREMIUM SECURITIES, INC.	29,000
APEX PHILIPPINES EQUITIES CORPORATION	28,000
CENTURY SECURITIES CORPORATION	27,000
WESTLINK GLOBAL EQUITIES, INC.	26,600
GUILD SECURITIES, INC.	21,800
JSG SECURITIES, INC.	21,000
LOPEZ, LOCSIN, LEDESMA & CO., INC.	17,500
LUYS SECURITIES COMPANY, INC.	17,000
J.M. BARCELON & CO., INC.	16,300
MDR SECURITIES, INC.	15,800
DBP-DAIWA CAPITAL MARKETS PHILPPINES, INC.	15,000
PLATINUM SECURITIES, INC.	15,000
MERCANTILE SECURITIES CORP.	13,400
IMPERIAL,DE GUZMAN,ABALOS & CO.,INC.	10,600
EAST WEST CAPITAL CORPORATION	10,000
LARRGO SECURITIES CO., INC.	10,000
VENTURE SECURITIES, INC.	8,200
STERLING BANK OF ASIA TRUST GROUP	6,700
R. S. LIM & CO., INC.	6,000
LUCKY SECURITIES, INC.	5,000
FIDELITY SECURITIES, INC.	4,500
I. B. GIMENEZ SECURITIES, INC.	4,200
R & L INVESTMENTS, INC.	3,000

BPNAME	HOLDINGS
MOUNT PEAK SECURITIES, INC.	2,500
ASIA PACIFIC CAPITAL EQUITIES & SECURITIES CORP.	2,000
VSEC.COM, INC.	2,000
H. E. BENNETT SECURITIES, INC.	2,000
BENJAMIN CO CA & CO., INC.	600
SINCERE SECURITIES CORPORATION	100
TOTAL	636,250,790

If no written notice of any error or correction is received by PDTC within five (5) calendar days from receipt hereof, you shall be deemed to have accepted the accuracy and completeness of the details indicated in this report.

ANNEX B

Sustainability Report

Contextual Information	
Name of organization	Shakey's Pizza Asia Ventures Inc. ("SPAVI")
Location of headquarters	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Shakey's Pizza Peri-Peri
Business Model, including Primary Activities, Brands, Products, and Services	Full-service restaurant chain, specializing in casual dining
Reporting Period	January 1, 2021 - December 31, 2021
Highest Ranking Person responsible for this report	Christopher Po, Chairman
Contact for questions regarding the report (Department/Name and/or email)	Investor Relations, investorrelations@shakeys.biz

Materiality Process

SPAVI Material topics	Materiality process
<p>People</p> <ul style="list-style-type: none"> - Diversity and inclusion - Talent acquisition and management - Employee engagement - Workplace culture and environment - External guest engagement <p>Planet</p> <ul style="list-style-type: none"> - Natural resource efficiency - Energy consumption - Water consumption <p>Environmental impact management</p> <ul style="list-style-type: none"> - Greenhouse gas emission - Plastic neutrality - Landfill waste reduction <p>Supply chain management</p> <ul style="list-style-type: none"> - Supplier credibility - Local sourcing <p>Pizza</p> <ul style="list-style-type: none"> - Product development & innovation - Food safety & quality - Healthier products - Nutritional transparency 	<p>SPAVI recognizes that a company's ESG material topics are the foundation of our sustainability strategy, reporting disclosures, and company targets. Hence, we made sure that the selection process of material topics is both inclusive and holistic.</p> <p>Key in identifying SPAVI's material issues is the comprehensive and continuous communication with stakeholders on business activities and related risks and issues of the Company. With this, we began by creating a stakeholder engagement plan. We first identified appropriate internal and external stakeholders for a series of interviews. In the course of the interviews, stakeholders shared their views on risk, opportunities, and priorities for the sustainability of the organization.</p> <p>We then worked with a third-party consultant to guide us through the ESG materiality prioritization, framework and strategy development. For an impactful strategy, we mapped out the metrics to monitor our performance against the material topics. Data is collected, analyzed, and reported to the wider management group. The management team set up Steering Committees composed of senior executives, including SPAVI's Chairman and CEO, to oversee the various sustainability initiatives and performance.</p> <p>The core "Sustainability Steering Committee" encompasses all three (3) P's of our sustainability framework: People, Planet, and Pizza. We believe that these pillars are not independent of each other. Rather, they are an intertwined set of priorities. As such, we have three (3) cross-functional sub-committee assigned for People, Planet, and Pizza. Every quarter, separate Steering Committees meet to cover the initiatives and directives of the team and ensure</p>

	continuous monitoring of our impacts, both positive and negative.
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Note: Stakeholder engagement matrix guided SPAVI to consider all appropriate internal and external stakeholders when assessing the impacts, risks, and opportunities of the disclosures listed below.

Economic Disclosures

Economic Performance

Direct economic value generated and distributed	PHP in Millions
Direct economic value generated (revenue)	5,481
Direct economic value distributed	4,780
Employee wages and benefits	858
Payments to suppliers, and other operating costs	3,557
Dividends given to stockholders and interest payments to loan providers	226
Taxes given to government	138

Management approach: Economic Performance

Of the Php 5,481 million in economic value generated, 4,780 million is funneled towards our key stakeholders, namely our employees, suppliers, stockholders, banks, and the government.

It is crucial to identify the key risk exposures of the Company to assess the potential business and financial impact should any of the risks materialize in the future. The following are the identified business and financial risks of the Company:

- 1) The Philippine food service industry is a highly competitive market with low barriers to entry. SPAVI competes directly and indirectly with both local and foreign full-service, casual dining and fast food stores that offer dine-in, delivery, and catering services nationwide. Failure to successfully compete and consistently outperform its peers may adversely affect its business and financial and operational results.
- 2) SPAVI growth is partially dependent on the strength of its brand, recognized for its high-quality product offerings and world-class guest service, as well as excellent culture and warm ambience of its stores. Any damage to its brand reputation and negative publicity to its stores may have an impact on the business, results of operations, and its prospective plans.
- 3) SPAVI is reliant on its franchisees for the successful management and operations of its franchise stores. In addition, a portion of the company's revenue is derived from royalty and franchise payments. A failure by the franchisees to deliver what is expected of them may significantly harm the brand image and goodwill of the Shakey's brand, as well as adversely affect the business operations and results of operations of SPAVI.
- 4) SPAVI's growth is highly dependent on its ability to open new stores, maintain existing stores, and operate these stores in a profitable manner. Failure to successfully locate and secure suitable store locations in its target markets may delay SPAVI store openings and significantly affect its business and results of operations. In addition, SPAVI's expansion plans may be limited by unforeseen economic and market conditions that are beyond its control.

- 5) SPAVI relies on key third-party suppliers and its in-house commissary to supply key raw material requirements. A failure by these third-party suppliers to adhere to contractual obligations or a significant disruption in the supply chain and logistics can significantly affect its business operations.
- 6) SPAVI hires approximately 1,300 full-time employees, a portion of which are covered by a 5-year collective bargaining agreement renewed on October 15, 2021. Although SPAVI's operations have never been affected by any labor dispute in the past, it cannot assure that it will not experience labor unrest and activism in the future, which may affect its business, financial condition and result of operations.
- 7) SPAVI outsources a portion of its labor requirements from a third-party manpower service provider. Significant changes in labor laws and regulations, particularly in relation to the use of manpower service providers, may impact labor costs, as well as adversely affect the business operations and results on operations of SPAVI.
- 8) SPAVI relies on third-party service providers for certain services and the failure by these service providers to adhere and perform contractual obligations may adversely affect the business operations and results of operations of SPAVI.
- 9) SPAVI's profitability and operating margins are partially dependent on its ability to anticipate and react to changes in food and beverage costs. Any significant changes in raw materials costs that are not handled properly by the company may affect its business and results of operations.

SPAVI has a corporate governance structure in place to mitigate risks. The Board of Directors, the Executive Committee, and the Management team assess risks, develop strategies, and implement management approaches.

Climate-related risks and opportunities

Climate Change Management

The Philippines is one of the most vulnerable countries to the impacts of climate change.

Our business has a direct and indirect impact on greenhouse gas emissions throughout our value chain, beginning from suppliers to the customers. Starting with where we have the most impact, our operations, we have begun updating our policy and leveraging technology for a more efficient resource use and output -- whether it is through our water, energy, and waste conservation efforts.

Our Company is committed to run and operate the business responsibly, utilize resources efficiently, and manage our environmental impact actively. As such, we are conducting an ongoing risk assessment to better understand, manage, and mitigate our direct and indirect impact on climate change as we work towards a comprehensive climate change management plan.

Proportion of spending on local suppliers	
Percent of procurement budget used for significant locations of operations that is spent on local suppliers	86%

Management approach: Procurement

SPAVI is committed to supporting our local suppliers as our first option - allocating a substantial part of our spending for local suppliers and manufacturers whenever possible. In fact, 86% of the food items spent in 2021 is locally sourced, with 100% of chicken and other produce sourced from local suppliers and farms.

We believe that developing a network of local suppliers makes us a more sustainable and resilient business while being able to support the country's agriculture industry. We continuously develop key suppliers in various provinces and regions to decentralize and decrease freight costs.

Training on anti-corruption policies and procedures	
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100%
Percentage of directors and management that have received anti-corruption training	100%
Percentage of employees that have received anti-corruption training	100%

Management approach: Anti-corruption

SPAVI has a zero-tolerance policy against corruption. Anti-corruption training begins at the onboarding session for all employees. Directors receive 1:1 training on management and reporting for incidents. Additionally, the anti-corruption program and procedures are listed on the company website [here](#). SPAVI's Code of Business Conduct and Ethics covers Conflict of Interest, Conduct of Business, Receipt of Gifts, Compliance with Laws, Whistleblowing, among others.

Incidents of corruption	
Number of confirmed incidents of corruption	0
Number of incidents in which employees were dismissed or disciplined for corruption	0
Number of confirmed incidents when contacts with business partners were terminated due to incidents of corruption	0

Management approach: Incidents of corruption

Refer to anti-corruption management approach for "Incidents of corruption" management approach.

Energy consumption (GJ)	Within the organization	Reduction of energy
Renewable sources	4,400.00	0.00
Electricity	119,599.01	0.00
Gasoline	9,280.82	0.00
LPG	88,643.76	0.00

Diesel	0.00	0.00
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Management approach: Energy Consumption

SPAVI is committed to active management of its resource management, including energy consumption. Our stores run primarily on electricity with some gasoline and LPG. While we have limited scope of control with our stores, particularly the leased spaces and franchise locations, we push for ways to manage our energy through these approaches:

1. We reduce our consumption to maximize efficiencies and cost savings. One approach is through behavioral changes (e.g. our store employees are encouraged to turn lights off when not in use). Moreover, implementing technology such as thermal insulation and inverter-type cold storage also results in energy savings.
2. We are exploring mixed energy sources through solar panel installations across our properties, beginning with the corporate head office, to reduce our reliance on grid-based energy. With our free-standing stores using solar powered water heaters, the shift towards using more renewable energy for our store operations is underway.

Water consumption in the organization (CBM)	
Water withdrawal	493,651.85
Water discharge	345,556.29
Water consumption	148,095.55
Water recycled and reused	0.00

Management approach: Water Consumption

At SPAVI, water is critical to our business operations as well as the safety of our employees and customers. Operating in high water stress areas such as Metro Manila, SPAVI has a role in responsibly monitoring the way we use and discharge water as both our ethical obligation to mitigate our environmental impact and our management of operational risks.

We manage our water consumption through these initiatives:

1. Our natural resources consumption and management is reported to our Sustainability Steering Committee every quarter. Water is tracked, measured, and analyzed to continuously improve our resource utilization efficiency. Additionally, we report our water withdrawal, discharge, and consumption to our stakeholders through our annual Sustainability Report.
2. Whether it is encouraging our employees and customers to practice water conservation at the stores or investing in new technology (eg. stores with automatic low-flow hand washing machines), we engage our teams to efficiently use our water resources.
3. Our wastewater recycling project is in the early stages of development to be able to recover and reuse our water back into our operations. The first store for testing this is scheduled in 2022.

Materials used by the organization (kg)	
Materials used by the organization	3,269,172.00
Renewable	2,697,919.00
Non-renewable	571,253.00

Management approach: Materials used by the Organization

Our restaurants use renewable materials such as meats and dairy products for our menu items. Non-renewable materials include packaging.

The supply chain management division engages key vendors to secure materials inventory and continuously deepens SPAVI's roster of suppliers to mitigate supply availability risks and cost pressures. SPAVI is also conducting a process on packaging re-engineering to shift to renewable and biodegradable packaging materials.

Environment Impact Management

Air emission (Tonnes CO2e)	
Direct (Scope 1) GHG emission	6,236.58
Indirect (Scope 2) GHG emission	23,587.58

Management approach: Air emission

Our stores run primarily on electricity with some gasoline and LPG. While we have limited scope of control with our stores, particularly the leased spaces and franchise locations, we push for ways to manage our emissions through reducing our energy consumption as much as we can.

For more information on how we manage our air emission, please refer to the Energy Consumption Management Approach section.

SPAVI adheres to the Philippine standards for air pollutant management as set by the Department of Environmental Resources (DENR) as its base management approach. At this time, air pollutants are currently not tracked.

Solid & Hazardous Waste

Solid waste (kg)	
Reusable	Data not currently disclosed
Recyclable	Data not currently disclosed
Composted	Data not currently disclosed
Incinerated	Data not currently disclosed
Residuals/Landfilled	34,923.64

Table does not include amount diverted from landfill through third-party scrap recycling

Management approach: Solid Waste

SPAVI takes measures to be aware and responsible for its waste generation and discharge through reduction, recycling/upcycling, and plastic credit initiatives that impact our upstream and downstream waste. SPAVI focuses our waste management efforts on plastic and food waste as these often make up the highest percentage of waste composition within the Food and Beverage industry.

We continue to ensure that food quality is maintained for consumption and that the food handling process passes our health and safety protocols. We are also working to commit to 100% biodegradable or compostable packaging materials to divert the waste generated by our services from going to landfill.

Segregation efforts within the stores and across our offices is part of our company's common business practices. We installed five centralized “Stop Before You Drop” trash bins as well as a materials recovery facility (MRF) in our headquarters to reinforce proper segregation and separation of recyclables across the organization. Within our stores, we relaunched Project HuRRRah in 2021, a waste segregation and recycling initiative to be fully implemented in 2022, which will improve the company’s data collection and baselining efforts. For a successful rollout, training and education will be provided to our employees and customers to encourage behavioral change within and outside the stores.

Plastic credit initiative

Through our Plastic Neutrality initiative, we purchase plastic credits from the Plastic Credit Exchange (PCX), a plastic offset mechanism modeled after the carbon offset industry that recovers, processes, and recycles an equivalent amount of plastic as our operational plastic footprint. In 2021, SPAVI was able to offset 150,000kg of plastic waste generated through purchased credits.

Effluents (CBM)	
Total volume of water discharges	345,556.29
Percent of wastewater recycled	0%

Management approach: Effluents

Please refer to the Water Consumption Management Approach section for managing our water discharge.

Social disclosure

Employment Management

Employee hiring and benefits: Employee data	
Total employees	3514.00
Number of female employees	1229.00
Number of male employees	2285.00
Attrition rate	6.83%

Employee Hiring and Benefits

Our workforce is the heart of our organization. Our hiring practices and policies ensure fair and equitable hiring practices. Throughout the hiring process, our Talent Management team runs a series of assessments to identify candidates that meet our standards, fit the culture, then are placed properly through job matches.

Over the last couple of years, as part of promoting employee health and safety as well as preventing disruptions in store operations, one of our key considerations in hiring is the location base of the candidate in relation to his or her place of work. Project Nerdy ("Near and Ready") was an initiative allowing employees to work at locations closer to their residence. Currently, approximately 86% of our store employees are within the parameters we have set for this initiative.

Further, to build a positive workplace that attracts and retains talent, drives engagement and performance, while also providing a fair and comfortable livelihood for our employees, SPAVI offers competitive compensation and benefits that go beyond national labor standards and requirements. We regularly revisit our retention initiatives by staying current on market standards for salary and benefits, as well as best practices in developing strong employee relations.

At the same time, the health and safety of our employees are paramount to our operations. Our policies enable us to maintain a positive and safe environment for our employees. Our employees are motivated knowing that the company keeps their best interest at heart.

Our Occupational Health and Safety (OHS) program manages our various safety and health initiatives such as employee activities that educate, train, and promote safety and health in the workplace, including first aid and disaster response. This robust program accounts for the physical and psychological safety of our employees.

Our OHS program has also enabled us to adapt and be resilient in unforeseen circumstances such as the global pandemic. We continue to roll out vaccination programs among our employees as well as employee dependents and key suppliers, free of charge, resulting in a 99% vaccination rate among our employees.

Employee training and development		
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Total training hours provided to employees (hours)	Female	Male
Employees (total average)	9.51	14.43
Executive	0.00	1.75
Senior manager (Department Mgr)	10.66	1.32
Middle manager (Section Mgr)	11.38	49.35
Supervisor	18.64	18.72
Rank and File	11.04	10.05
Project-Based	n/a	n/a
Outsourced Worker	5.37	5.37

Management approach: Employee Training and Development

At SPAVI, we believe that having a strong talent acquisition and management program keeps employees motivated and improves employee productivity. In 2021, we have promoted approximately 7% of our workforce in recognition of their good performance and contributions to the company. Managing performance allows us to effectively manage our talent resource, build a culture of high performance, and encourage people development.

We manage our talent development through the following processes and activities:

1. We provide a robust benefits package for our employees that goes beyond national labor standards and requirements. We do so to attract and keep top talent, while also providing for a fair and comfortable livelihood for our employees.
2. Performance management goals are clearly defined, articulated, and customized for each individual. We leverage our performance management systems throughout the performance development cycle from planning and committing, to monitoring, coaching, recognition and development planning.
3. Part of our performance management system is conducting a performance appraisal process to track, evaluate, and give feedback on an employee's goals, performance, and development. Using a standardized framework ensures that assessments are done objectively and ensures Management and personnel meet our performance standards.
4. Continuous hands-on and informal learning opportunities are also given to SPAVI employees in their workplaces. These include sit downs and coaching sessions, general assemblies, team building sessions, People Day feedback conversations, and sales rallies.

Diversity and equal opportunity	
% of female workers in the workforce	44%
% of male workers in the workforce	56%

Management approach: Diversity and Equal Opportunity

With over 3500 employees, our Humans Resource Department plays a crucial role in promoting diversity and inclusion throughout the hiring process, employment, and promotion. We are committed to building a diverse and inclusive business that places a premium on skills and potential and does not discriminate based on ethnicity, religion, or gender.

Our hiring policies explicitly encourage fair hiring practices. Our policies support a diverse employee base and promote an inclusive culture.

To manage our diversity and equality within SPAVI, some of our practices include:

- We ensure that we've put in good faith effort to recruit a diverse talent pool. We pay special attention to minorities in the communities where our stores operate.
- We practice and promote inclusion by ensuring that roles are safe and benefit our participants from our Love 'Em Down program. Please note that this program was paused in 2021 due to health and safety reasons as caused by the pandemic.
- Communication is key across the organization. We've communicated the significance and value of diversity and inclusion across the company -- from rank & file employees to our Board Members, empowering them to voice their opinions on how to further improve our D&I initiatives.
- The diversity of our Board of Directors is vital as we aim to create a diverse and inclusive organization. We believe a diverse board supports continued growth and the attainment of strategic objectives. Our Board Diversity Policy can be found in the [Board Charter](#).

Labor Laws and Human Rights	
Legal actions or employee grievances involving forced labor	0
Legal actions or employee grievances involving child labor	0
Legal actions or employee grievances involving human rights	0
Are there available policies that explicitly disallow:	
Legal actions or employee grievances involving forced labor	0
Legal actions or employee grievances involving child labor	0
Legal actions or employee grievances involving human rights	0
Reference company policies	
Legal actions or employee grievances involving forced labor	SPAVI Code of Business Conduct and Ethics
Legal actions or employee grievances involving child labor	SPAVI Code of Business Conduct and Ethics
Legal actions or employee grievances involving human rights	SPAVI Code of Business Conduct and Ethics

Management approach: Labor Laws and Human Rights

SPAVI has existing policies in place to ensure the rights of all employees are protected in accordance with Philippine Labor laws.

Supplier accreditation: Are the following topics considered when accrediting suppliers	Do you have a supplier accreditation policy?
Environmental performance	Yes
Forced labor	Yes
Child labor	Yes
Human rights	Yes
Bribery and corruption	Yes

Management approach: Supply chain management

SPAVI's commitment to sustainability extends throughout our value chain as demonstrated by the expectations we set with our suppliers and partners. Our Supplier Code of Conduct and Ethics explicitly covers our human rights policy including child labor, forced labor and human trafficking, nondiscrimination, harassment, working hours, wages and benefits. The code also covers standards on business ethics, health, safety, and quality, environmental practices, and management systems. These have been issued and acknowledged by 100% of our current suppliers. Moving forward, we plan to internally audit our suppliers and business partners to monitor their compliance. We will also engage our non-complying suppliers to guide them to progress on the standards.

The role of our Board's Corporate Governance Committee was also expanded to include responsibility and oversight for supply chain management. To keep abreast with changes in supply chain issues, we will engage with various stakeholders from our employees and Board of Directors to external groups such as NGOs, labor groups, or industry peers to help us update our Supplier Code of Conduct and Ethics when necessary.

Relationship with the community					
Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Typhoon Odette Relief Kitchens in partnership with	Visayas & Mindanao	Communities devastated by Typhoon Odette	Np	Food and water	Supported local store operations, employees, and

World Central Kitchens					devastated communities
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Management approach: Relationship with the Community

SPAVI is currently developing a comprehensive sustainability plan to align community-based initiatives with business operations to create meaningful and amplified impact.

Health and safety	Number
No. of substantiated complaints on product quality or service health or safety*	< 1 per store
No. of complaints addressed	100%
Customer privacy	Number
No. of substantiated complaints on customer privacy	0
No. of complaints addressed	0
No. of customers, users and account holders whose information is used for secondary purposes	0
Data security	Number
No. of data breaches, including leaks, thefts and losses of data	0

Management approach: Customer Management

We believe that high guest engagement through feedback deepens relationships and builds loyalty with our customers. Our customer management is founded on a centralized customer relationship management platform to streamline our communication, providing us with standardized processes to respond to customers. Our integrated feedback management system enables us to connect and engage with our guests across multiple channels and touchpoints (e.g. emails, hotlines, website, mobile application, social media accounts) to process and respond to feedback, analyze trends and report metrics -- with a Service Level Agreement to close tickets within 24 hours.

Additionally, there is a dedicated team managing our online interactions - handling the escalation and resolution of customer concerns on our social media platforms.

Whether it's related to customer satisfaction, health and safety, or customer privacy and data security, our customer engagement and management approach leverages technology from feedback collection, tracking, to response and communication. Therefore, we also take great steps to ensuring that the systems in place meet industry standards for data security.

UN Sustainable Development Goals	Social value / contribution to SDG
SDG 3: Good health and well-being	Launched plant-based products in the menu Rolled out Project Near and Ready for the health and well-being of employees Vaccination Program for all employees
SDG 8: Decent Work & Economic Growth	Supporting 6,091 jobs across the organization Economic growth amidst the pandemic
SDG 12: Responsible consumption and production	2nd year of plastic neutrality Supplier Credibility & Local sourcing
SDG 16: Peace and Justice Strong Institutions	Committed to strong Corporate Governance

NOTE ON DISCLOSURE TOPICS:

SPAVI internally considered all disclosure topics for impact, risk, and opportunities. Undisclosed data are due to confidentiality reasons or SPAVI is improving its data collection methods and baseline metrics.

ANNEX C

PARENT FINANCIAL STATEMENTS



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR SEPARATE FINANCIAL STATEMENTS**


The management of Shakey's Pizza Asia Ventures, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein as at December 31, 2021 and 2020, in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.


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


The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards of Auditing and its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



Christopher T. Po
Chairman of the Board

Vicente L. Gregorio
President & Chief Executive Officer

Manuel T. Del Barrio
Vice President & Chief Financial Officer

Signed this APR 12 2022 day of April, 2022

SHAKEY'S PIZZA ASIA VENTURES INC.
Km. 15 East Service Road corner Marian Road 2, San Martin De Porres,
Parañaque City



Page 2 of Statement of Management's
Responsibility for Separate Financial Statements

REPUBLIC OF THE PHILIPPINES
TAGUIG CITY

)
) s.s.

SUBSCRIBE AND SWORN to before me this APR 12 2022 affiant(s) exhibiting to me
the Passport Numbers, as follows:

Name	Passport No.	Date Issue	Place of Issue
Christopher T. Po	P8631182A	Sept. 6, 2018	DFA Manila
Vicente L. Gregorio	P4438672B	Jan. 18, 2020	DFA NCR South
Manuel T. Del Barrio	P5309094B	July 10, 2020	DFA Manila

Notary Public

Doc. No. 724
Page No. 95
Book No. 5
Series of 2022.

ATTY. IRISH S. PRECION
Roll of Attorney's No. 69281/05.31.17
PTR No. A-5386637/01.07.2022 (Taguig City)
IBP No. 197084/01.07.2022
MCLE Exemption No. VI-002453 / Valid Until 14, April 2022
Unit 1124 Tower 2 Grace Residences Condominium
Levi Mariano Ave. Taguig City

SHAKEY'S PIZZA ASIA VENTURES INC.
Km. 15 East Service Road corner Marian Road 2, San Martin De Porres,
Parañaque City

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

S	H	A	K	E	Y	'	S		P	I	Z	Z	A		A	S	I	A		V	E	N	T	U	R	E	S		I
N	C	.																											

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

1	5	K	M		E	a	s	t		S	e	r	v	i	c	e		R	o	a	d		c	o	r	n	e	r	
M	a	r	i	a	n		R	o	a	d		2	,		B	a	r	a	n	g	a	y		S	a	n		M	a
r	t	i	n		D	e		P	o	r	r	e	s	,		P	a	r	a	ñ	a	q	u	e		C	i	t	y
	1	7	0	0																									

Form Type

A	I	F	S
---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	A		
---	---	--	--

COMPANY INFORMATION

Company's Email Address

shakeyspizza.ph

Company's Telephone Number

(02) 8839-0011

Mobile Number

NA

No. of Stockholders

43

Annual Meeting (Month / Day)

May 3

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Manuel Del Barrio

Email Address

mtdelbarrio@shakeys.biz

Telephone Number/s

(02) 839-0011

Mobile Number

NA

CONTACT PERSON's ADDRESS

15Km East Service Road corner Marian Road 2, Barangay San Martin de Porres, Parañaque City
1700

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

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



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Shakey's Pizza Asia Ventures Inc.
15Km East Service Road corner Marian Road 2
Barangay San Martin de Porres, Parañaque City 1700

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Shakey's Pizza Asia Ventures Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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



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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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

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



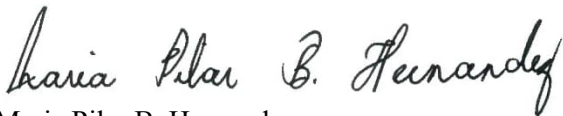
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 39 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Shakey's Pizza Asia Ventures Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is
Maria Pilar B. Hernandez.

SYCIP GORRES VELAYO & CO.



Maria Pilar B. Hernandez
Partner

CPA Certificate No. 105007

Tax Identification No. 214-318-972

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 105007-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-116-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8853500, January 3, 2022, Makati City

April 12, 2022



SHAKEY'S PIZZA ASIA VENTURES INC.**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Notes 7 and 31)	₱309,829,604	₱443,389,058
Trade and other receivables (Notes 8 and 31)	1,011,559,118	803,517,943
Financial assets at fair value through profit or loss (Notes 11, 31 and 32)	300,000,000	100,000,000
Inventories (Note 9)	376,316,432	412,769,974
Prepaid expenses and other current assets (Note 10)	66,873,000	51,023,634
Total Current Assets	2,064,578,154	1,810,700,609
Noncurrent Assets		
Investment in subsidiaries (Note 12)	6,458,035,448	6,458,035,448
Property and equipment (Note 13)	983,550,983	1,121,360,005
Right-of-use assets (Note 15)	959,393,320	1,137,753,930
Intangible assets (Note 14)	777,022,960	793,494,687
Deferred tax assets - net (Note 30)	230,879,969	325,972,374
Deferred input value - added tax	12,752,033	33,927,223
Other noncurrent assets (Notes 16, 31 and 32)	556,069,120	155,355,828
Total Noncurrent Assets	9,977,703,833	10,025,899,495
TOTAL ASSETS	₱12,042,281,987	₱11,836,600,104
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 17 and 31)	₱925,572,639	₱819,382,906
Short-term loans payable (Notes 19 and 31)	—	1,050,000,000
Current portion of:		
Long-term loans payable (Notes 20, 31 and 32)	47,986,963	48,099,942
Lease liabilities (Note 15)	58,482,418	190,407,232
Contract liabilities (Note 22)	16,382,802	13,553,779
Income tax payable	—	—
Total Current Liabilities	1,048,424,822	2,121,443,859
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term loans payable (Notes 20, 31 and 32)	3,692,570,991	3,740,497,427
Lease liabilities (Note 15)	1,128,055,173	1,151,192,864
Contract liabilities (Note 22)	50,740,702	58,526,085
Accrued pension costs (Note 27)	94,231,021	129,437,415
Dealer's deposits and other noncurrent liabilities (Note 31)	83,498,884	40,759,530
Total Noncurrent Liabilities	5,049,096,771	5,120,413,321
Total Liabilities	6,097,521,593	7,241,857,180

(Forward)

	December 31	
	2021	2020
Equity		
Capital stock (Note 21)	₱1,683,760,178	₱1,531,321,053
Additional paid-in capital (Note 21)	2,451,116,470	1,353,554,797
Retained earnings (Note 21)	1,819,459,947	1,772,937,737
Other components of equity (Note 27)	(9,576,201)	(63,070,663)
Total Equity	5,944,760,394	4,594,742,924
TOTAL LIABILITIES AND EQUITY	₱12,042,281,987	₱11,836,600,104

See accompanying Notes to the Parent Company Financial Statements.



SHAKEY'S PIZZA ASIA VENTURES INC.**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31	
	2021	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS (Notes 18, 22 and 33)	₱5,188,341,726	₱4,275,152,552
COSTS OF SALES (Notes 18 and 23)	(4,061,801,935)	(3,656,088,504)
GROSS INCOME	1,126,539,791	619,064,048
GENERAL AND ADMINISTRATIVE EXPENSES (Note 24)	(760,051,218)	(882,018,804)
INTEREST EXPENSE (Note 28)	(279,002,224)	(320,571,844)
DIVIDEND INCOME (Note 12)	–	185,034,520
OTHER INCOME - Net (Note 29)	81,516,065	26,532,334
INCOME (LOSS) BEFORE INCOME TAX	169,002,414	(371,959,746)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)		
Current	11,544,079	12,149,016
Deferred	77,260,917	(174,673,222)
	88,804,996	(162,524,206)
NET INCOME (LOSS)	80,197,418	(209,435,540)
OTHER COMPREHENSIVE INCOME (LOSS) Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods (net of tax) -		
Actuarial gain (loss) on defined benefit obligation (Note 27)	71,325,950	(21,587,842)
Tax effect (Note 27)	(17,831,488)	6,476,353
	53,494,462	(15,111,489)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱133,691,880	(₱224,547,029)
Basic/Diluted Earnings (Loss) Per Share (Note 35)	₱0.05	(₱0.14)

See accompanying Notes to the Parent Company Financial Statements.



SHAKEY'S PIZZA ASIA VENTURES INC.**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Retained Earnings (Note 21)	Other Components of Equity (Note 27)	Total
Balances at December 31, 2020	₱1,531,321,053	₱1,353,554,797	₱1,772,937,737	(₱63,070,663)	₱4,594,742,924
Issuance of new shares (Note 21)	152,439,125	1,097,561,673	–	–	1,250,000,798
Total comprehensive income	–	–	80,197,418	53,494,462	133,691,880
Cash dividends (Note 21)	–	–	(33,675,208)	–	(33,675,208)
Balances at December 31, 2021	₱1,683,760,178	₱2,451,116,470	₱1,819,459,947	(₱9,576,201)	₱5,944,760,394
Balances at December 31, 2019	₱1,531,321,053	₱1,353,554,797	₱1,997,686,487	(₱47,959,174)	₱4,834,603,163
Total comprehensive loss	–	–	(209,435,540)	(15,111,489)	(224,547,029)
Cash dividends (Note 21)	–	–	(15,313,210)	–	(15,313,210)
Balances at December 31, 2020	₱1,531,321,053	₱1,353,554,797	₱1,772,937,737	(₱63,070,663)	₱4,594,742,924

See accompanying Notes to the Parent Company Financial Statements.



SHAKEY'S PIZZA ASIA VENTURES INC.**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	₱169,002,414	(₱371,959,746)
Adjustments for:		
Depreciation and amortization (Note 26)	433,687,233	443,721,209
Interest expense (Note 28)	279,002,224	320,571,844
Movement in accrued pension costs	36,119,556	31,235,455
Loss (gain) on:		
Pre-termination of leases (Notes 15 and 29)	(10,529,565)	(14,584,238)
Disposal of property and equipment (Note 29)	180,145	5,103,898
Disposal of inventory	12,250,140	(5,498,534)
Accretion income (Notes 16 and 29)	(2,505,833)	(3,998,200)
Fair value gain on financial assets at fair value through profit or loss (FVPL) (Note 29)	(1,845,385)	(589,306)
Interest income (Note 29)	(1,122,171)	(1,828,334)
Unrealized foreign exchange loss (gain) - net (Note 29)	(247,925)	28,098
Provision for legal and other contingencies (Note 34)	(37,033,000)	34,779,970
Income before working capital changes	876,957,833	436,982,116
Decrease (increase) in:		
Trade and other receivables	(207,834,866)	1,209,807,329
Inventories	24,203,402	(211,508,262)
Prepaid expenses and other current assets	(5,944,314)	9,892,109
Increase (decrease) in:		
Accounts payable and other current liabilities	140,653,607	(1,107,555,812)
Contract liabilities (Notes 22 and 36)	(8,025,356)	(16,867,133)
Net cash generated from operations	820,010,306	320,750,347
Income taxes paid (including creditable withholding taxes)	(21,449,130)	(50,962,135)
Interest received	1,122,171	1,828,334
Net cash provided by operating activities	799,683,347	271,616,546
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in financial assets at FVPL (Note 11)	(300,000,000)	(100,000,000)
Acquisition of		
Property and equipment (Note 13)	(136,898,992)	(92,131,274)
Trademark	(1,243,186)	—
Franchise right (Note 14)	—	(4,964,977)
Software (Note 14)	—	(83,746,543)
Proceeds from:		
Redemption of financial assets at FVPL	101,845,385	120,589,306
Disposals of property and equipment	64,545	10,378,469
Increase (decrease) in dealers' deposits and other noncurrent liabilities	42,739,354	(3,596,224)
Decrease (increase):		
Advances to third party (Note 16)	(400,000,000)	—
Deferred input value added tax	21,175,190	7,784,680
Rental and other deposits (Note 36)	1,792,541	1,713,029
Net cash used in investing activities	(670,525,163)	(143,973,534)

(Forward)

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES (Note 36)		
Proceeds from issuance of shares	₱1,250,000,798	₱–
Payments of:		
Short-term loans (Note 19)	(1,050,000,000)	(1,000,000,000)
Interest	(195,023,604)	(221,825,054)
Lease liabilities (Note 15)	(184,267,549)	(190,478,394)
Long-term loans	(50,000,000)	(50,000,000)
Dividends (Note 21)	(33,675,208)	(15,313,210)
Proceeds from short-term loans (Note 19)	–	1,500,000,000
Net cash provided by (used in) financing activities	(262,965,563)	22,383,342
NET INCREASE (DECREASE) IN CASH	(133,807,379)	150,026,354
EFFECT OF EXCHANGE RATE CHANGES ON CASH	247,925	(28,098)
CASH AT BEGINNING OF YEAR	443,389,058	293,390,802
CASH AT END OF YEAR (Note 7)	₱309,829,604	₱443,389,058

See accompanying Notes to the Parent Company Financial Statements.



SHAKEY'S PIZZA ASIA VENTURES INC.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. General Information

Corporate Information

Shakey's Pizza Asia Ventures Inc. Doing business under the name and style of Shakey's (SPAVI or the Parent Company), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 14, 1974. The Parent Company and its subsidiaries (collectively referred to as "the Group") are involved primarily in the development, operations and franchising of fast casual restaurants under the trade names "Shakey's" and "Peri-Peri".

On December 15, 2016, the common shares of the Parent Company were listed and traded in the Philippine Stock Exchange (PSE) under the trading name "PIZZA".

The registered office address of the Parent Company is 15Km East Service Road corner Marian Road 2, Barangay San Martin de Porres, Parañaque City 1700.

Approval and Authorization for the Issuance of the Parent Company Financial Statements

The parent company financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 12, 2022.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis, except for investment in financial assets at fair value through profit or loss (FVPL) which is carried at fair value. The parent company financial statements are presented in Philippine peso, which is the Parent Company's functional currency.

The Parent Company prepares and issues consolidated financial statements for the same period as the parent company financial statements in accordance with PFRS 10, *Consolidated Financial Statements*.

Statement of Compliance

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the parent company financial statements.



▪ Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

As of and for the year ended December 31, 2021, management has assessed that the lease concessions are not lease modifications since these are a direct consequence of the COVID-19 pandemic. As such, gain on lease concessions amounting to ₱95.8 million was recognized as reduction in amortization expense included in the “Cost of sales” in the 2021 parent company statement of comprehensive income (see Note 15).

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

• Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Parent Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Parent Company adopted the amendments beginning January 1, 2021.



Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its parent company financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Parent Company.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Parent Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.



▪ *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Parent Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Parent Company.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.



The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

▪ Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

▪ Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Parent Company.

Effective beginning on or after January 1, 2024

▪ Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the



International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

▪ PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

▪ Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.



4. Summary of Significant Accounting and Financial Reporting Policies

The following is the summary of significant accounting policies applied in preparing the parent company financial statements:

Current versus Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company statement of financial position based on current/non-current classification.

An asset is current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realized within twelve months after the reporting period, or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Parent Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and noncurrent liabilities, respectively.

Financial Instruments

Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and FVPL.

The classification at initial recognition depends on the contractual cash flow characteristics of financial assets and the Parent Company's business model for managing them. The initial measurement of financial assets, except for those classified as FVPL, includes the transaction cost. The exception is for trade receivables that do not contain a significant financing component. These are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.



Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVPL.

The Parent Company has no financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at FVOCI with recycling of cumulative gains and losses (debt instrument) as at December 31, 2021 and 2020.

Financial Assets at Amortized Cost (Debt Instruments). The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at amortized cost are classified as current assets when the Parent Company expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

As at December 31, 2021 and 2020, the Parent Company's financial assets at amortized cost consist of cash, trade and other receivables and rental and other deposits (see Notes 7, 8, 10 and 16).

Financial assets at FVPL. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Parent Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are recognized as other income in the statement of comprehensive income when the right of payment has been established. A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As at December 31, 2021 and 2020, the Parent Company has investment in unit investment trust fund (UITF) classified as financial assets at FVPL (see Note 11).



Impairment. The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables, the Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent Company 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.

The Parent Company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering contractual cash flows.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- The Parent Company's rights to receive cash flows from the asset have expired; or
- The Parent Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.



Financial liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Parent Company's financial liabilities include loans payable, accounts payable and other current liabilities (excluding statutory liabilities), lease liabilities and dealers' deposit and other noncurrent payables (see Notes 15, 17, 19 and 20).

The Parent Company has no financial liabilities at FVPL and derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest expense in the statements of comprehensive income.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Debt Issue Costs

Debt issue costs are deducted against long-term debt and are amortized over the terms of the related borrowings using the effective interest method.

Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Parent Company; 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 Parent Company 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. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument, as a whole, the amount separately determined as the fair value of the liability component on the date of issue.



“Day 1” Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the “Day 1” difference.

Prepayment Option

If the Parent Company revises its estimates of payments or receipts, the Parent Company shall adjust the carrying amount of the financial asset or financial liability (or group of financial instruments) to reflect actual and revised estimated cash flows. The entity recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate or, when applicable, the revised effective interest rate calculated. The adjustment is recognized in the statement of comprehensive income.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

- 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.

The fair value information is presented in Note 32.



Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Cash

Cash includes cash on hand and in banks.

Inventories

Inventories are stated at lower of cost and net realizable value. Cost is determined using the moving average method. Net realizable value is the estimated selling price less estimated costs necessary to make the sale.

Investment in Subsidiaries

A subsidiary is an entity which the Parent Company has control. An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee. Thus, an investor controls an investee if, and only if, the investee has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Investment in subsidiaries are accounted for and presented at cost less any impairment in value. Under the cost method, the Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the subsidiaries. The Parent Company recognizes dividend income from its subsidiaries when its right to receive the dividend is established.

An investment in a subsidiary is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the net carrying amount of the investment) is included in the statement of comprehensive income in the year the investment is derecognized.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the property and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to net income in the parent company statement of comprehensive income in the year such 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 additional cost of property and equipment.



When each major repair and maintenance is performed, its cost is recognized in the carrying amount of the item of property and equipment as a replacement if the recognition criteria are satisfied. Such major repairs and maintenance is capitalized and amortized over the next major repairs and maintenance activity.

Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item of property and equipment is depreciated separately.

Depreciation and amortization are computed using the straight-line basis over the following estimated useful lives of the property and equipment:

Category	Number of year(s)
Building	15-20
Leasehold improvements	2 - 10 or term of the lease whichever is shorter
Furniture, fixtures and equipment	1-10
Transportation equipment	5-7
Maintenance tools	3-10
Glasswares and utensils	1

Leasehold improvements are amortized based on the lower of the estimated useful life of 2-10 years or the lease term which considers the enforceability of renewal options and limits on the use of the leasehold improvement using PFRS 16.

The useful lives and depreciation and amortization method are reviewed at each reporting date, and adjusted prospectively, if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in net income in the parent company statement of comprehensive income in the year the asset is derecognized.

Fully depreciated assets are retained in the account until they are no longer used although no further depreciation is charged to current operations.

Construction in progress is stated at cost. This includes cost of construction and other direct costs related to the asset being constructed. Construction in progress is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed, and the property and equipment are ready for use. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Intangible Assets

The cost of intangible assets acquired in a business combination such as trademark with indefinite life is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses.

Intangible assets with finite lives such as software and franchise right are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a



finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Amortization commences once the assets are available for use. Amortization are computed using the straight-line basis over the following estimated useful lives of the intangible assets with finite life:

Category	Number of year(s)
Software	10-15
Franchise right	7

Intangible assets with indefinite useful lives, such as trademark, are tested for impairment annually or more frequently if an indication of impairment exists either individually or at the CGU level. Such intangibles are not amortized. 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.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income.

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that property and equipment, software, franchise right and right-of-use asset are impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, an appropriate valuation model is used. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in net income in the parent company statement of comprehensive income in the expense category consistent with the function of the impaired asset.

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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. 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 net income in the parent company statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is recognized in other comprehensive income in the parent company statement of comprehensive income and in the parent company statement of changes in equity. After such a reversal, the



depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific nonfinancial assets:

Trademark with indefinite life. Trademark with indefinite life is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for trademarks with indefinite life by assessing the recoverable amount of the CGU, to which the trademarks with indefinite life relates. Where the recoverable amount of the cash-generating unit (or group of CGUs) is less than the carrying amount of the cash-generating unit (or group of CGUs) to which the trademarks with indefinite life has been allocated, an impairment loss is recognized in the parent company statement of comprehensive income. The Parent Company performs its annual impairment test of trademarks with indefinite life on December 31 of each year.

Dealers' Deposits

Dealers' deposits, included as part of "Dealer's deposits and other noncurrent liabilities" account in the parent company statement of financial position, are initially recognized at fair value. The discount is recognized as deferred credits and amortized over the estimated remaining term of the deposits using the effective interest method.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax.

Additional Paid-in Capital (APIC). APIC represents the amount paid in excess of the par value of the shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown as a deduction from APIC.

Retained Earnings. Retained earnings represent accumulated earnings of the Parent Company less dividends declared and any adjustments arising from application of new accounting standards, policies or correction of errors applied retrospectively.

Dividends on Capital Stock

Cash dividends on common shares are recognized as liability and deducted from retained earnings upon declaration by the BOD.

Stock dividends on common shares are measured based on the total par value of declared stock dividend. Stock dividends are deducted from retained earnings when the BOD's declaration is ratified by the shareholders.

Cash dividends are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital. The Parent Company may declare dividends only out of its unrestricted retained earnings.

Other Components of Equity. Other components of equity comprises items of income and expense, including reclassification adjustments and actuarial gains and losses on pensions that are not recognized in net income in the parent company statement of comprehensive income as required or permitted by other PFRS.



Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services. The Parent Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Parent Company has concluded that it is acting as principal in majority of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Restaurant Sales. Revenue from restaurant sales is recognized point in time when the related orders are served.

Sale of Goods. Revenue from merchandise sales consists of revenue from sale of goods and equipment. Transaction price of merchandise sales, which excludes discounts, returns, rebates and sales taxes, is normally received and recorded point in time.

Franchise Revenue. Initial franchise fee is recognized on a straight-line basis over the term of the franchise agreement, which ranges from 5 to 10 years. The transaction price for franchise agreement is discounted, using the rate that would be reflected in a separate financing transaction between the Parent Company and its customers at contract inception, to take into consideration the significant financing component. In instances where a significant financing component has been identified from its contracts with customers, this is recognized as interest expense in the parent company statement of comprehensive income.

Other franchise revenues consisting of royalty fees and various reimbursements from franchisees are recognized when earned.

Interest Income. Revenue is recognized as the interest accrues, using the effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Contract Balances

Contract Assets. A contract asset is a conditional right to consideration in exchange for goods or services transferred to the customer. If the Parent Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Parent Company has no contract assets as at December 31, 2021 and 2020.

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

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Parent Company has received consideration (or an amount of consideration) from the customer. If a customer pays consideration before the Parent Company transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Parent Company performs its obligation under the contract. Further, the Parent Company has a loyalty points program which allows customers to accumulate points that can be applied to customer purchases depending on the actual usage within the next financial year. The liability is recognized when the customer avails the Parent Company's services using the loyalty card. Loyalty points are recognized as revenue upon actual usage or expiration whichever comes first.



Cost and Expenses Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs of sales and general and administrative expenses are recognized in net income in the parent company statement of comprehensive income in the period these are incurred.

Leases

The Parent Company assesses at contract inception whether a contract is, or contains a lease, that is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration,

Right-of-use assets. The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of nonfinancial assets.

Lease liabilities. At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Parent Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets. The Parent Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.



Lease Modification. Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessee shall account for a lease modification as a separate lease if both:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification a lessee shall:

- Allocate the consideration in the modified contract;
- Determine the lease term of the modified lease; and
- Remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, of the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined. The lessee shall account for the remeasurement of the lease liability by:
 - Decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to partial or full termination of the lease.
 - Making corresponding adjustment to the right-of-use asset for all other lease modifications.

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of Covid-19 pandemic is a lease modification and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and,
- There is no substantive change to other terms and conditions of the lease.

Rent concession received from lessors are accounted for as negative variable lease payments in profit or loss.

Pension Costs

The Parent Company has a funded, noncontributory defined benefit retirement plan covering substantially all its qualified employees. The plan requires contributions to be made to a parent company administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Defined Benefit Plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset



ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of cost of sales and general and administrative expenses in the parent company statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to statement of comprehensive income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

Foreign Currency-denominated Transactions

Foreign currency-denominated transactions are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at reporting date. Exchange rate differences arising on the settlement and restatement of monetary items at rates different from those at which they were initially recorded are recognized in net income in the parent company statement of comprehensive income in the year such differences arise. Nonmonetary items denominated in foreign currencies are measured on a historical cost basis and translated using the exchange rate at the date of transaction.

Income Tax

Current Tax. Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Net Operating Loss Carryover (NOLCO). NOLCO is recognized in accordance with the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(b) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from taxable income for the next five (5) consecutive taxable years immediately following the year of such loss.



MCIT. MCIT is calculated as 1% of gross income of any domestic and resident foreign corporation beginning the fourth taxable year immediately following the taxable year in which such corporation commenced its business operation. Any excess of the MCIT over the normal income tax shall be carried forward and credited against the normal income tax for three (3) immediately succeeding taxable year.

Deferred Tax. Deferred tax is provided, using the liability method, on all temporary differences at 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, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused tax losses in the form of net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences, and the carryforward benefits from MCIT and NOLCO can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the deductible temporary differences 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 future taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets, if any, are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of income.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the parent company statement of financial position.

Deferred Input VAT

In accordance with the Revenue Regulations No. 13-2018, input VAT on purchases or imports of the Parent Company of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of input VAT) in a calendar month which exceeds ₱1.0 million, regardless



of the acquisition cost of each capital good, shall be claimed as credit against output tax in the following manner:

- a. If the estimated useful life of a capital good is five (5) years or more, the input tax shall be spread evenly over a period of 60 months and the claim for input tax credit will commence in the calendar month when the capital good is acquired. The total input taxes on purchases or importations of this type of capital goods shall be divided by 60 and the quotient will be the amount to be claimed monthly.
- b. If the estimated life of a capital good is less than five (5) years, the input tax shall be spread evenly on a monthly basis by dividing the input tax by the actual number of months comprising the estimated useful life of the capital good. The claim for input tax credit shall commence in the calendar month that the capital goods were acquired.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Earnings (Loss) Per Share (EPS)

Basic EPS is computed based on weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock dividends declared during the year. Diluted EPS is computed as if the stock options were exercised as at the beginning of the year and as if the funds obtained from exercise were used to purchase common shares at the average market price during the year. Outstanding stock options will have a dilutive effect under the treasury stock method only when the fair value of the underlying common shares during the period exceeds the exercise price of the option. Where the outstanding stock options have no dilutive effect and the Parent Company does not have any potential common share nor other instruments that may entitle the holder to common shares, diluted EPS is the same as basic EPS.

Segment Reporting

The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 6 to the parent company financial statements.

Provisions

Provisions are recognized when the Parent Company 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as interest expense.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements but are disclosed in the notes to the parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed in the notes to the parent company financial statements when an inflow of economic benefit is probable.



Events After the Reporting Period

Post year-end events that provide additional information about the Parent Company's financial position at reporting period (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements, when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Parent Company's accounting policies, management has made judgments which have significant effect on the amounts recognized in the parent company financial statements and accompanying notes. The judgments are based upon management's evaluation of relevant facts and circumstances as at the date of the parent company financial statements.

Right to Access - Performance Obligation Satisfied Over Time. The Parent Company determines whether it provides a dealer/franchisee with either:

- a right to access the Parent Company's intellectual property through a "Trademark Licensing and Franchise Agreement" throughout the term of the franchise agreement for which revenue is recognized over the term of the franchise agreement, or
- a right to use the Parent Company's intellectual property a "Trademark Licensing and Franchise Agreement" as it exists at the point in time the franchise license is granted for which revenue is recognized at the point in time the franchisee can first use and benefit from the franchise license.

In assessing whether the nature of the Parent Company's promise in granting a "Trademark Licensing and Franchise Agreement" is to provide a right to access the Parent Company's intellectual property (i.e., franchise license), the Parent Company considers whether all of the following criteria are met:

- the franchise agreement requires, or the franchisee reasonably expects that the Parent Company will undertake activities that will significantly affect the franchise license to which the franchisee has rights (e.g., advertisements, promotions, campaigns, etc.);
- the rights granted by the franchise license directly expose the franchisee to any positive or negative effects of the Parent Company's activities;
- those activities do not result in the transfer of a good or service to the franchisee as those activities occur.

The Parent Company determined that it has met the all of the criteria mentioned above and concluded that it provides its franchisees with a right to access the Parent Company's franchise license throughout the term of the franchise agreement. Accordingly, revenue from granting franchise license is recognized over the term of the franchise agreement.



Determination of lease term of contracts with renewal and termination options - Company as a lessee. The Parent Company has several lease contracts that include extension and termination options. The Parent Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Parent Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

As at December 31, 2021 and 2020, the Parent Company's right-of-use assets amounted to ₱959.4 million and ₱1,137.8 million, respectively, while its lease liabilities amounted to ₱1,186.5 million and ₱1,341.6 million, respectively, as of those dates. For the years ended December 31, 2021 and 2020, the Parent Company recognized amortization of right-of use assets amounting to ₱141.5 million and ₱141.4 million, respectively, and interest expense on lease liabilities amounting to ₱76.6 million and ₱93.8 million, respectively, as of those dates (see Note 15).

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Parent Company based its assumptions and estimates on parameters available when the parent company financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Parent Company. Such changes are reflected in the assumptions when they occur.

Leases - Estimating the incremental borrowing rate. The Parent Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Parent Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Parent Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Parent Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

As at December 31, 2021 and 2020, the Parent Company's right-of-use assets amounted to ₱959.4 million and ₱1,137.8 million, respectively, while its lease liabilities amounted to ₱1,186.5 million and ₱1,341.6 million, respectively, as of those dates (see Note 15).

Determination of Fair Value of Financial Instruments. Where the fair value of financial assets and liabilities recorded in the parent company statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of financial assets and financial liabilities are disclosed in Note 32.



Impairment of Trade and Other Receivables and Rental and Other Deposits

The Parent Company uses a provision matrix to calculate ECLs for its trade and other receivables and rental and other deposits. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., customer type and rating).

The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forward-looking information, and ECLs is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Parent Company's receivables is disclosed in Note 8.

Other than the considerations on the impact of COVID-19 on macroeconomic factors used as inputs to the ECL calculation, there have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

The carrying value of trade and other receivables amounted to ₱1,011.6 million and ₱803.5 million as at December 31, 2021 and 2020, respectively (see Note 8). Allowance for ECL amounted to ₱4.9 million as at December 31, 2021 and 2020. No provision for ECL was recognized in 2021 and 2020 (see Note 24) while recovery of allowance for ECL amounted to nil and ₱0.1 million in 2021 and 2020, respectively (see Note 29).

The carrying value of rental and other deposits amounted to ₱156.1 million and ₱155.4 million as at December 31, 2021 and 2020, respectively (see Note 16). Allowance for unrecoverable deposits of rental and other deposits amounted to ₱3.3 million as at December 31, 2021 and 2020 (see Note 24).

Evaluation of Net Realizable Value of Inventories. The Parent Company writes down the cost of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in prices level or other causes such as the impact of COVID-19 pandemic. The lower of cost and net realizable value of inventories is reviewed at each reporting date. Inventory items identified to be obsolete and unusable are also written off and charged as expense in net income in the parent company statement of comprehensive income.

The carrying values of inventories amounted to ₱376.3 million and ₱412.8 million, net of allowance for inventory obsolescence of ₱4.3 million as at December 31, 2021 and 2020 (see Note 9).

Determination of Impairment of Nonfinancial Assets. Impairment review is performed when certain impairment indicators are present. Management considered the impact of COVID-19 in its impairment assessment on the Parent Company's Property and equipment, software, franchise right and right-of-use assets and has identified the related lease pre-termination costs, if any.

Determining the value in use of property and equipment, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Parent Company to make estimates and assumptions that can materially affect the parent company financial statements.



Based on the assessment of management, the Parent Company's property and equipment, right-of-use assets, software and franchise right do not have any indication of impairment as at December 31, 2021 and 2020. No impairment loss was recognized for the years ended December 31, 2021 and 2020. The carrying value of nonfinancial assets are as follows:

	2021	2020
Property and equipment (see Note 13)	₱983,550,983	₱1,121,360,005
Software (see Note 14)	209,503,848	226,509,479
Franchise right (see Note 14)	4,078,374	4,787,656
Right-of-use assets (see Note 15)	959,393,320	1,137,753,930
	₱2,156,526,525	₱2,490,411,070

Recoverability Intangible Assets with Indefinite Life. The Parent Company performs recoverability testing annually or more frequently when there are indications of impairment for goodwill and trademark with indefinite lives. Goodwill acquired through business combination has been allocated to one CGU which is also the operating entity acquired through business combination and to which the goodwill relates. Recoverability testing requires an estimation of the value in use or fair value less cost of disposal of the CGU to which goodwill and trademark with indefinite life are allocated. Estimating the recoverable amount of the CGU involves significant assumptions about the future results of the business such as long-term revenue growth rate, operating expenses, gross margin and discount rate which were applied to cash flow forecasts. In addition, the assumptions are also subjected to a higher level of estimation uncertainty due to the current economic conditions which have been impacted by the COVID-19 pandemic. The cash flow forecasts were based on financial budgets approved by the BOD covering a five-year period.

The impairment on trademark is determined by comparing: (a) the carrying amount of the cash-generating unit; and (b) the present value of the annual projected cash flows for five years and the present value of the terminal value computed under the discounted cash flow method.

The key assumptions used in the impairment test of trademark with indefinite life are as follows:

a. Gross Revenue

On the average, gross revenue of the CGU over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, the business growth had a direct correlation with economic growth. A 5.5% perpetuity growth rate was assumed at the end of the five-year forecast period.

b. Operating Expenses

On the average, operating expenses were projected to increase in relation to revenue growth.

c. Gross Margins

Increased efficiencies over the next five years are expected to result in margin improvements.

d. Discount Rate

The discount rate used to arrive at the present value of future cash flows was the Parent Company's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate



weights of debt and equity, which were multiplied with the assumed costs of debt and equity. The discount rates applied to the cash flow projections is 10.9%.

The carrying amount of trademark with indefinite life as of December 31, 2021 and 2020 amounted to ₱563.4 million and ₱562.2 million, respectively (see Note 14).

The recoverable amount of the CGUs to which the trademark with indefinite lives are allocated is greater than its carrying amount. No impairment loss was recognized on trademark with indefinite life for the years ended December 31, 2021 and 2020.

Determination of Pension Costs. The cost of defined benefit pension plans and present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Accrued pension cost amounted to ₱94.2 million and ₱129.4 million as at December 31, 2021 and 2020, respectively (see Note 27).

The discount rate is derived by discounting all expected benefit payments using interest rates of government bonds that correspond to the timing of benefit payments, after which, a single discount rate is computed considering the aggregate amount of all discounted values.

The mortality rate is based on publicly available mortality tables in the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates in the Philippines.

Further details about the assumptions used are provided in Note 27.

Recoverability of Deferred Tax Assets. The Parent Company performs an annual evaluation of the realizability of deferred tax assets in determining the portion of deferred tax assets which should be recognized. The Parent Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the following period. This forecast is based on the Parent Company's past results and future expectations on revenue and expenses. The effect of COVID-19 pandemic on the macroeconomic factors are also used in developing the assumptions.

Deferred tax assets recognized amounted to ₱233.3 million and ₱329.4 million as at December 31, 2021 and 2020, respectively (see Note 30).

Evaluation of Claims Under Legal Contingencies. The Parent Company is involved in certain legal actions and claims. The Parent Company's estimate of the probable costs for the resolution of possible legal actions and other claims has been developed in consultation with outside legal counsel handling the Parent Company's defense in these matters and is based upon thorough analysis of potential results. Management believes that the ultimate liability or loss recorded in the parent company financial statements with respect to such obligations, claims and disputes is adequate.

In 2021, the Parent Company recognized a reversal of provision for legal and other contingencies amounting to ₱37.0 million while in 2020, the Company recognized provision for legal and other contingencies amounting ₱34.8 million (see Notes 29 and 34).



6. Segment Information

For management purposes, the Parent Company is organized into two business activities - Restaurant sales and franchise and royalty fees. This segmentation is the basis upon which the Company reports its primary segment information.

- Restaurant sales comprise revenues from restaurant activities and sale of merchandise and equipment to franchisees.
- Franchise and royalty fees represent payment of subdealers for the use of the Shakey's and Peri-Peri's brands.

The Parent Company's chief operating decision maker monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the parent company financial statements.

The Parent Company's performance is evaluated based on net income for the year, EBITDA and EBITDA margin. EBITDA margin pertains to EBITDA divided by gross revenues.

EBITDA and EBITDA margin are non-PFRS measures.

The following table shows the reconciliation of the EBITDA to net income:

	Years Ended December 31	
	2021	2020
EBITDA	₱880,569,700	₱390,504,973
Depreciation and amortization (Note 26)	(433,687,233)	(443,721,209)
Interest expense (Note 28)	(279,002,224)	(320,571,844)
Benefit from (provision for) income tax (Note 30)	(88,804,996)	162,524,206
Interest income (Note 29)	1,122,171	1,828,334
Net income (loss)	₱80,197,418	(₱209,435,540)



Business Segment Data

The following tables present revenue and income information and certain assets and liabilities information regarding business segments for each of the years ended December 31:

	Restaurant Sales		Franchise and Royalty Fee		Total	
	2021	2020	2021	2020	2021	2020
Revenue	₱4,890,207,448	₱4,019,763,505	₱298,134,278	₱255,389,047	₱5,188,341,726	₱4,275,152,552
Net income (loss)	(₱143,403,291)	(₱400,977,325)	₱223,600,709	₱191,541,785	₱80,197,418	(₱209,435,540)
Provision for (benefit from) income tax	14,271,426	(226,371,468)	74,533,570	63,847,262	88,804,996	(162,524,206)
Interest expense	275,933,228	320,571,844	3,068,996	—	279,002,224	320,571,844
Interest income	(1,122,171)	(1,828,334)	—	—	(1,122,171)	(1,828,334)
Depreciation and amortization	433,687,233	443,721,209	—	—	433,687,233	443,721,209
EBITDA	₱579,366,425	₱135,115,926	₱301,203,275	₱255,389,047	₱880,569,700	₱390,504,973
EBITDA Margin					16.97%	9.13%
Assets and Liabilities						
Operating assets	₱5,353,366,570	₱5,052,592,282	₱—	₱—	₱5,353,366,570	₱5,052,592,282
Investment in subsidiaries	6,458,035,448	6,458,035,448	—	—	6,458,035,448	6,458,035,448
Deferred tax assets	230,879,969	325,972,374	—	—	230,879,969	325,972,374
Total assets	₱12,042,281,987	₱11,836,600,104	₱—	₱—	₱12,042,281,987	₱11,836,600,104
Operating liabilities	₱2,356,963,639	₱2,331,179,947	₱—	₱72,079,864	₱2,356,963,639	₱2,403,259,811
Interest-bearing loans and borrowings	3,740,557,954	4,838,597,369	—	—	3,740,557,954	4,838,597,369
Total liabilities	₱6,097,521,593	₱7,169,777,316	₱—	₱72,079,864	₱6,097,521,593	₱7,241,857,180



7. Cash

	2021	2020
Cash on hand	₱28,176,549	₱49,415,945
Cash in banks	281,653,055	393,973,113
	₱309,829,604	₱443,389,058

Cash in banks earn interest at the respective bank deposit rates. Interest income on cash amounted to ₱1.1 million and ₱1.8 million for the years ended December 31, 2021 and 2020, respectively.

8. Trade and Other Receivables

	2021	2020
Trade:		
Stores	₱234,363,067	₱155,079,167
Related parties (see Note 18)	475,394,460	288,280,016
Receivable from National Advertising Fund (NAF)	35,583,471	111,400,419
Royalty receivable	85,992,882	37,339,494
Receivable from franchisees	52,442,190	24,372,171
Receivables from employees	16,258,209	11,881,432
Others		
Third parties	57,808,078	55,422,271
Related parties (see Note 18)	58,631,435	124,657,647
	1,016,473,792	808,432,617
Less allowance for ECL	4,914,674	4,914,674
	₱1,011,559,118	₱803,517,943

Below are the terms and conditions of the above assets:

- Trade receivables are non-interest bearing and are normally collectible within 10 to 30 days.
- Royalty receivable is being collected from dealers on the 20th day of the following month.
- Receivable from NAF pertains to reimbursable advertising and promotion expenses from dealers which will be applied on future dealer remittances.
- Receivable from franchisees pertains to receivables for transactions other than sale of goods such as management fees, freight and gas expenses, are non-interest bearing and generally have 30 to 45 days' term.
- Receivables from employees, which represent mainly salary loan, are interest-free and are being collected through salary deduction for a period ranging from 6 months to 1 year.
- Other receivables consist mainly of receivables from cooperatives and freight charges which are non-interest bearing and generally have 30 to 45 days' term.
- For terms and conditions of related party receivables, refer to Note 18.

The Parent Company used the simplified provision matrix approach in estimating the expected credit losses on trade and other receivables. The movements of allowance for ECL are as follows:

	2021			2020		
	Trade and Others	Receivables from Employees	Total	Trade and Others	Receivables from Employees	Total
Balance at beginning of year	₱3,765,624	₱1,249,050	₱5,014,674	₱3,765,624	₱1,249,050	₱5,014,674
Recovery of doubtful accounts (see Note 29)	—	—	—	—	(100,000)	(100,000)
Balance at year-end	₱3,765,624	₱1,149,050	₱4,914,674	₱3,765,624	₱1,149,050	₱4,914,674



9. Inventories

Merchandise inventories at NRV amounted to ₱376.3 million and ₱412.8 million as at December 31, 2021 and 2020, respectively, while the cost of merchandise amounted to ₱380.6 million and ₱417.1 million as at December 31, 2021 and 2020, respectively.

The cost of inventories charged to Cost of sales amounting to ₱2,369.6 million and ₱1,713.2 million was recognized under cost of sales in the parent company statement of comprehensive income for the years ended December 31, 2021 and 2020, respectively (see Note 23).

Allowance for inventory obsolescence amounted to ₱4.3 million as at December 31, 2021 and 2020.

No provision for inventory obsolescence was recognized in 2021 and 2020.

10. Prepaid Expenses and Other Current Assets

	2021	2020
Advances to suppliers	₱32,850,906	₱34,206,806
Prepaid expenses	17,517,306	10,217,091
Prepaid taxes	16,504,788	6,599,737
	₱66,873,000	₱51,023,634

Advances to suppliers represent payments for items purchased or goods yet to be delivered or services to be rendered.

Prepaid expenses pertain to advance payments for insurance and dues and subscription and are amortized monthly over a period of one year.

11. Financial Assets at FVPL

Movements of this account are as follows:

	2021	2020
Cost:		
Balance at beginning of year	₱100,000,000	₱120,000,000
Additions	300,000,000	100,000,000
Redemption	(100,000,000)	(120,000,000)
Balance at end of year	300,000,000	100,000,000
Accumulated Unrealized Fair Value Change		
Balance at beginning of year	—	—
Fair value gain (see Note 29)	1,845,385	589,306
Redemption	(1,845,385)	(589,306)
Balance at end of year	—	—
Net carrying value at end of year	₱300,000,000	₱100,000,000



The Parent Company's investments in financial assets at FVPL consist of UITF, which have no holding period and are callable any time.

Fair value gain on financial assets at FVPL included in "Other income - net" of the parent company financial statements amounted to ₱1.8 million and ₱0.6 million in 2021 and 2020, respectively (see Note 29).



12. Investment in Subsidiaries

The following are the Parent Company's investment in shares of stocks carried at cost:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective interest		Amount	
				2021	2020	2021	2020
SIL	Hong Kong	Holding company for trademark rights of Shakey's in the Middle East, Asia (except Japan and Malaysia), Australia and Oceania.	Hong Kong Dollar (HKD)	100%	100%	₱3,500,000,000	₱3,500,000,000
BMI	Philippines	Manufacturing and distribution of bread, pastries and other confectionery products	Philippine Peso (PHP)	100%	100%	1,397,535,450	1,397,535,450
SSI	Philippines	Holding company for trademark and other intellectual property rights of Shakey's in the Philippines	PHP	100%	100%	1,285,500,000	1,285,500,000
SPCI	Philippines	Buying, selling, distributing and marketing, at wholesale or retail of goods, commodities and merchandise	PHP	100%	100%	24,999,995	24,999,995
SPRFL	Hong Kong	Holding company for sublicense of Shakey's brand in the Middle East.	HKD	100%	100%	8	8
WBHI	Philippines	Restaurant company of Peri-Peri Charcoal & Sauce Bar	PHP	100%	100%	249,999,995	249,999,995
AWIL (i)	British Virgin Islands	Holding company for trademarks rights of Peri-Peri Charcoal Chicken & Sauce Bar	USD Dollar	—	—	—	—
						₱6,458,035,448	₱6,458,035,448

(i) Acquired on June 1, 2019 from EHL and was subsequently dissolved on June 19, 2020.

On June 1, 2020, the Directors of AWIL approved its liquidation plan and pursuant to section 198(1) of BVI Business Companies Act of 2004, AWIL has declared insolvency. On June 19, 2020, pursuant to the BVI Business Companies Act of 2004, the Registrar of Corporate Affairs of BVI has approved and issued the certificate of dissolution of AWIL and was thereby declared dissolved.



The movements of the investment in subsidiaries are as follows:

	2021	2020
Beginning of year	₱6,458,035,448	₱7,020,233,000
Disposals	–	(562,197,552)
End of year	₱6,458,035,448	₱6,458,035,448



13. Property and Equipment

	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Maintenance Tools	Glasswares and Utensils	Building	Construction in - progress	Total
Cost								
At December 31, 2019	₱1,256,454,173	₱1,437,835,166	₱37,370,277	₱3,069,202	₱14,076,223	₱245,634,977	₱114,599,106	₱3,109,039,124
Additions	28,338,713	38,975,314	2,623,805	15,893,038	2,925,147	3,375,257	—	92,131,274
Disposals	(284,016,854)	(378,433,803)	(17,269,699)	(1,772,295)	—	(263,870)	—	(681,756,521)
Reclassifications	72,011,355	4,059,459	—	—	—	4,559,627	(80,630,441)	—
At December 31, 2020	1,072,787,387	1,102,436,136	22,724,383	17,189,945	17,001,370	253,305,991	33,968,665	2,519,413,877
Additions	17,521,575	28,225,541	850,000	8,848,206	806,958	—	80,646,712	136,898,992
Disposals	(8,578,070)	(68,926)	—	—	—	—	—	(8,646,996)
Reclassifications	13,877,556	—	—	—	—	7,840,386	(21,717,942)	—
Balance at December 31, 2021	1,095,608,448	1,130,592,751	23,574,383	26,038,151	17,808,328	261,146,377	92,897,435	2,647,665,873
Accumulated Depreciation and Amortization								
At December 31, 2019	₱849,851,284	₱859,808,652	₱27,693,702	₱530,051	₱8,882,637	₱30,032,428	₱—	₱1,776,798,754
Depreciation and amortization (see Note 26)	107,074,642	141,357,498	3,096,734	11,272,401	7,091,228	17,636,769	—	287,529,272
Disposals	(275,120,826)	(372,411,602)	(17,269,684)	(1,208,172)	—	(263,870)	—	(666,274,154)
At December 31, 2020	681,805,100	628,754,548	13,520,752	10,594,280	15,973,865	47,405,327	—	1,398,053,872
Depreciation and amortization (see Note 26)	101,862,577	139,523,623	2,823,986	10,826,163	1,363,571	18,063,404	—	274,463,324
Disposals	(8,348,288)	(54,018)	—	—	—	—	—	(8,402,306)
Balance at December 31, 2021	775,319,389	768,224,153	16,344,738	21,420,443	17,337,436	65,468,731	—	1,664,114,890
Net Book Value								
Balance at December 31, 2020	₱390,982,287	₱473,681,588	₱9,203,631	₱6,595,665	₱1,027,505	₱205,900,664	₱33,968,665	₱1,121,360,005
Balance at December 31, 2021	320,289,059	362,368,598	7,229,645	4,617,708	470,892	195,677,646	92,897,435	983,550,983

There are no idle assets as at December 31, 2021 and 2020. The Parent Company has no property and equipment that are used as collateral for existing loans payable.

Net book value of property and equipment transferred to franchisees as part of the franchising agreement amounted to ₱11.6 million in 2021 and ₱6.4 million in 2020.



14. Intangible Assets

	2021	2020
Trademark	₱563,440,738	₱562,197,552
Software	209,503,848	226,509,479
Franchise right	4,078,374	4,787,656
	₱777,022,960	₱793,494,687

On November 17, 2021, the Parent Company executed a deed of assignment with DBE Project, Inc. transferring the Project Pie Design Build Eat trademark for a consideration of ₱1.2 million.

On February 26, 2020, AWIL, executed a deed of assignment, transferring all of its trademark with indefinite life and intellectual property amounting to ₱562.2 million. The trademark with indefinite life was acquired by AWIL during the acquisition of the Peri-Peri business from I-Foods, Inc. in 2019.

On August 24, 2020, the Parent Company entered into a master franchise agreement for a consideration of ₱4.8 million (\$0.1 million) with Supertea (Int) Pte. Ltd. (Supertea), whereby Supertea granted the Parent Company the following:

- the exclusive right and license to develop and operate the Business, provide the services and sell the products, from the R&B Tea Outlets;
- the exclusive right and license, subject to the fulfillment of certain conditions, to grant franchisees for R&B Tea Outlet to third parties (Sub-Franchisees) by entering into sub-franchise agreements in the form approved and/or provided by Supertea in writing; and
- the non-exclusive right and license to use the Intellectual Property strictly in connection with the aforesaid.

The license does not include the right to sell, provide or distribute any products or services through channels other than the R&B Outlets, or selected outlets as set out in the master franchise agreement.

The master franchise agreement is effective from August 20, 2020 and continue for the initial term of seven (7) years, unless otherwise terminated or renewed.

The details of the Parent Company's intangible assets with finite life are as follows:

	Software	Franchise Right
Cost		
At December 31, 2019	₱171,531,118	₱—
Additions	83,746,543	4,964,977
Balance at December 31, 2020	255,277,661	4,964,977
Additions	—	—
Balance at December 31, 2021	255,277,661	4,964,977
Accumulated Amortization		
At December 31, 2019	14,141,839	—
Amortization (see Note 26)	14,626,343	177,321
At December 31, 2020	28,768,182	177,321
Amortization (see Note 26)	17,005,631	709,282
Balance at December 31, 2021	45,773,813	886,603
Net Book Value		
Balance at December 31, 2020	₱226,509,479	₱4,787,656
Balance at December 31, 2021	209,503,848	4,078,374



15. Right-of-Use Assets and Lease Liabilities

Parent Company as a lessee

The Parent Company has lease contracts for land for the use of its office spaces and stores. Leases of co-owned stores usually has terms of 3 to 15 years. The Parent Company's obligations under its leases are secured by the lessor's title to the leased assets.

The Parent Company also has certain leases of stores with lease terms of 12 months or less and leases of office equipment with low value. The Parent Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of this account follows:

	2021	2020
Cost		
Balance at beginning of year	₱1,592,139,591	₱1,454,747,701
Additions	87,512,717	228,247,719
Pre-termination	(56,660,242)	(90,855,829)
Balance at end of year	1,622,992,066	1,592,139,591
Accumulated Amortization		
Balance at beginning of year	454,385,661	211,313,717
Amortization (see Note 26)	141,508,996	141,388,273
Lease concession	95,774,190	115,229,504
Pre-termination	(28,070,101)	(13,545,833)
Balance at end of year	663,598,746	454,385,661
Net Book Value	₱959,393,320	₱1,137,753,930

The rollforward analysis of lease liabilities follows:

	2021	2020
Balance at beginning of year	₱1,341,600,096	₱1,417,159,871
Additions	87,512,717	228,247,719
Interest expense (see Note 28)	76,586,223	93,794,638
Payments	(184,267,549)	(190,478,394)
Pre-termination	(39,119,706)	(91,894,234)
Gain on lease concession	(95,774,190)	(115,229,504)
Balance at end of year	1,186,537,591	1,341,600,096
Less current portion of lease liabilities	58,482,418	190,407,232
Lease liabilities - net of current portion	₱1,128,055,173	₱1,151,192,864



The Parent Company has lease contracts for company-owned stores that contains variable payments based on the gross sales. The following provides information on the Parent Company's variable lease payments, including the magnitude in relation to fixed payments:

As at December 31, 2021			
	Fixed Payments	Variable Payments	Total
Fixed	₱139,265,192	₱—	₱139,265,192
Variable rent with minimum payment	62,015,752	47,991,144	110,006,896
Variable rent only	—	1,226,875	1,226,875
	₱201,280,944	₱49,218,019	₱250,498,963

As at December 31, 2020			
	Fixed Payments	Variable Payments	Total
Fixed	₱143,252,937	₱—	₱143,252,937
Variable rent with minimum payment	72,313,153	46,798,490	119,111,643
Variable rent only	—	639,539	639,539
	₱215,566,090	₱47,438,029	₱263,004,119

Shown below is the maturity analysis of the undiscounted lease payments:

	2021	2020
1 year	₱229,092,550	₱277,235,537
more than 1 years to 2 years	194,695,713	239,214,473
more than 2 years to 3 years	153,405,165	205,882,446
more than 3 years to 4 years	129,607,176	167,506,314
more than 5 years	822,733,999	1,088,732,208

Rent expense on short-term leases and leases of low-value assets amounted to ₱73.8 million and ₱74.7 million as of December 31, 2021 and 2020, respectively (see Notes 23 and 24)

16. Other Noncurrent Assets

	2021	2020
Advances to third party	₱400,000,000	₱—
Rental deposits	159,366,413	158,653,121
Less allowance for unrecoverable deposits	3,297,293	3,297,293
	₱556,069,120	₱155,355,828

Advances to third party represent the Parent Company's initial payment for future investments.

The Parent Company's rental deposits are refundable at the end of the lease term which range from three years to 15 years. Accordingly, rental deposits are discounted based on comparable rates for similar financial instruments with rates ranging from and 1.08% to 4.95% and 1.12% to 10.39% for the years ended December 31, 2021 and 2020, respectively. The excess of the principal amount of the deposit over its fair value is accounted for as right-of-use asset and amortized over the lease term on a straight-line basis while interest on the deposit is accounted for using the effective interest rate method.



The Parent Company uses a provision matrix to calculate ECLs for rental and other deposits. There were no provisions for unrecoverable deposits in 2021 and 2020.

Accretion income on rental deposits amounted to ₱2.5 million and ₱4.0 million in 2021 and 2020 (see Note 29).

17. Accounts Payable and Other Current Liabilities

	2021	2020
Trade:		
Suppliers	₱290,897,363	₱231,478,237
Related parties (see Note 18)	253,037,369	149,271,289
Nontrade		
Third parties	85,289,282	142,703,484
Related parties (see Note 18)	35,768,506	27,599,712
Accrued expenses:		
Suppliers	97,225,645	83,210,424
Salaries and wages	48,337,258	46,991,848
Utilities	29,191,488	24,056,496
Customer's loyalty	20,673,626	15,112,737
Interest	7,656,566	5,225,000
Others	2,354,686	2,205,352
Others	55,140,850	91,528,327
	₱925,572,639	₱819,382,906

Below are the terms and conditions of the financial liabilities:

- Trade payables are non-interest bearing and are normally settled in 30 to 90 days' term.
- Nontrade payables consist of payable to contractors and employment agencies and are normally settled in 30 to 90 days' term.
- Accrued expenses are accrual of rent expense of stores, utilities, employee benefits and incentives, freight, commissions and storage costs which are normally settled in 30 to 90 days' term.
- Customers loyalty pertain to accumulated points which are generally applied to customer purchases within the next financial year. Revenue is recognized upon actual usage or expiration whichever comes first.
- Other payables are normally settled in 15 to 45 days' term.
- For terms and conditions of related party receivables, refer to Note 18.

Other payables consist of the following:

	2021	2020
Output VAT - net	₱27,082,765	₱17,541,261
Customers' deposits	10,492,490	11,719,001
Withholding tax payable	7,797,210	8,637,177
Fun certificates payable	5,758,088	2,631,055
Due to cooperative	3,091,059	8,229,078
SSS, Philhealth and Pag-ibig payable	3,904	4,862,559
Provision for legal and other contingencies	—	37,033,000
Others	474,662	875,196
	₱54,700,178	₱91,528,327



18. Related Party 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 owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Parent Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Parent Company and close members of the family of any such individual.

Approval requirements and limits on the amount and extent of related party transactions

Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Parent Company's total assets based on its latest audited financial statements.

All individual MRPT shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2021 and 2020, the Parent Company has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Parent Company, in the normal course of business, has significant transactions with the following companies which have common members of BOD and stockholders as the Parent Company:

			Outstanding Balance		Terms	Conditions	
Category	Nature	Year	Amount/ Volume of transaction	Receivable (see Note 8)			Payable (see Note 17)
Century Pacific Group Inc. (CPGI, Ultimate Parent Company)							
Advances	Cash advances for working capital purposes	2021	₱—	₱—	₱—	30-day; non-interest bearing	Unsecured
		2020	—	—	—		
<i>(Forward)</i>							

(Forward)



Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance		Terms	Conditions
				Receivable (see Note 8)	Payable (see Note 17)		
Bakemasters, Inc. (BMI)							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2021 2020	₱4,729,505 3,930,061	₱12,306,080 4,688,089	₱— —	30-day; non-interest bearing	Unsecured; not impaired
Purchases	Purchase of raw materials and goods and rental storage at agreed prices usually on a cost-plus basis	2021 2020	309,803,412 82,199,357	— —	144,815,259 60,821,493	30-day; non-interest bearing	Unsecured
Advances	Advance payment for purchases of goods	2021 2020	— —	— —	— —	30-day; non-interest bearing	Unsecured; not impaired
Shakey’s International Limited (SIL)							
Management fee income	Provides services (normally on cost plus basis) mutually agreed upon by both parties to manage the onshore transactions of SIL	2021 2020	4,183,033 6,096,515	52,790,520 50,706,556	— —	30-day; non-interest bearing	Unsecured; not impaired
Shakey's Pizza Regional Food Limited (SPRFL)							
Collection	Pertains remittances of SPRFL’s customers that are initially collected by SPAVI due to unavailability of SPRFL’s bank account.	2021 2020	— 10,455,196	— —	21,496,995 21,937,667	30-day; non-interest bearing	Unsecured; not impaired
Shakey’s Seacrest Inc. (SSI)							
License fee	Annual remittance of royalty fee amounting to 3% of net system wide sales	2021 2020	— —	— —	5,662,045 5,662,045	360-day; non-interest bearing	Unsecured
Service income	Provides services (normally on cost plus basis) mutually agreed upon by both parties to manage the transactions of SPCI	2021 2020	3,437,558 4,360,921	5,879,754 3,470,333	— —	30-day; non-interest bearing	Unsecured; not impaired
Rental income	Rental income on property lease	2021 2020	— 60,000	— —	— —	30-day; non-interest bearing	Unsecured; not impaired
Advances	Cash advances for working capital purposes	2021 2020	14,271,511 —	— —	14,271,511 —	30-day; non-interest bearing	Unsecured

(Forward)



Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance		Terms	Conditions
				Receivable (see Note 8)	Payable (see Note 17)		
Shakey's Pizza Commerce, Inc. (SPCI)							
Sales	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2021 2020	₱– 120,105,301	₱238,108,143 278,216,660	₱– –	30-day; non-interest bearing	Unsecured; not impaired
Service income	Provides services (normally on cost plus basis) mutually agreed upon by both parties to manage the transactions of SPCI	2021 2020	– 21,446,100	– –	– –	30-day; non-interest bearing	Unsecured; not impaired
Advances	Pertains to advances for purchase of inventories	2021 2020	– –	– –	– –	30-day; non-interest bearing	Unsecured; not impaired
Rental income	Rental income on property lease	2021 2020	– 120,000	– –	– –	30-day; non-interest bearing	Unsecured; not impaired
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	2021 2020	882,826,855 896,850,827	– –	52,865,416 39,461,007	30-day; non-interest bearing	Unsecured; not impaired
Dividend income	Receipt of cash dividends from a subsidiary	2021 2020	– 185,034,520	– –	– –	30-day; non-interest bearing	Unsecured; not impaired
Wow Brand Holdings, Inc. (WBHI)							
License fee	Annual remittance of royalty fee amounting to 6% of net system wide sales	2021 2020	274,979,955 12,782,481	187,313,235 5,442,889	– –	30-day; non-interest bearing	Unsecured; not impaired
Service income	Provide services mutually agreed upon by both parties to manage the transactions of WBHI	2021 2020	3,818,400 16,464,453	32,311,065 65,037,869	– –	30-day; non-interest bearing	Unsecured; not impaired
Rental income	Rental income on property lease	2021 2020	360,000 2,237,235	403,200 –	– –	30-day; non-interest bearing	Unsecured; not impaired
Advances		2021 2020	– –	– –	– –	30-day; non-interest bearing	Unsecured; not impaired
Advances	Pertains to cash advances in relation to the acquisition of Peri-Peri Business	2021 2020	– –	– –	– –	30-day; non-interest bearing	Unsecured; not impaired
The Pacific Meat Company Inc. (PMCI) (v)							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2021 2020	– 30,203,193	4,066,709 4,701,516	– –	30-day; non-interest bearing	Unsecured; not impaired
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	2021 2020	116,032,754 48,140,953	– –	46,009,290 45,983,200	30-day; non-interest bearing	Unsecured; not impaired

(Forward)



Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance		Terms	Conditions
				Receivable (see Note 8)	Payable (see Note 17)		
DBE Project Inc. (DBE)							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2021 2020	₱– 151,343	₱431,120 353,292	₱– –	30-day; non-interest bearing	Unsecured; not impaired
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	2021 2020	1,392,369 –	– –	293,488 333,045	30-day; non-interest bearing	Unsecured; not impaired
Snow Mountain dairy Corporation (SMDC)							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	2021 2020	– 197,716	– –	– 367,200	30-day; non-interest bearing	Unsecured; not impaired
Century Pacific Food Inc. (CPFI)							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2021 2020	– 356,659	416,069 320,459	– –	30-day; non-interest bearing	Unsecured; not impaired
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	2021 2020	3,924,846 3,137,759	– –	3,391,871 2,305,344	30-day; non-interest bearing	Unsecured; not impaired
		2021 2020		₱534,025,895 412,937,663	₱288,805,875 176,871,001		



Compensation of Key Management Personnel

The salaries and pension costs of key management personnel are as follows:

	2021	2020
Salaries	₱277,647,409	₱295,571,716
Pension costs	48,119,556	39,187,758
	₱325,766,965	₱334,759,474

There are no other short-term and long-term benefits given to the key management personnel.

19. Short-term Loans Payable

The outstanding balance of the short-term loans is as follows:

	2021	2020
Balance at beginning of year	₱1,050,000,000	₱550,000,000
Payments	(1,050,000,000)	(1,000,000,000)
Additions	—	1,500,000,000
Balance at end of year	₱—	₱1,050,000,000

The Parent Company availed of several short-term loans amounting to ₱1,500.0 million with interest ranging from 3.50% to 5.50% annum in 2020.

Interest expense pertaining to short-term loans amounting to ₱30.9 million and ₱39.5 million recognized for the years ended December 31, 2021 and 2020, respectively (see Note 28).

20. Long-term Loans Payable

On June 8, 2016, the Parent Company entered into an Omnibus Loan and Security Agreement (OLSA) with BDO Unibank, Inc. (the Lender) and SAFHI. The lender provided a term loan facility in the principal amount of ₱5,000.0 million. The breakdown of the loan is as follows:

	2021	2020
Principal	₱3,750,000,000	₱3,800,000,000
Less unamortized debt issue costs	9,442,046	11,402,631
	3,740,557,954	3,788,597,369
Less current portion of long-term loan payable	47,986,963	48,099,942
Noncurrent portion	₱3,692,570,991	₱3,740,497,427

The loan is payable within 10 years to commence on the 12th month following the availment date. Payments shall be made in 18 consecutive semi-annual installments of ₱25.0 million and a final payment of ₱4,550.0 million.

The loan's interest is to be fixed at the higher of 5-year PDST-R2 plus a spread of 0.75% or 4.5% floor rate for the first 5 years, to be repriced at the last 5 years. Management has assessed that the interest rate floor on the loan is an embedded derivative which is not for bifurcation since the market rate approximates the floor rate at the transaction date.



The loan facility also contains a prepayment provision which allows the Parent Company to make optional prepayment in the amount calculated by the lender comprising (i) the outstanding principal amount of the Loan to be prepaid, and (ii) any accrued interest on the principal amount of the Loan being prepaid computed as of the date of prepayment. The prepayment option was assessed as closely related to the loan and thus, was not bifurcated.

On December 22, 2016, the Parent Company notified BDO of its intention to prepay the loan amounting to ₱1,000.0 million. The exercise of the prepayment option resulted in the revision of estimated future payments and change in the carrying amount of the financial liability.

So long as any portion of the loan is outstanding and until payment in full of all amounts payable by the Parent Company under the loan documents are made, the Parent Company covenants and agrees that, unless the Lender shall otherwise consent in writing, it shall among others comply with the following affirmative covenants:

- a. Ensure that at all times its obligations will constitute its secured, direct, unconditional and unsubordinated obligations, and any of its residual obligation not satisfied out of the proceeds of the collateral shall rank and will rank at all times at least *pari passu* in priority of payment and in all other respects with all its unsecured obligations, save for such obligations in respect of which a statutory preference is established solely by operation of law.
- b. The net proceeds from the loan shall be used for the purpose of refinancing the bridge loan.
- c. Financial covenant during the term of the Term Loan:
 - i. its Debt date of determination, the ratio of EBITDA less regular dividends and advances to Service Coverage Ratio is at least 1.2x. Debt Service Coverage Ratio is as of the shareholders over Debt Service. For purposes hereof, "EBITDA" means operating profit before interest, taxes, depreciation and amortization, each item determined in accordance with PFRS, and the term "Debt Service" means the aggregate amount of the succeeding year's principal amortization for the Loan, interest, fees and other financial charges made or due in respect thereof payable by the Borrower, provided that one (1) year prior to the maturity of the Loan, "Debt Service Coverage Ratio" shall mean the ratio of sum of the beginning cash balance and EBITDA less regular dividends and advances to shareholders over Debt Service;
 - ii. its Debt to Equity Ratio does not exceed 5.0x within the first two years from the Borrowing under the Term Loan and 4.0x thereafter.

The foregoing financial covenant shall be tested every six months based on annual audited or unaudited semi-annual parent company financial statements. On January 27, 2017, the OLSA was amended to include June 30, 2017 as the commencement date for the testing for the financial covenant ratios.

- d. Within the period required, open and establish the Debt Service Reserve Account; and ensure that the funds deposited in the Debt Service Reserve Account is at all times maintained in accordance with the agreement. As at December 31, 2021 and 2020, the balances of DSRA has been applied to the loan balance.
- e. Prior to the assignment or transfer of any trade names, copyrights, trademarks, patents and other intellectual property rights or licenses currently held by the Parent Company or any wholly-owned subsidiary of the Parent Company, the Parent Company shall pledge in favor of the



Lender, under the terms and conditions of the Pledge under the Omnibus loan and security Agreement, all the outstanding shares of the Parent Company in such wholly-owned subsidiary.

As at December 31, 2021 and 2020, the Parent Company is in compliance with the aforementioned covenants. Accordingly, the noncurrent portion of the loan remains as noncurrent liability in the parent company statements of financial position as of December 31, 2021 and 2020.

Interest expense pertaining to long-term loan amounting to ₱168.1 million and ₱181.6 million was recognized for the years ended December 31, 2021 and 2020, respectively (see Note 28).

21. Equity

Capital Stock

The details are as follows:

	Number of shares	Amount
Authorized capital stock - ₱1 par value:	2,000,000,000	₱2,000,000,000

Issued and outstanding capital stock - ₱1 par value:

	2021		2020	
	Number of shares	Amount	Number of shares	Amount
Beginning of year	1,531,321,053	₱1,531,321,053	1,531,321,053	₱1,531,321,053
Issuance of new shares	152,439,125	152,439,125	—	—
End of year	1,683,760,178	₱1,683,760,178	1,531,321,053	₱1,531,321,053

Below is the Parent Company's track record of the registration of securities:

Date of SEC Order Rendered Effective or Permit to Sell	Event	Authorized Capital Stock	Issued Shares	Issue Price
	Registered and Listed Shares (Original Shares)	2,000,000,000	1,179,321,053	₱1.00
December 1, 2016	Initial Public Offering (IPO)			
	Primary	2,000,000,000	104,000,000	11.26
	Secondary	2,000,000,000	202,000,000	11.26
	Over-allotment Option	2,000,000,000	46,000,000	11.26
August 6, 2021	Issuance	2,000,000,000	152,439,025	7.93
August 9, 2021	Issuance	2,000,000,000	100	8.20

The issued and outstanding shares as at December 31, 2021 and 2020 are held by 43 and 38 equity holders, respectively.

APIC

Amount received in excess of the par values of the shares issued amounting to ₱2,451.1 million and ₱1,353.6 million was recognized as "APIC" in the parent company statements of changes in equity as at December 31, 2021 and 2020, respectively.



Retained Earnings

Details of cash dividends declared in 2021 and 2020 are as follows:

Date of Declaration	Dividend		Record Date
	Rate (per share)	Amount	
July 15, 2020	₱0.01	₱15,313,210	August 14, 2020
July 15, 2021	0.02	33,675,208	August 17, 2021

There are no outstanding dividends payable as at December 31, 2021 and December 31, 2020. Cash dividends declared and paid for in 2021 and 2020 amounted to ₱33.7 million and ₱15.3 million, respectively, as of those dates.

22. Revenues from Contracts with Customers

Set out below is the disaggregation of the Parent Company's revenue from contracts with customers:

	2021	2020
Revenue from contracts with customers:		
Restaurant sales	₱3,358,517,235	₱3,608,444,442
Sale of goods	1,539,954,398	411,319,063
Royalty and franchise fees	289,870,093	255,389,047
	₱5,188,341,726	₱4,275,152,552
Timing of recognition:		
Goods transferred at a point in time	₱5,165,274,204	₱4,252,085,030
Services transferred over time	23,067,522	23,067,522
	₱5,188,341,726	₱4,275,152,552

Contract liabilities

Below are the details of contract liabilities:

	2021	2020
Initial franchise fee	₱67,123,504	₱72,079,864
Less current portion	16,382,802	13,553,779
Noncurrent portion	₱50,740,702	₱58,526,085

Movements of contract liabilities arising from initial franchise fees as at and for the year ended December 31, 2021 and 2020 are as follows:

	2021	2020
Beginning balance	₱72,079,864	₱85,805,160
Amortization of initial franchise fees	(16,624,253)	(23,067,522)
Initial franchise fees received	8,598,897	6,200,389
Accretion of interest expense	3,068,996	3,141,837
Ending balance	₱67,123,504	₱72,079,864



As at December 31, 2021, the amount of initial franchise fees allocated to remaining performance obligations, the amount of accretion of interest expense in the succeeding years, and the amount of contract liability arising from initial franchise fees are as follows:

	Unamortized initial franchise fees	Accretion of interest expense	Contract liabilities from initial franchise fees
Within one year	₱16,382,802	₱2,586,253	₱18,969,055
More than one year	50,740,702	16,382,802	67,123,504
	₱67,123,504	₱18,969,055	₱86,092,559

23. Cost of Sales

	2021	2020
Inventory costs (see Note 9)	₱2,369,124,045	₱1,713,159,127
Salaries, wages and benefits (see Note 25)	479,772,560	756,377,066
Depreciation and amortization (see Note 26)	401,698,803	402,957,486
Utilities	235,136,613	228,749,896
Delivery call fees	128,698,594	101,915,623
Outside services	101,321,060	107,049,335
Rent	73,803,865	74,693,383
Supplies	72,778,665	78,462,453
Gas expenses	63,751,051	61,123,675
Repairs and maintenance	46,412,422	43,239,469
Dues and subscription	22,343,628	20,060,633
Pension costs (see Notes 25 and 27)	18,776,116	15,290,953
Card charges	15,829,245	16,940,606
Costs of shop	11,607,920	6,423,971
Commissary costs	1,733,483	721,408
Seminar and training	942,877	634,622
Other	18,161,358	28,288,798
	₱4,061,892,305	₱3,656,088,504

24. General and Administrative Expenses

	2021	2020
Salaries, wages and benefits (see Note 25)	₱217,012,268	₱297,393,013
Advertising and promotions	176,819,913	150,350,525
Taxes and licenses	111,699,116	120,172,371
Outside services	93,821,474	119,312,360
Depreciation and amortization (see Note 26)	31,988,430	40,763,723
Supplies	30,778,956	32,874,772
Transportation and travel	30,266,196	29,882,560
Pension costs (see Notes 25 and 27)	29,343,440	23,896,806
Utilities	13,619,760	13,487,441

(Forward)



	2021	2020
Gas expenses	₱7,669,083	₱5,304,639
Insurance	4,697,123	7,585,927
License fees (see Notes 18 and 33)	4,125,189	—
Directors' fees	1,249,123	1,371,930
Others	6,961,147	39,622,737
	₱760,051,218	₱882,018,804

25. Personnel Expenses

	2021	2020
Salaries, wages, bonuses and allowances		
Cost of sales (see Note 23)	₱445,591,344	₱708,805,771
General and administrative expense (see Note 24)	203,073,928	285,789,608
SSS, Pag-ibig, Medicare and other contributions		
Cost of sales (see Note 23)	34,181,216	47,571,295
General and administrative expense (see Note 24)	13,938,340	11,603,405
Retirement costs		
Cost of sales (see Notes 23 and 27)	18,776,116	15,290,953
General and administrative expense (see Notes 24 and 27)	29,343,440	23,896,805
	₱744,904,384	₱1,092,957,837

26. Depreciation and Amortization

	2021	2020
Property and equipment:		
Cost of sales (see Notes 13 and 23)	₱260,189,807	₱261,569,213
General and administrative expense (see Notes 13 and 24)	14,273,517	25,960,059
Software -		
General and administrative expense (see Notes 14 and 24)	17,005,631	14,626,343
Right-of-use asset -		
Cost of sales (see Notes 15 and 23)	141,508,996	141,388,273
Franchise right -		
General and administrative expense (see Note 24)	709,282	177,321
	₱433,687,233	₱443,721,209



27. Pension

The Parent Company has a funded, noncontributory defined benefit pension plan covering substantially all its qualified employees. The benefits are based on years of service and percentage of compensation during the last year of employment.

The following tables summarize the components of net pension costs in the parent company statements of comprehensive income as of December 31, 2021 and 2020 and accrued pension costs in the parent company statements of financial position as at December 31, 2021 and 2020. The latest actuarial valuation is as at December 31, 2021.

	2021	2020
Pension costs:		
Current service cost	₱43,213,878	₱44,529,716
Net interest cost	4,905,678	3,869,013
Past service cost	—	(9,210,971)
	₱48,119,556	₱39,187,758
Accrued pension costs		
Present value of benefit obligation (PVBO)	₱241,110,752	₱276,303,082
Fair value of plan assets (FVPA)	(146,879,731)	(146,865,667)
	₱94,231,021	₱129,437,415

Movements in the PVBO are as follows:

	2021	2020
Balance at beginning of year before plan amendment	₱276,303,082	₱279,237,387
Current service cost	43,213,878	44,529,716
Interest cost	10,471,887	14,101,488
Benefits paid	(11,963,515)	(75,367,988)
Past service cost due to employee reduction	—	(9,210,971)
Net actuarial loss (gain)	(76,914,580)	23,013,450
Balance at end of year	₱241,110,752	₱276,303,082

Movements in the FVPA are as follows:

	2021	2020
Balance at beginning of year	₱146,865,667	₱202,623,269
Contributions	12,000,000	8,000,000
Benefits paid	(11,963,515)	(75,415,685)
Interest income	5,566,209	10,232,475
Net actuarial gain (loss)	(5,588,630)	1,425,608
Balance at end of year	₱146,879,731	₱146,865,667



Movements in accrued pension costs are as follows:

	2021	2020
Balance at beginning of year	₱129,437,415	₱76,614,118
Pension costs	48,119,556	39,187,758
Contributions	(12,000,000)	(8,000,000)
Benefits paid for the employees of WOW Brand Holdings, Inc.	–	47,697
Actuarial loss (gain)	(71,325,950)	21,587,842
Balance at end of year	₱94,231,021	₱129,437,415

Amount recognized in OCI are as follows:

	2021	2020
Actuarial loss – PVBO	₱76,914,580	(₱23,013,450)
Actuarial gain – FVPA	(5,588,630)	1,425,608
Deferred tax	(17,831,488)	6,476,353
Total	₱53,494,462	(₱15,111,489)

The details of the market value of the plan assets are shown below:

	2021	2020
Investments		
Government securities	₱111,031,246	₱110,746,954
Stocks	18,587,019	18,808,736
Other securities	16,490,822	16,179,289
	146,109,087	145,734,979
Cash	393	1,864
Receivables	998,719	1,219,619
Total assets	147,108,199	146,956,462
Fees payable	(228,468)	(90,795)
Net asset value	₱146,879,731	₱146,865,667

The plan assets were invested in fixed income securities and equity investments. All equity and debt instruments held have quoted prices in active market. Investment activities entered by the plan asset/liability matching strategy during the year consist of, but is not limited to, buying and selling of securities. All investments are considered as high grade based on its performance in the market.

The management performs an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Parent Company's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans.

The principal assumptions used to determine pension benefit obligations are as follows:

	2021	2020
Discount rates at beginning of year	4.99%	3.79%
Rate of compensation increase	5.00%	5.00%
Average future working years of service	25	25



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation assuming if all other assumptions were held constant:

	2021		2020	
	Increase (decrease)	Amount	Increase (decrease)	Amount
Discount rates	0.5% (0.5%)	(P15,628,926) 19,450,749	0.5% (0.5%)	(P25,000,723) 32,073,232
Salary increase rate	1.0% (1.0%)	42,120,773 (28,066,900)	1.0% (1.0%)	67,415,858 (44,286,646)

Shown below is the schedule of expected future benefit payments:

1 year and less	P3,940,110
More than 1 year to 5 years	—
More than 5 year to 10 years	89,485,341
More than 10 year to 15 years	105,676,552
More than 15 year to 20 years	326,106,034
More than 20 years	5,389,813,322
	P5,915,021,359

The Parent Company expects to contribute of P41.2 million to its retirement fund in 2022.

The plan contributions are based on the actuarial present value of valuation accumulated plan benefits and fair value of plan assets are determined using an independent actuarial. The net defined benefit cost and the contributions to the plan are specifically identifiable, such that, the Company's PVBO pertains only to the benefit of the Parent Company's employees and the FVPA, pertains only to the contributions made by the Parent Company. The Parent Company shall contribute to the Fund such amounts as shall be required, under actuarial principles, to provide the benefits and the expenses incident to the operation and administration of the Fund.

28. Interest Expense

	2021	2020
Long-term loan payables (see Note 20)	P166,437,238	P181,577,312
Lease liabilities (see Note 15)	76,586,223	93,794,638
Short-term loan payables (see Note 19)	30,896,730	39,481,097
Contract liabilities (see Note 22)	3,068,996	3,141,837
Debt issue cost	2,013,037	1,879,066
Others	—	697,894
	P279,002,224	P320,571,844



29. Other Income – Net

	2021	2020
Other income from franchisees	₱20,194,299	₱1,255,905
Gain (loss) on:		
Reversal of provision for legal and other contingencies (see Note 34)	37,033,000	–
Pre-termination of leases	10,529,566	14,584,238
Disposal of inventory	(12,250,140)	5,498,534
Disposal of property and equipment	(180,145)	(5,103,898)
Service fee	6,730,995	29,073,654
Expired points from loyalty points	6,699,522	7,115,204
Accretion income	2,505,833	3,998,200
Fair value gain on financial assets at FVPL (see Note 11)	1,845,385	589,306
Interest income (see Note 7)	1,122,171	1,828,334
Realized gain from institutional cash reserve fund	336,975	714,326
Unrealized foreign exchange gain (loss) - net	247,925	(28,098)
Provision for legal and other contingencies (see Note 34)	–	(34,779,970)
Reversal of allowance for ECL (see Note 8)	–	100,000
Others – net	6,700,679	1,686,599
	₱81,516,065	₱26,532,334

Other pertain mostly to cash overages, fees charged by the Parent Company to its franchisees for the new module of the point-of-sale machines, rental income and incentives given by a supplier for high volume purchases.

30. Income Taxes

The details of the Parent Company's net deferred tax assets are as follows:

	2021	2020
Deferred tax assets:		
NOLCO	₱75,886,037	₱150,374,380
Lease liabilities	60,389,838	64,822,577
Difference in depreciation due to adoption of lease standard	36,447,503	45,530,167
Accrued pension costs	23,557,755	38,816,915
MCIT	20,545,761	12,149,016
Contract liabilities	5,391,146	5,577,558
Accrued bonus and other expense	3,082,076	2,068,021
Unamortized past service cost	2,495,101	3,761,872
Accrued loyalty points fund	2,390,102	2,511,484
Allowance for ECL	1,228,669	1,474,402
Allowance for inventory obsolescence	1,064,150	1,276,980
Allowance for unrecoverable deposits	824,323	989,188
Interest from contingencies	–	32,174
Unrealized foreign exchange loss	–	8,429
	233,302,461	329,393,163

(Forward)



	2021	2020
Deferred tax liabilities:		
Debt issuance cost	₱2,360,512	₱3,420,789
Unrealized foreign exchange gain	61,980	—
	2,422,492	3,420,789
	₱230,879,969	₱325,972,374

The deferred tax assets were measured using the appropriate corporate income tax rate on the year these are expected to be reversed.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(b) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2021, the Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	NOLCO			
			Applied in Previous Year/s	Expired	Applied in Current Year	Unapplied
2020	2021-2025	₱501,247,933	₱—	₱—	₱197,703,787	₱303,544,146

The details of the MCIT as at December 31, 2021, of which excess over regular corporate income tax (RCIT) shall be carried forward and credited against RCIT for three (3) immediately succeeding taxable year, is as follows:

Year Incurred	Availment Period	Amount	MCIT			
			Applied in Previous Year/s	Expired	Applied in Current Year	Unapplied
2020	2021-2023	₱12,149,016	₱—	₱—	₱—	₱12,149,016
2021	2022-2024	8,396,745	—	—	—	8,396,745
		₱20,545,761	₱—	₱—	₱—	₱20,545,761

The provision for current income tax represents MCIT and final withholding taxes on interest income are as follows:

	2021	2020
MCIT	₱11,252,265	₱11,958,316
Final withholding taxes	291,814	190,700
	₱11,544,079	₱12,149,016



The reconciliation between the provision for (benefit from) income tax computed at statutory income tax rate and the provision for (benefit from) income tax as shown in net income in the parent company statements of comprehensive income is as follows:

	2021	2020
Provision for (benefit from) income tax computed at statutory income tax rate of 25% for 2021 and 30% for 2020	₱42,250,603	(₱111,587,924)
Tax effects of:		
Reversal of provision for claims and contingencies	(9,258,250)	–
Nontaxable income already subjected to final tax in prior years	(3,302,588)	(5,974,147)
Nontaxable gain on sale of financial assets at FVPL	(461,346)	(176,792)
Interest income already subjected to final tax	(364,768)	(762,798)
Dividend income subjected to final tax	–	(55,510,356)
Other nondeductible expenses – net	8,816,921	11,487,811
Change in tax rate	51,124,424	–
Provision for (benefit from) income tax	₱88,804,996	(₱162,524,206)

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, President Rodrigo Duterte signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

The effect of CREATE act for the year is presented in reconciliation between the provision for (benefit from) income tax computed at statutory income tax rate and the provision for (benefit from) income tax. Effect on December 31, 2020 financial statements are as follows:

- lower deferred tax assets and liabilities amounting to ₱64.7 million and;
- lower provision for income tax amounting to ₱3.0 million.



31. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise cash, financial assets at FVPL, trade and other receivables and loans payable. The main purpose of these financial instruments is to finance the Parent Company's operations. The Parent Company has various other financial assets and liabilities such as rental deposit, accounts payable and other current liabilities arising directly from operations and dividends payable.

The main risks arising from the Parent Company's financial instruments are credit risk, liquidity risk and equity price risk on financial assets at FVPL investment. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

Credit Risk. Credit risk is the risk that the Parent Company will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Parent Company manages and controls credit risk by trading only with recognized, creditworthy third parties. It is the Parent Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Parent Company's exposure to bad debts is not significant.

The table below shows the maximum exposure to credit risk for the Parent Company's financial assets, without taking account of any collateral and other credit enhancements:

	2021	2020
Cash*	₱281,653,055	₱393,973,113
Financial assets at FVPL	300,000,000	100,000,000
Trade and other receivables:		
Trade receivables	706,468,397	440,070,054
Receivable from NAF	35,583,471	111,400,419
Royalty receivable	85,992,882	37,339,494
Receivable from franchisees	52,442,190	24,372,171
Receivables from employees	15,109,159	10,736,801
Other receivables	116,439,513	179,599,004
Rental and other deposits	156,069,120	155,355,828
Total credit risk exposure	₱1,749,757,787	₱1,452,846,884

*Excluding cash on hand.

An aging analysis of financial assets per class are as follows:

	2021					
	Neither Past Due	Past Due but not Impaired			Impaired	Total
	nor Impaired	1-180 Days	More than 180 days	Subtotal		
Cash*	₱281,653,055	₱-	₱-	₱-	₱-	₱281,653,055
Financial assets at FVPL	300,000,000	-	-	-	-	300,000,000
Trade and other receivables:						
Trade receivables	590,411,599	116,056,798	-	116,056,798	3,289,130	709,757,527
Receivable from NAF	35,583,471	-	-	-	-	35,583,471
Royalty receivable	85,992,882	-	-	-	-	85,992,882
Receivable from franchisees	52,442,190	-	-	-	-	52,442,190
Receivable from employees	4,942,133	10,167,026	-	10,167,026	1,149,050	16,258,209
Other receivables	116,439,513	-	-	-	-	116,439,513
Rental and other deposits	156,069,120	-	-	-	3,297,293	159,366,413
	₱1,623,533,963	₱126,223,824	₱-	₱126,223,824	₱7,735,473	₱1,757,493,260

*Excluding cash on hand.



2020						
	Neither Past Due nor Impaired	Past Due but not Impaired		Subtotal	Impaired	Total
		1–180 Days	More than 180 days			
Cash*	₱393,973,113	₱–	₱–	₱–	₱–	₱393,973,113
Financial assets at FVPL	100,000,000	–	–	–	–	100,000,000
Trade and other receivables:						
Trade receivables	358,009,977	82,060,077	–	82,060,077	3,289,130	443,359,184
Receivable from NAF	111,400,419	–	–	–	–	111,400,419
Royalty receivable	37,339,494	–	–	–	–	37,339,494
Receivable from franchisees	24,372,171	–	–	–	–	24,372,171
Receivable from employees	1,670,905	9,065,896	–	9,065,896	1,144,631	11,881,432
Other receivables	152,383,504	27,215,500	–	27,215,500	480,914	180,079,918
Rental and other deposits	155,355,828	–	–	–	3,297,293	158,653,121
	₱1,334,505,411	₱118,341,473	₱–	₱118,341,473	₱8,211,968	₱1,461,058,852

*Excluding cash on hand.

A financial asset is considered past due when a counterparty has failed to make a payment when contractually due. “Past due but not impaired” financial assets are items with history of frequent default. Nevertheless, the amounts due are still collectible. Lastly, “Impaired” items are those that are long outstanding and have been specifically identified as impaired.

The table below shows the credit quality of the Parent Company’s neither past due nor impaired financial assets based on their historical experience with the corresponding debtors:

2021				
	High grade	Medium grade	Standard grade	Total
Cash*	₱281,653,055	₱-	₱-	₱281,653,055
Financial assets at FVPL	300,000,000	-	-	300,000,000
Trade and other receivables:				
Trade receivables	-	245,877,299	344,534,300	590,411,599
Receivable from NAF	-	-	35,583,471	35,583,471
Royalty receivable	85,992,882	-	-	85,992,882
Receivable from franchisees	-	-	52,442,190	52,442,190
Receivable from employees	-	-	4,942,133	4,942,133
Other receivables	-	58,631,435	57,808,078	116,439,513
Rental and other deposits	-	-	156,069,120	156,069,120
	₱667,645,937	₱304,508,734	₱651,379,292	₱1,623,533,963

*Excluding cash on hand.

2020				
	High grade	Medium grade	Standard grade	Total
Cash*	₱393,973,113	₱-	₱-	₱393,973,113
Financial assets at FVPL	100,000,000	-	-	100,000,000
Trade and other receivables:				
Trade receivables	-	83,802,499	274,207,478	358,009,977
Receivable from NAF	-	-	111,400,419	111,400,419
Royalty receivable	37,339,494	-	-	37,339,494
Receivable from franchisees	-	-	24,372,171	24,372,171
Receivable from employees	-	-	1,670,905	1,670,905
Other receivables	-	57,336,347	95,047,157	152,383,504
Rental and other deposits	-	-	155,355,828	155,355,828
	₱531,312,607	₱141,138,846	₱662,053,958	₱1,334,505,411

*Excluding cash on hand.

Financial assets classified as “high grade” are those cash transacted with reputable local banks and financial assets with no history of default on the agreed contract terms while “medium grade” includes those financial assets being collected on due dates with an effort of collection. Financial instruments classified as “standard grade” are those financial assets with little history of default on the agreed terms of the contract.



Liquidity Risk. Liquidity risk arises from the possibility that the Parent Company may encounter difficulties in raising funds to meet or settle its obligations at a reasonable price.

The Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of advances to related parties. The Parent Company maintains sufficient cash to finance its operations.

The Parent Company manages its liquidity risk by maintaining strength and quality on financial position where debt-to-equity ratio is at a manageable level. The Parent Company also maintains a financial strategy that the scheduled debts are within the Parent Company's ability to generate cash from its business operations.

The table below summarizes the maturity profile of the Parent Company's financial liabilities based on contractual undiscounted payments. The table also analyses the maturity profile of the Parent Company's financial assets in order to provide a complete view of the Parent Company's contractual commitments and liquidity.

2021						
	Due and Demandable	< 90 Days	91-180 Days	181-365 Days	Over 365 Days	Total
Cash	₱281,653,055	₱-	₱-	₱-	₱-	₱281,653,055
Financial assets at FVPL	300,000,000	-	-	-	-	300,000,000
Trade and other receivables						
Trade	-	314,739,461	391,728,936	-	3,289,130	709,757,527
Royalty receivables	85,992,882	-	-	-	-	85,992,882
Receivable from NAF	35,583,471	-	-	-	-	35,583,471
Receivable from franchisees	52,442,190	-	-	-	-	52,442,190
Receivable from employees	-	5,560,324	9,548,835	-	1,149,050	16,258,209
Other receivables	-	115,958,599	-	-	480,914	116,439,513
Rental and other deposits	156,069,120	-	-	-	3,297,293	159,366,413
	911,740,718	436,258,384	401,277,771	-	8,216,387	1,757,493,260
Accounts payable and other current liabilities:						
Trade payables	-	503,204,112	40,730,620	-	-	543,934,732
Nontrade payables	-	86,457,487	20,769,462	-	-	107,226,949
Accrued expenses	-	219,710,780	-	-	-	219,710,780
Other payables*	-	19,816,299	-	-	-	19,816,299
Dealers' deposit and other noncurrent liabilities	-	-	-	-	83,498,884	83,498,884
Short-term loans payable**	-	9,500,000	9,500,000	1,058,854,167	-	1,077,854,167
Long-term loans payable**	-	7,031,250	32,031,250	38,968,750	3,850,312,500	3,928,343,750
	-	845,719,928	103,031,332	1,097,822,917	3,933,811,384	5,980,385,561
Liquidity gap	₱911,740,718	(₱409,461,544)	₱298,246,439	(₱1,097,822,917)	(₱3,925,594,997)	(₱4,222,892,301)

*excluding statutory payables.

**Including future interest payments.

2020						
	Due and Demandable	< 90 Days	91-180 Days	181-365 Days	Over 365 Days	Total
Cash	₱393,973,113	₱-	₱-	₱-	₱-	₱393,973,113
Financial assets at FVPL	100,000,000	-	-	-	-	100,000,000
Trade and other receivables						
Trade	-	385,594,244	54,475,810	-	3,289,129	443,359,183
Royalty receivables	37,339,494	-	-	-	-	37,339,494
Receivable from NAF	111,400,419	-	-	-	-	111,400,419
Receivable from franchisees	24,372,171	-	-	-	-	24,372,171
Receivable from employees	-	6,747,807	3,988,994	-	1,144,631	11,881,432
Other receivables	-	167,090,158	12,508,846	-	480,914	180,079,918
Rental and other deposits	155,355,828	-	-	-	3,297,293	158,653,121
	822,441,025	559,432,209	70,973,650	-	8,211,967	1,461,058,851
Accounts payable and other current liabilities:						
Trade payables	₱-	₱266,458,976	₱93,058,518	₱21,232,032	₱-	₱380,749,526
Nontrade payables	-	136,985,191	2,148,257	31,169,748	-	170,303,196
Accrued expenses	-	176,801,857	-	-	-	176,801,857
Other payables*	-	28,316,889	-	-	-	28,316,889
Dealers' deposit and other noncurrent liabilities	-	-	-	-	40,759,530	40,759,530
Short-term loans payable**	-	9,500,000	9,500,000	1,058,854,167	-	1,077,854,167
Long-term loans payable**	-	7,031,250	32,031,250	38,968,750	3,850,312,500	3,928,343,750
	-	625,094,163	136,738,025	1,150,224,697	3,891,072,030	5,803,128,915
Liquidity gap	₱822,441,025	(₱65,661,954)	(₱65,764,375)	(₱1,150,224,697)	(₱3,882,860,063)	(₱4,342,070,064)

*excluding statutory payables.

**Including future interest payments.



Capital Management

The primary objective of the Parent Company's capital management is to safeguard the Parent Company's ability to continue as a going concern, so that it can provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Parent Company manages its capital structure and adjusts it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company adjusts the dividend payment to stockholders, return capital to stockholders or issue new shares. The Parent Company's debt-to-equity ratio is as follows:

	2021	2020
Total liabilities	₱6,097,521,593	₱7,241,857,180
Total equity	5,944,760,394	4,594,742,924
	1.03:1	1.58:1

32. Fair Value Information

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale.

Financial Instruments Whose Carrying Amounts Approximate Fair Value. Management has determined that the carrying amounts of cash, trade and other receivables, advances to related parties, accounts payable and other current liabilities and dividends payable, based on their notional amounts, reasonably approximates their fair values because these are mostly short-term in nature or are repriced frequently.

Other Financial Instruments. Set out below is a comparison by category of carrying amounts and estimated fair values of the Parent Company's financial instruments other than those described above:

As at December 31, 2021				
			Fair Value	
	Date of Valuation	Carrying Value	Level 1 Quoted	Level 2 Significant Observable Input
Assets for which fair values are disclosed:				
Financial assets at FVPL	December 31, 2021	₱300,000,000	₱—	₱300,000,000
Rental deposits	December 31, 2021	155,355,828	—	157,129,370
		₱455,355,828	₱—	₱457,129,370
Liabilities for which fair values are disclosed:				
Loan payable	December 31, 2021	₱3,788,597,369	₱—	₱4,478,403,943
Dealers’ deposits	December 31, 2021	24,274,585	—	19,257,642
		₱3,812,871,954	₱—	₱4,547,661,585



As at December 31, 2020				
		Fair Value		
	Date of Valuation	Carrying Value	Level 1 Quoted	Level 2 Significant Observable Input
Assets for which fair values are disclosed:				
Financial assets at FVPL	December 31, 2020	₱100,000,000	₱—	₱100,000,000
Rental deposits	December 31, 2020	155,355,828	—	158,653,121
		₱255,355,828	₱—	₱258,653,121
Liabilities for which fair values are disclosed:				
Loan payable	December 31, 2020	₱3,788,597,369	₱—	₱4,528,403,943
Dealers' deposits	December 31, 2020	23,710,436	—	19,257,642
		₱3,812,307,805	₱—	₱4,547,661,585

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Rental Deposits. The fair values were obtained by discounting the instruments' expected cash flows using interest rates of 1.08% to 4.95% as at December 31, 2021 and of 1.12% to 10.39% as at December 31, 2020. Fair value category is Level 2, significant observable inputs.

Loans Payable. The fair value of loan payable which was discounted using prevailing market rate of 2.75% and 4.22% as at December 31, 2021 and 2020, respectively. Fair value category is Level 2, significant observable inputs.

Dealers' Deposits. The fair values were obtained by discounting the instruments' expected cash flows using interest rates of 4.46% and 7.05% as at December 31, 2021 and 2020, respectively. Fair value category is Level 2, significant observable inputs.

As at December 31, 2021 and 2020, there were no transfers between Level 1 and 2 fair value measurements.

33. Commitments

Trademark Licensing and Franchise Agreements

The Parent Company has existing Trademark Licensing and Franchise Agreements with independent franchisees to operate restaurant outlets under the "Shakey's" "Peri-Peri" and "Supertea" concept and trade names. In consideration thereof, the franchisees agree to pay continuing franchise fees equivalent to a certain percentage of the franchisees' net sales.

The franchisees also pay management fees for various services, including maintenance services and advertising rendered by the Parent Company.

Royalty and franchise fees amounted to ₱289.9 million in 2021 and ₱255.4 million in 2020 (see Note 22). As at December 31, 2021 and 2020, royalty receivable amounted to ₱86.0 million and ₱37.3 million, respectively (see Note 8).



Territorial Licensing Agreement

The Parent Company has a territorial licensing agreement with SSI, the licensor, for the exclusive right to license other individuals and/or establishments to use the “Shakey’s” brand name, method and concept of the licensor in the production, merchandising, packaging and sale of certain food products in the Philippines. In consideration for the exclusive territorial license, the Parent Company is liable to the licensor for a license fee based on sales of each of the dealers of the Parent Company. The agreement, which was drawn on August 1, 2017, is renewable at the option of the Parent Company, from term to term, each term being a period of ten (10) years under the same terms and conditions.

SPAVI is required to pay annual license fees to SSI amounting to 1.5% of net system wide sales. On December 1, 2020, SSI waived its 1.5% monthly license fee to SPAVI for the entire year of 2020 and the year after until 2023. On the other hand, SPAVI waived the rental fees of SSI for the entire year of 2020 and the year after until 2023. These initiatives aim to mitigate the COVID-19 pandemic’s adverse impact on the restaurant business of SPAVI (see Note 18).

Outstanding balance of incurred license fees amounted to ₱5.7 million as at December 31, 2021 and 2020, respectively (see Note 18).

34. Provisions

	2021	2020
Balance at beginning of year	₱37,033,000	₱2,253,030
Reversal (see Note 29)	(37,033,000)	—
Addition (see Note 29)	—	34,779,970
Balance at end of year	₱—	₱37,033,000

The Parent Company’s outstanding provisions consist mainly of provisions for asserted claims which are normal to the Parent Company’s business. These include estimates settlement amounts and other costs of claims made against the Parent Company. As allowed by PAS 37, the Parent Company does not provide further information on these provisions and contingencies in order not to impair the outcome of the litigations, claims and disputes.

35. Earnings per Share (EPS)

Basic EPS is computed based on the weighted average number of issued and outstanding common shares during each year. Diluted EPS is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as of the beginning of the year. When there are no potential common shares or other instruments that may entitle the holder to common shares, diluted EPS, is the same as the basic EPS.

There are no dilutive financial instruments for the years ended December 31, 2021 and 2020, hence, diluted EPS is the same as the basic EPS.



The Parent Company's EPS were computed as follows:

	2021	2020
(a) Net income (loss)	₱80,197,418	(₱209,435,540)
(b) Weighted average number of shares outstanding	1,594,837,355	1,531,321,053
Basic/ diluted EPS (a/b)	₱0.05	(₱0.14)

36. Notes to the Parent Company Statements of Cash Flows

The following are the noncash activities for the years ended December 31, 2021 and 2020:

	2021			
	January 1	Net cash flows	Noncash changes	December 31
Rental and other				
noncurrent assets (a)	₱155,355,828	₱1,792,541	(₱1,079,249)	₱156,069,120
Loans payable (b)	4,838,597,369	(1,100,000,000)	1,960,585	3,740,557,954
Contract liabilities (a)	72,079,864	(8,025,356)	3,068,996	67,123,504
Lease liabilities (c)	1,341,600,096	(184,267,549)	29,205,044	1,186,537,591

	2020			
	January 1	Net cash flows	Noncash changes	December 31
Rental and other				
noncurrent assets (a)	₱153,070,657	₱1,713,029	₱572,142	₱155,355,828
Loans payable (b)	4,386,718,303	450,000,000	1,879,066	4,838,597,369
Contract liabilities (a)	85,805,160	(16,867,133)	3,141,837	72,079,864
Lease liabilities (c)	1,417,159,871	(190,478,394)	114,918,619	1,341,600,096

Details of the noncash changes are as follows:

- (a) Pertains to accretion of interest expense on long term rental and other deposits and contract liabilities.
- (b) Pertains to amortization of debt issue costs
- (c) Changes are presented under Note 15.

The changes in the Parent Company's liabilities arising from financing activities are as follows:

	2021						
	January 1	Additions	Proceeds	Payments	Interest expense	Other movements	December 31
Lease liabilities*	₱1,341,600,096	₱87,512,717	₱—	(₱184,267,549)	₱76,586,223	(₱134,893,896)	₱1,186,537,591
Loans payable	4,838,597,369	—	—	(1,100,000,000)	1,960,585	—	3,740,557,954
Dividends	—	33,675,208	—	(33,675,208)	—	—	—
Accrued interest**	5,225,000	—	—	(195,023,604)	279,002,224	(81,547,054)	7,656,566
Total liabilities from financing activities	₱6,185,422,465	₱121,187,925	₱—	₱(1,512,966,361)	₱357,549,032	₱(216,440,950)	₱4,934,752,111

*Other movements pertain to the gain on lease concession and derecognition of lease liability

**Other movements pertain to interest accretion for PFRS 15



	2020						
	January 1	Additions	Proceeds	Payments	Interest expense	Other movements	December 31
Lease liabilities*	₱1,417,159,871	₱228,247,719	₱—	(₱190,478,394)	₱93,794,638	(₱207,123,738)	₱1,341,600,096
Loans payable	4,386,718,303	—	1,500,000,000	(1,050,000,000)	1,879,066	—	4,838,597,369
Dividends	—	15,313,210	—	(15,313,210)	—	—	—
Accrued interest**	5,293,750	—	—	(221,825,054)	224,898,140	(3,141,836)	5,225,000
Total liabilities from financing activities	₱5,809,171,924	₱243,560,929	₱1,500,000,000	(₱1,477,616,658)	₱320,571,844	(₱210,265,574)	₱6,185,422,465

*Other movements pertain to the gain on lease concession and derecognition of lease liability
**Other movements pertain to interest accretion for PFRS 15

37. Impact of COVID-19

COVID-19, an infectious disease caused by a new virus, was declared a world-wide pandemic by the World Health Organization (WHO) on March 11, 2020. This resulted in the implementation of different classifications of community quarantines and alert levels to slow the spread of COVID-19 which had a significant impact on the global economy.

These measures have resulted in massive disruptions to most businesses and have caused significant increase in economic uncertainty. Governments and Central Banks have responded with monetary and fiscal interventions to stabilize the economies. The significant events and transactions that have occurred since December 31, 2020 which relate to the effects of the global pandemic on the Parent Company's financial statements for the year ended December 31, 2021 are summarized as follows:

- The Parent Company was granted several lease concessions for its lease of land for the use of its office spaces and stores.
- The forecast used for impairment testing of trademark with indefinite life includes the Parent Company's estimates of the potential future impact from COVID-19 pandemic. Cash flow projections have been adjusted to reflect a range of possible outcomes, weighted by their expected occurrence.

38. Event After the Reporting Date

On December 23, 2021, the Parent Company reached an agreement with the Cinco Group to purchase assets and intellectual property related to Potato Corner Business. The acquisition of the Parent Company will also involve owning and operating all company-owned stores, as well as serving as brand-owner and franchisor of stores being operated by franchisees both domestically and internationally. Prior to acquisition, both parties also agreed to perform due diligence on valuation of the assets to be acquired.

On March 5, 2022, the Group and Potato Corner signed Deeds of Assignment and Deeds of Absolute Sale purchasing several assets relating to the Potato Corner business, including shares in a Potato Corner entity in Singapore.

As of April 12, 2022, the disclosure of information required by PFRS 3, *Business Combination*, is impracticable since the full details related to the transaction are being finalized. The transaction is still subject to the fulfillment of conditions and post-closing adjustments, such as the submission of documents from the seller, including execution of contracts to enable full ownership.



39. Supplementary Information Required Under RR 15-2010

The Parent Company reported and/or paid the following types of taxes in 2021:

VAT

The Parent Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

a. Output VAT

Sales and output VAT declared in the Parent Company's VAT returns for 2021 are as follows:

	Net Sales/ Receipts	Output VAT
Taxable sales of goods	₱5,113,849,617	₱613,759,981
Exempt sales	233,106,457	—
	₱5,346,956,074	₱613,759,981

The Parent Company has exempt sales pursuant to the provision of RR 7-2010 "Implementing the Tax Privileges Provisions of Republic Act No. 9994, otherwise known as the 'Expanded Senior Citizen Act of 2010', and Prescribing the Guidelines for the Availment."

b. Input VAT

As at December 31, 2021, the details of the Parent Company's input VAT are as follows:

	Tax Amount
Balance at beginning of the year	₱—
Current year's domestic purchase of goods other than capital goods	237,771,903
Current year's domestic purchase of services	88,055,137
Input VAT allocable to exempt sales	(16,821,533)
Other adjustments on input VAT	67,842,806
Input VAT claimed against output VAT	(376,848,313)
Balance at end of year	₱—

Information on the Parent Company's Importations

In 2021, the Parent Company's transactions which are subject to broker's and other fees are as follows:

Taxable value	₱316,702,062
Broker's fee and others	31,988,228
Total landed cost of imports	348,690,290
Input VAT	₱41,842,835



Taxes and Licenses

Taxes and licenses, local and national, include real estate taxes, business licenses and permit fees and fringe benefit taxes for 2021:

License and permit fees	₱78,514,939
Fringe benefit taxes	2,363,903
Realty tax payment	852,355
Barangay/DTI and other fees	2,646,725
Documentary stamp taxes (DST)	1,324,677
Others	113,276
	<u>₱85,815,875</u>

Documentary Stamp Taxes

DST paid by the Parent Company in 2021 amounting to ₱1,327,745, breakdown are as follows:

Lease contracts	₱250,002
Sale of Shakey's Tarlac Hiway co-owned stores	315,545
Subscription agreement on the shares of Lloyd Banking Group	762,198
	<u>₱1,327,745</u>

Withholding Taxes

Movements in withholding taxes for 2021 are as follows:

	Final withholding taxes	Tax on Compensation and Benefits	Expanded Withholding Taxes
Balance at beginning of year	₱—	(₱1,903,034)	(₱6,734,144)
Additions	1,082,696	36,447,526	78,371,943
Applications/remittances	(1,082,696)	(32,542,765)	(64,820,537)
Balance at end of year	<u>₱—</u>	<u>₱2,001,727</u>	<u>₱6,817,262</u>

Tax Assessments and Tax Cases

The Parent Company is currently not involved in any tax cases and tax assessments in Final Assessment Notice Stage as at December 31, 2021.

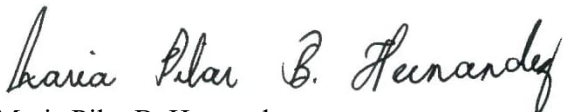


INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULE

The Board of Directors and Stockholders
Shakey's Pizza Asia Ventures Inc.
15Km East Service Road corner Marian Road 2
Barangay San Martin de Porres, Parañaque City 1700

We have audited, in accordance with Philippine Standards on Auditing, the parent company financial statements of Shakey's Pizza Asia Ventures Inc. as at and for the years ended December 31, 2021 and 2020 and have issued our report thereon dated April 12, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Maria Pilar B. Hernandez
Partner

CPA Certificate No. 105007

Tax Identification No. 214-318-972

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 105007-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-116-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8853500, January 3, 2022, Makati City

April 12, 2022



SHAKEY'S PIZZA ASIA VENTURES INC.
Schedule of Retained Earnings Available for Dividend Declaration
December 31, 2021

Retained earnings as at December 31, 2021		₱1,772,937,737
Less -		
Deferred tax assets		290,576,248
<hr/>		
Unappropriated retained earnings, as adjusted, as at		
December 31, 2021		1,482,361,489
Add (less):		
Net income	₱80,197,418	
Changes in deferred tax assets	79,259,214	159,456,632
		<hr/>
		1,641,818,121
Dividends declared during the year		(33,675,208)
		<hr/>
Retained earnings available for dividend distribution as at		
December 31, 2021		₱1,608,142,913
<hr/>		



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Transaction Code:

AFS-0-NSMSQ3WV09CA99KLCPVN4Q1XX0NYVXQWPP

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Cc: MPPINON@SHAKEY.BIZ <MPPINON@SHAKEY.BIZ>

Hi SHAKEY'S PIZZA ASIA VENTURES INC,

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- EAFS000163396AFSTY122021.pdf
- EAFS000163396ITRTY122021.pdf

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- <None>

Transaction Code: **AFS-0-NSMSQ3WV09CA99KLCPVN4Q1XX0NYVXQWPP**

Submission Date/Time: **Apr 14, 2022 01:49 AM**

Company TIN: **000-163-396**

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ANNEX D

**CONSOLIDATED FINANCIAL
STATEMENTS**



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of Shakey's Pizza Asia Ventures, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein as at December 31, 2021 and 2020, and each of the three years in the period ended December 31, 2021, in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards of Auditing and its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Christopher T. Po
Chairman of the Board

Vicente L. Gregorio
President & Chief Executive Officer

Manuel T. Del Barrio
Vice President & Chief Financial Officer

Signed this APR 12 day of April 2022

SHAKEY'S PIZZA ASIA VENTURES INC.
Km. 15 East Service Road corner Marian Road 2, San Martin De Porres,
Parañaque City



Page 2 of Statement of Management's
Responsibility for Consolidated Financial Statements

REPUBLIC OF THE PHILIPPINES

)
) s.s.

SUBSCRIBE AND SWORN to before me this APR 12 2022 affiant(s) exhibiting to me the
Passport Numbers, as follows:

Name	Passport No.	Date Issue	Place of Issue
Christopher T. Po	P8631182A	Sept. 6, 2018	DFA Manila
Vicente L. Gregorio	P4438672B	Jan. 18, 2020	DFA NCR South
Manuel T. Del Barrio	P5309094B	July 10, 2020	DFA Manila

Notary Public

Doc. No. 725
Page No. 05
Book No. X
Series of 2022.

ATTY. IRISH S. PRECION
Roll of Attorney's No. 69281/05.31.17
PTR No. A-5386637/01.07.2022 (Taguig City)
IBP No. 197034/01.07.2022
MCLE Exemption No. VI-002453/Valid Until 14, April 2022
Unit 1124 Tower 2 Grace Residences Condominium
Levi Mariano Ave. Taguig City

SHAKEY'S PIZZA ASIA VENTURES INC.
Km. 15 East Service Road corner Marian Road 2, San Martin De Porres,
Parañaque City

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S											

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

1	5	K	M		E	a	s	t		S	e	r	v	i	c	e		R	o	a	d		c	o	r	n	e	r	
M	a	r	i	a	n		R	o	a	d		2	,		B	a	r	a	n	g	a	y		S	a	n		M	a
r	t	i	n		d	e		P	o	r	r	e	s	,		P	a	r	a	ñ	a	q	u	e		C	i	t	y
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Form Type

A	C	F	S
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Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	A		
---	---	--	--

COMPANY INFORMATION

Company's Email Address

shakeyspizza.ph

Company's Telephone Number

(02)8839-0011

Mobile Number

-

No. of Stockholders

43

Annual Meeting (Month / Day)

May 3

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Manuel Del Barrio

Email Address

mtdelbarrio@shakeys.biz

Telephone Number/s

(02)8839-0011

Mobile Number

-

CONTACT PERSON'S ADDRESS

15KM East Service Road corner Marian Road 2, Barangay San Martin de Porres, Parañaque City 1700

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

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



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Shakey's Pizza Asia Ventures Inc.
15Km East Service Road corner Marian Road 2
Barangay San Martin de Porres, Parañaque City 1700

Opinion

We have audited the consolidated financial statements of Shakey's Pizza Asia Ventures Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Impairment Assessment of Goodwill and Trademarks

Under Philippine Accounting Standards 36, Impairment of Assets, the Group is required to annually test the amount of goodwill and trademarks with indefinite life for impairment. As at December 31, 2021, the Group's goodwill, mainly arising from its acquisition of businesses amounting to ₱1,264.08 million and trademarks with indefinite life amounting to ₱5,550.55 million, are considered significant to the consolidated financial statements since these account for 54% of the Group's total consolidated assets. In addition, management's assessment requires significant judgment and is based on assumptions, specifically forecasted long-term revenue growth rate, operating expenses, gross margin and discount rate. These assumptions are also subject to higher level of estimation uncertainty due to the continuing economic conditions which have been impacted by the COVID-19 pandemic.

The Group's disclosures about goodwill and trademarks with indefinite life are included in Note 13 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include forecasted long-term revenue growth rate, operating expenses, gross margin and discount rate. We compared the key assumptions used, such as forecasted long-term revenue growth rate, operating expenses and gross margin against the historical performance of the cash generating units and other relevant external data, taking into consideration the impact associated with COVID-19 pandemic. We tested the parameters used in the determination of the discount rate against market data. We also evaluated the Group's disclosure about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and trademarks.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20 IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2021, which are expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



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

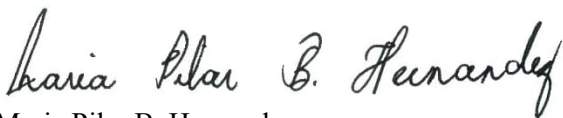
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is
Maria Pilar B. Hernandez.

SYCIP GORRES VELAYO & CO.



Maria Pilar B. Hernandez

Partner

CPA Certificate No. 105007

Tax Identification No. 214-318-972

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 105007-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-116-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8853500, January 3, 2022, Makati City

April 12, 2022



SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Notes 7 and 30)	₱485,414,521	₱607,674,132
Trade and other receivables (Notes 8, 17 and 30)	723,983,367	550,692,818
Financial assets at fair value through profit or loss (Notes 11, 30 and 31)	300,000,000	120,000,000
Inventories (Note 9)	432,876,226	444,941,572
Prepaid expenses and other current assets (Note 10)	187,556,789	142,354,328
Total Current Assets	2,129,830,903	1,865,662,850
Noncurrent Assets		
Property and equipment (Note 12)	1,373,563,312	1,419,634,223
Intangible assets (Note 13)	7,034,324,209	7,051,509,002
Right-of-use assets (Note 14)	1,231,516,139	1,311,464,060
Deferred input value-added tax	28,234,552	48,423,974
Deferred tax assets - net (Note 29)	247,956,292	350,172,528
Other noncurrent assets (Notes 15, 30 and 31)	589,287,521	173,125,540
Total Noncurrent Assets	10,504,882,025	10,354,329,327
TOTAL ASSETS	₱12,634,712,928	₱12,219,992,177
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 16, 17 and 30)	₱968,634,979	₱801,171,873
Short-term loans payable (Notes 18 and 30)	–	1,050,000,000
Current portion of:		
Lease liabilities (Note 14)	92,010,032	211,544,249
Long-term loans payable (Notes 19 and 30)	47,986,963	48,099,942
Contract liabilities (Note 21)	18,965,155	16,020,186
Income tax payable	1,557,290	3,156,468
Total Current Liabilities	1,129,154,419	2,129,992,718
Noncurrent Liabilities		
Noncurrent current portion of:		
Lease liabilities (Note 14)	1,388,726,488	1,319,058,770
Long-term loans payable (Notes 19 and 30)	3,692,570,991	3,740,497,427
Contract liabilities (Note 21)	63,232,658	73,600,393
Accrued pension costs (Note 26)	96,260,947	131,238,332
Dealers' deposits and other noncurrent liabilities (Note 31)	83,979,903	41,240,550
Total Noncurrent Liabilities	5,324,770,987	5,305,635,472
Total Liabilities	6,453,925,406	7,435,628,190

(Forward)



	December 31	
	2021	2020
Equity		
Capital stock (Note 20)	₱1,683,760,178	₱1,531,321,053
Additional paid-in capital (Note 20)	2,451,116,470	1,353,554,797
Retained earnings (Note 20)	2,053,473,219	1,964,168,269
Other components of equity (Note 26)	(7,562,345)	(64,680,132)
Total Equity	6,180,787,522	4,784,363,987
TOTAL LIABILITIES AND EQUITY	₱12,634,712,928	₱12,219,992,177

See accompanying Notes to Consolidated Financial Statements.



SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020	2019
REVENUE FROM CONTRACTS WITH CUSTOMERS (Notes 17 and 21)	₱5,480,427,588	₱5,296,771,546	₱8,239,093,787
COST OF SALES (Notes 17 and 22)	(4,206,711,163)	(4,364,157,309)	(5,827,018,168)
GROSS INCOME	1,273,716,425	932,614,237	2,412,075,619
GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	(837,345,396)	(972,712,600)	(1,051,602,075)
INTEREST EXPENSE (Note 27)	(292,179,579)	(333,303,573)	(311,472,803)
OTHER INCOME - Net (Note 28)	86,488,120	4,890,761	59,306,933
INCOME (LOSS) BEFORE INCOME TAX	230,679,570	(368,511,175)	1,108,307,674
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)			
Current	24,222,135	73,691,665	267,337,508
Deferred	83,477,277	(188,613,552)	(24,266,101)
	107,699,412	(114,921,887)	243,071,407
NET INCOME (LOSS)	122,980,158	(253,589,288)	865,236,267
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods (net of tax) -			
Actuarial gain (loss) on defined benefit obligation (Note 26)	75,856,746	(21,826,279)	(94,811,325)
Tax effect (Note 26)	(18,738,959)	6,586,418	28,443,398
	57,117,787	(15,239,861)	(66,367,927)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱180,097,945	(₱268,829,149)	₱798,868,340
Basic/Diluted Earnings (Loss) Per Share (Note 34)	₱0.08	(₱0.17)	₱0.57

See accompanying Notes to Consolidated Financial Statements.



SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Other Components of Equity	Total
Balances at January 1, 2021	₱1,531,321,053	₱1,353,554,797	₱1,964,168,269	(₱64,680,132)	₱4,784,363,987
Issuance of new shares (Note 20)	152,439,125	1,097,561,673	–	–	1,250,000,798
Total comprehensive income	–	–	122,980,158	57,117,787	180,097,945
Cash dividends (Note 20)	–	–	(33,675,208)	–	(33,675,208)
Balances at December 31, 2021	₱1,683,760,178	₱2,451,116,470	₱2,053,473,219	(₱7,562,345)	₱6,180,787,522
Balances at January 1, 2020	₱1,531,321,053	₱1,353,554,797	₱2,233,070,767	(₱49,440,271)	₱5,068,506,346
Total comprehensive loss	–	–	(253,589,288)	(15,239,861)	(268,829,149)
Cash dividends (Note 20)	–	–	(15,313,210)	–	(15,313,210)
Balances at December 31, 2020	₱1,531,321,053	₱1,353,554,797	₱1,964,168,269	(₱64,680,132)	₱4,784,363,987
Balances at January 1, 2019, as previously reported	₱1,531,321,053	₱1,353,554,797	₱1,668,017,627	₱16,927,656	₱4,569,821,133
Effect of adoption of PFRS 16	–	–	(147,051,022)	–	(147,051,022)
Balances at January 1, 2019, as restated	1,531,321,053	1,353,554,797	1,520,966,605	16,927,656	4,422,770,111
Total comprehensive income (loss)	–	–	865,236,267	(66,367,927)	798,868,340
Cash dividends (Note 20)	–	–	(153,132,105)	–	(153,132,105)
Balances at December 31, 2019	₱1,531,321,053	₱1,353,554,797	₱2,233,070,767	(₱49,440,271)	₱5,068,506,346

See accompanying Notes to Consolidated Financial Statements.



SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	₱230,679,570	(₱368,511,175)	₱1,108,307,674
Adjustments for:			
Depreciation and amortization (Note 25)	499,875,646	497,433,459	554,013,596
Interest expense (Note 27)	292,179,579	333,303,573	311,472,803
Gain on reversal of liabilities	(24,682,991)	—	—
Provision for (reversal of) legal and other contingencies – net (Note 33)	(1,353,452)	34,779,970	—
Movement in pension costs	40,879,361	31,101,754	(2,834,838)
Loss (gain) on:			
Disposal of property and equipment (Note 28)	121,143	18,749,687	1,883,436
Pre-terminations of leases (Note 14)	(10,529,566)	(14,584,239)	—
Disposal of inventories	12,250,140	(5,498,534)	—
Accretion income (Notes 15 and 28)	(3,023,323)	(4,243,006)	(3,990,747)
Interest income (Notes 7 and 28)	(1,276,273)	(2,886,826)	(2,345,458)
Unrealized foreign exchange loss (gain)	(247,925)	332,437	(1,963,181)
Fair value gain on financial assets at fair value through profit or loss (FVPL) (Note 28)	(1,949,288)	(589,306)	(1,016,240)
Income before working capital changes	1,032,922,621	519,387,794	1,963,527,045
Decrease (increase) in:			
Trade and other receivables	(173,290,549)	148,478,925	(349,939,376)
Inventories	(184,794)	37,684,338	124,018,343
Prepaid expenses and other current assets	(11,085,299)	14,740,059	95,883,964
Increase (decrease) in:			
Accounts payable and other current liabilities	191,067,983	(195,597,433)	162,622,351
Contract liabilities (Note 35)	(11,172,587)	(23,430,428)	(9,656,214)
Cash generated from operations	1,028,257,375	501,263,255	1,986,456,113
Income taxes paid (including creditable withholding taxes)	(63,556,930)	(175,974,315)	(285,269,628)
Interest received	1,276,273	2,886,826	2,345,458
Net cash provided by operating activities	965,976,718	328,175,766	1,703,531,943
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Property and equipment (Note 12)	(280,137,822)	(167,168,602)	(417,493,846)
Financial assets at FVPL (Note 11)	(300,000,000)	(120,000,000)	(270,139,412)
Trademark	(1,243,186)	—	—
Software (Note 13)	—	(85,158,730)	(178,159,719)
Franchise right (Note 13)	—	(4,964,977)	—
Peri-Peri business (Note 13)	—	—	(774,521,166)
Proceeds from:			
Redemption of financial assets at FVPL	121,949,288	120,589,306	151,155,652
Disposal of property and equipment	123,547	10,455,402	56,159,830
Decrease (increase) in:			
Deferred input value-added tax	20,189,422	19,539,898	(4,512,041)
Other noncurrent assets (Note 35)	(409,172,651)	(5,432,721)	(44,662,438)
Increase (decrease) in dealers' deposits and other noncurrent liabilities (Note 35)	42,739,353	(5,368,235)	(16,769,843)
Net cash used in investing activities	(805,552,049)	(237,508,659)	(1,498,942,983)

(Forward)



	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES (Note 35)			
Proceeds from short-term loans (Note 18)	₱-	₱1,500,000,000	₱800,000,000
Proceeds from issuance of capital stock (Note 20)	1,250,000,798	-	-
Payments of:			
Lease liabilities (Note 14)	(204,302,941)	(203,225,951)	(278,999,874)
Short-term loans (Note 18)	(1,050,000,000)	(1,000,000,000)	(250,000,000)
Interest	(194,954,854)	(221,822,567)	(200,496,593)
Dividends (Note 20)	(33,675,208)	(15,313,210)	(153,132,105)
Long-term loans (Note 19)	(50,000,000)	(50,000,000)	(50,000,000)
Net cash provided by (used in) financing activities	(282,932,205)	9,638,272	(132,628,572)
NET INCREASE (DECREASE) IN CASH	(122,507,536)	100,305,379	71,960,388
EFFECT OF EXCHANGE RATE CHANGES ON CASH	247,925	(332,437)	1,963,181
CASH AT BEGINNING OF YEAR (Note 7)	607,674,132	507,701,190	433,777,621
CASH AT END OF YEAR (Note 7)	₱485,414,521	₱607,674,132	₱507,701,190

See accompanying Notes to Consolidated Financial Statements.



SHAKEY'S PIZZA ASIA VENTURES INC.
Doing business under the name and style of Shakey's
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

Shakey's Pizza Asia Ventures Inc. Doing business under the name and style of Shakey's (SPAVI or the Parent Company), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 14, 1974. The Parent Company and its subsidiaries (collectively referred to as "the Group") are involved primarily in the development, operations and franchising of fast casual restaurants under the trade names "Shakey's" and "Peri-Peri".

On December 15, 2016, the common shares of the Parent Company were listed and traded in the Philippine Stock Exchange (PSE) under the trading name "PIZZA".

The registered office address of the Parent Company is 15Km East Service Road corner Marian Road 2, Barangay San Martin de Porres, Parañaque City 1700.

Approval and Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements were approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on April 12, 2022.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) which are carried at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional currency.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its wholly-owned subsidiaries as at December 31. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events with similar circumstances.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.



Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee,
- Rights arising from other contractual arrangements, and
- The Group's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Principal Activities	Place of Incorporation	Percentage of Ownership (%)
Bakemasters, Inc. (BMI) ^a	Manufacturer of pizza dough and pastries	Philippines	100%
Shakey's International Limited (SIL) ^a	Trademark	Hong Kong	100%
Shakey's Seacrest Incorporated (SSI) ^b	Trademark	Philippines	100%
Shakey's Pizza Regional Foods Limited (SPRFL) ^c	Trademark	Hong Kong	100%
Shakey's Pizza Commerce Inc. (SPCI) ^d	Trading of goods	Philippines	100%
Wow Brand Holdings, Inc. (WBHI) ^e	Restaurant business	Philippines	100%
Anchor Wood International Limited (AWIL) ^f	Trademark	British Virgin Islands	100%

^a Acquired on October 5, 2016 from SAFHI

^b Incorporated on June 29, 2016

^c Incorporated on November 25, 2016

^d Incorporated on November 25, 2017

^e Incorporated on April 25, 2019

^f Acquired on June 1, 2019 from EHL and was subsequently dissolved in June 19, 2020



3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Group adopted the amendment beginning April 1, 2021.

As of and for the year ended December 31, 2021, management has assessed that the lease concessions are not lease modifications since these are a direct consequence of the COVID-19 pandemic. As such, gain on lease concessions amounting to ₱117.0 million was recognized as reduction of amortization expenses included in “Cost of sales” in the 2021 consolidated statement of comprehensive income (see Note 14).

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and



- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Group adopted the amendments beginning January 1, 2021.

Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.



The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.



Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement



- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.



On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Summary of Significant Accounting and Financial Reporting Policies

The following is the summary of significant accounting policies applied in preparing the consolidated financial statements:

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of comprehensive income. It is then considered in the determination of goodwill or gain on bargain purchase.

Acquisitions that do not constitute businesses are recognized as asset acquisitions. In such cases, the acquirer shall identify and recognize the individual identifiable assets acquired and liabilities assumed. The costs shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. Such a transaction or event does not give rise to goodwill.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, is measured at fair value with the changes in fair value recognized in the consolidated statement of comprehensive income in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of comprehensive income.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because the fair values to be assigned to the acquiree's identifiable assets and liabilities can be determined only provisionally, the Group accounts for the combination using provisional values. Adjustments to those provisional values as a result of completing the initial accounting shall be made within twelve (12) months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date



had been recognized from that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions in PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or the amount initially recognized less (when appropriate) cumulative amortization recognized in accordance with the requirements for revenue recognition.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs), to which the goodwill relates. When the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognized. When goodwill forms part of a CGU (group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting date, or;
- Cash unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting date, or;
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as noncurrent.



Deferred tax assets and liabilities are classified as noncurrent assets and noncurrent liabilities, respectively.

Financial Instruments

Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and FVPL.

The classification at initial recognition depends on the contractual cash flow characteristics of financial assets and the Group's business model for managing them. The initial measurement of financial assets, except for those classified as FVPL, includes the transaction cost. The exception is for trade receivables that do not contain a significant financing component. These are measured at the transaction price determined under PFRS 15, *Revenue*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

The Group has no financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at FVOCI with recycling of cumulative gains and losses (debt instrument) as at December 31, 2021 and 2020.

Financial Assets at Amortized Cost (Debt Instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at amortized cost are classified as current assets when the Group expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.



As at December 31, 2021 and 2020, the Group's financial assets at amortized cost consist of cash, trade and other receivables and rental and other deposits included in "Rental deposits" in the consolidated statements of financial position (see Notes 7, 8 and 15).

Financial assets at FVPL. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are recognized as other income in the consolidated statement of comprehensive income when the right of payment has been established. A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As at December 31, 2021 and 2020, the Group has investment in unit investment trust fund (UITF) classified as financial assets at FVPL (see Note 11).

Impairment. The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. 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.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering contractual cash flows.



Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include short-term and long-term loans payable, accounts payable and other current liabilities (excluding statutory liabilities) (see Notes 16, 18 and 19), and dealers' deposits and other noncurrent liabilities.

The Group has no financial liabilities at FVPL and derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest expense in the consolidated statements of comprehensive income.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or 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 the derecognition of the



original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- 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. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

“Day 1” Difference

Where the transaction price in a non-active market is different from the fair value from 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 unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized 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.

Debt Issue Costs

Debt issue costs are deducted against long-term debt and are amortized over the terms of the related borrowings using the effective interest method.

Prepayment Option

If the Group revises its estimates of payments or receipts, the Group shall adjust the carrying amount of the financial asset or financial liability (or group of financial instruments) to reflect actual and revised estimated cash flows. The entity recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate or, when applicable, the revised effective interest rate calculated. The adjustment is recognized in the consolidated statement of comprehensive income as income or expense.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.



The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

- 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.

The fair value information is presented in Note 31.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to set-off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Cash

Cash includes cash on hand and in banks.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- | | |
|-------------------------------|---|
| Finished goods | - determined using the moving average method, cost includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs. |
| Raw materials and merchandise | - determined using the moving average method. |

NRV of finished goods is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. NRV of raw materials is the current replacement cost.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the property and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. Such cost includes the cost of replacing



part of such property and equipment when that cost is incurred if the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to net income in the consolidated statement of comprehensive income in the year such 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 additional cost of property and equipment.

When each major repair and maintenance is performed, its cost is recognized in the carrying amount of the item of property and equipment as a replacement if the recognition criteria are satisfied. Such major repairs and maintenance is capitalized and amortized over the next major repairs and maintenance activity.

Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item of property and equipment is depreciated separately.

Depreciation and amortization commence once the assets are available for use. Depreciation and amortization are computed using the straight-line basis over the following estimated useful lives of the property and equipment:

Category	Number of year(s)
Building	15-20
Leasehold improvements	2-10 or term of the lease whichever is shorter
Furniture, fixtures and equipment	1-10
Machinery and equipment	1-3
Transportation equipment	2-7
Cost of shops and maintenance tools	3-10
Glassware and utensils	1

The useful lives and depreciation and amortization method are reviewed at each reporting date, and adjusted prospectively, if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in net income in the consolidated statement of comprehensive income in the year the asset is derecognized.

Fully depreciated assets are retained in the account until they are no longer used although no further depreciation is charged to current operations.

Construction in progress is stated at cost. This includes cost of construction and other direct costs related to the asset being constructed. Construction in progress is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed, and the property and equipment are ready for use. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.



Intangible Assets

The cost of intangible assets acquired in a business combination such as trademarks is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses.

Intangible assets with finite lives such as software and franchise right are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Amortization commences once the assets are available for use. Amortization are computed using the straight-line basis over the following estimated useful lives of the intangible assets with finite life:

Category	Number of year(s)
Software	10-15
Franchise right	7

Intangible assets with indefinite useful lives, such as goodwill and trademarks, are tested for impairment annually or more frequently if an indication of impairment exists either individually or at the CGU level. Such intangibles are not amortized. 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.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income.

Impairment of Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that property and equipment, software, franchise right and right-of-use assets are impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value, less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each financial 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The 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 the consolidated statement of comprehensive income. After such a reversal, the depreciation and amortization are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific nonfinancial assets:

Trademarks and Goodwill. Goodwill and trademarks are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill and trademarks by assessing the recoverable amount of the CGU, to which the goodwill and trademarks relates. Where the recoverable amount of the cash-generating unit (or group of CGUs) is less than the carrying amount of the cash-generating unit (or group of CGUs) to which the goodwill and trademarks has been allocated, an impairment loss is recognized in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill and trademarks on December 31 of each year.

Dealers' Deposits

Dealers' deposits are initially recognized at fair value. The discount is recognized as deferred credits and amortized over the estimated remaining term of the deposits using the effective interest method.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax.

Additional Paid-in Capital (APIC). APIC represents the amount paid in excess of the par value of the shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in APIC as a deduction from proceeds, net of tax.

Retained Earnings. Retained earnings represent accumulated earnings of the Group less dividends declared and any adjustments arising from application of new accounting standards, policies or correction of errors applied retrospectively.

Dividends on Capital Stock

Cash dividends on common shares are recognized as liability and deducted from retained earnings upon declaration by the BOD.

Stock dividends on common shares are measured based on the total par value of declared stock dividend. Stock dividends are deducted from retained earnings when the BOD's declaration is ratified by the shareholders.

Cash dividends are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital. The Group may declare dividends only out of its unrestricted retained earnings.



Other Components of Equity. Other components of equity comprise items of income and expense, including reclassification adjustments and actuarial gains and losses on pensions that are not recognized in net income in the consolidated statement of comprehensive income as required or permitted by other PFRS.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as principal in majority of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Restaurant Sales. Revenue from restaurant sales is recognized point in time when the related orders are served.

Sale of goods. Revenue from sales of goods consists of revenue from sale of materials and equipment. Transaction price of merchandise sales, which excludes discounts, returns, rebates and sales taxes, is normally received and recorded point in time.

Franchise Revenue. Initial franchise fee is recognized on a straight-line basis over the term of the franchise agreement, which ranges from 5 to 10 years. The transaction price for franchise agreement is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component. In instances where a significant financing component has been identified from its contracts with customers, this is recognized as interest expense in the consolidated statement of comprehensive income.

Other franchise revenues consisting of royalty fees and various reimbursements from franchisees are recognized when earned.

Interest Income. Revenue is recognized point in time as the interest accrues, using the EIR that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Contract Balances

Contract Assets. A contract asset is a conditional right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Group has no contract assets as at December 31, 2021 and 2020.

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

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.



Further, the Group has a loyalty points program which allows customers to accumulate points that can be applied to customer purchases depending on the actual usage within the next financial year. The liability is recognized when the customer avails the Group's services using the loyalty card. Loyalty points are recognized as revenue upon actual usage or expiration whichever comes first.

Cost and Expenses Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs of sales and general and administrative expenses are recognized in net income in the consolidated statement of comprehensive income in the period these are incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term between 2 to 25 years.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

Lease liabilities. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.



Short-term leases and leases of low-value assets. The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Lease Modification. Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessee shall account for a lease modification as a separate lease if both:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification a lessee shall:

- Allocate the consideration in the modified contract;
- Determine the lease term of the modified lease; and
- Remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, of the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined. The lessee shall account for the remeasurement of the lease liability by:
 - Decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to partial or full termination of the lease.
 - Making corresponding adjustment to the right-of-use asset for all other lease modifications.

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of COVID-19 pandemic is a lease modification and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and,
- There is no substantive change to other terms and conditions of the lease.

Rent concession received from lessors are accounted for as negative variable lease payments in profit or loss.



Pension

The Group has a funded, noncontributory defined benefit retirement plan covering substantially all of its qualified employees. The plan requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Defined Benefit Plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of cost of sales and general and administrative expenses in the consolidated statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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 reporting date.

Foreign Currency-denominated Transactions

Foreign currency-denominated transactions are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at reporting date. Exchange rate differences arising on the settlement and restatement of monetary items at rates different from those at which they were initially recorded are recognized in net income in the consolidated statement of comprehensive income in the year such differences arise. Nonmonetary items denominated in foreign currencies are measured on a historical cost basis and translated using the exchange rate at the date of transaction.



Income Tax

Current Tax. Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. The Group's current tax expense is calculated using 25% and 30% regular corporate income tax (RCIT) rate in 2021 and 2020, respectively, or 1% and 2% minimum corporate income tax (MCIT) rate in 2021 and 2020, respectively, whichever is higher. BMI, SSI and SPCI use Optional Standard Deduction (OSD), while the Parent Company and the remaining subsidiaries incorporated in the Philippines use itemized deductions in the computation of their respective taxable income.

Net Operating Loss Carryover (NOLCO). NOLCO is recognized in accordance with the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(b) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from taxable income for the next five (5) consecutive taxable years immediately following the year of such loss.

MCIT. MCIT is calculated as 1% and 2% of gross income in 2021 and 2020, respectively, of any domestic and resident foreign corporation beginning the fourth taxable year immediately following the taxable year in which such corporation commenced its business operation. Any excess of the MCIT over the normal income tax shall be carried forward and credited against the normal income tax for three (3) immediately succeeding taxable year.

Deferred Tax. Deferred tax is provided, using the liability method, on all temporary differences at 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, carryforward benefits of unused tax credits from excess MCIT over the RCIT and unused tax losses in the form of NOLCO, to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences, and the carryforward benefits from MCIT and NOLCO 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 future taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets, if any, are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.



Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the consolidated statement of financial position.

Deferred Input VAT

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

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Earnings (Loss) Per Share (EPS)

Basic EPS is computed based on weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock dividends declared during the year. Diluted EPS is computed as if the stock options were exercised as at the beginning of the year and as if the funds obtained from exercise were used to purchase common shares at the average market price during the year. Outstanding stock options will have a dilutive effect under the treasury stock method only when the fair value of the underlying common shares during the period exceeds the exercise price of the option. Where the outstanding stock options have no dilutive effect and the Group does not have any potential common share nor other instruments that may entitle the holder to common shares, diluted EPS is the same as basic EPS.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 7 to the consolidated financial statements.

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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as interest expense.



Contingencies

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

Events After the Reporting Period

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

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made judgments which have significant effect on the amounts recognized in the consolidated financial statements and accompanying notes. The judgments are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements.

Right to Access - Performance Obligation Satisfied Over Time. The Group determines whether it provides a dealer/franchisee with either:

- a right to access the Group's intellectual property through a "Trademark Licensing and Franchise Agreement" throughout the term of the franchise agreement for which revenue is recognized over the term of the franchise agreement, or
- a right to use the Group's intellectual property a "Trademark Licensing and Franchise Agreement" as it exists at the point in time the franchise license is granted for which revenue is recognized at the point in time the franchisee can first use and benefit from the franchise license.

In assessing whether the nature of the Group's promise in granting a "Trademark Licensing and Franchise Agreement" is to provide a right to access the Group's intellectual property (i.e., franchise license), the Group considers whether all of the following criteria are met:

- the franchise agreement requires, or the franchisee reasonably expects that the Group will undertake activities that will significantly affect the franchise license to which the franchisee has rights (e.g., advertisements, promotions, campaigns, etc.);
- the rights granted by the franchise license directly expose the franchisee to any positive or negative effects of the Group's activities;
- those activities do not result in the transfer of a good or service to the franchisee as those activities occur.



The Group determined that it has met the all of the criteria mentioned above and concluded that it provides its franchisees with a right to access the Group's franchise license throughout the term of the franchise agreement. Accordingly, revenue from granting franchise license is recognized over the term of the franchise agreement.

Determination of lease term of contracts with renewal and termination options - Group as a Lessee.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

As at December 31, 2021 and 2020, the Group's right-of-use assets amounted to ₱1,231.5 million and ₱1,311.5 million, respectively, and the Group's lease liabilities as at those dates amounted to ₱1,480.7 million and ₱1,530.6 million, respectively. In 2021, 2020 and 2019, the Group recognized amortization of right-of use assets amounting to ₱155.8 million, ₱148.4 million and ₱224.1 million, respectively. Interest expense on lease liabilities recognized amounted to ₱89.1 million, ₱105.8 million, ₱102.3 million, respectively.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Leases - Estimating the incremental borrowing rate. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liability. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

As at December 31, 2021 and 2020, the Group's lease liabilities amounted to ₱1,480.7 million and ₱1,530.6 million, respectively (see Note 14).

Determination of Fair Value of Financial Instruments. Where the fair value of financial assets and liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of financial assets and financial liabilities are disclosed in Note 31.



Impairment of Trade and Other Receivables and Rental and Other Deposits. The Group uses a provision matrix to calculate ECLs for its trade and other receivables and rental and other deposits. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forward-looking information, and ECLs is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's receivables is disclosed in Note 8.

Other than the considerations on the impact of COVID-19 on macroeconomic factors used as inputs to the ECL calculation, there have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

The carrying value of trade and other receivables amounted to ₱361.5 million and ₱551.0 million as at December 31, 2021 and 2020, respectively (see Note 8). Allowance for ECL amounted to ₱6.1 million as at December 31, 2021 and 2020. No provision for ECL was recognized in 2021 and 2020, while in 2019, provision for ECL amounted ₱0.2 million. Reversal of allowance for ECL amounted to nil in 2021, ₱0.1 million in 2020 and ₱0.4 million in 2019 (see Notes 23 and 28).

The carrying value of rental and other deposits amounted to ₱189.3 million and ₱173.1 million as at December 31, 2021 and 2020, respectively (see Note 15). Allowance for unrecoverable rental and other deposits amounted to ₱3.3 million as at December 31, 2021 and 2020. No provision for unrecoverable deposits was recognized in 2021, 2020 and 2019 (see Notes 15 and 23).

Evaluation of Net Realizable Value of Inventories. The Group writes down the cost of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in prices level or other causes such as the impact of COVID-19 pandemic. The lower of cost and net realizable value of inventories is reviewed at each reporting date. Inventory items identified to be obsolete and unusable are also written off and charged as expense in net income in the consolidated statement of comprehensive income.

There was no provision for (reversal of) inventory obsolescence in 2021, 2020 and 2019. The carrying values of inventories amounted to ₱432.9 million as of December 31, 2021 and ₱444.9 million as of December 31, 2020, net of allowance for inventory obsolescence of ₱4.3 million as at December 31, 2021 and 2020 (see Note 9).

Determination of Impairment of Nonfinancial Assets. Impairment review is performed when certain impairment indicators are present. Management considered the impact of COVID-19 in its impairment assessment on the Group's property and equipment, software, franchise right and right-of-use assets and has identified the related lease pre-termination costs, if any.

Determining the value in use of property and equipment, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements.



Based on the assessment of management, the Group's nonfinancial assets do not have any indication of impairment as at December 31, 2021 and 2020. No impairment loss was recognized in 2021, 2020 and 2019. The carrying value the Group's nonfinancial assets is as follows:

	2021	2020
Property and equipment (see Note 12)	₱1,373,563,312	₱1,419,634,223
Software (see Note 13)	215,612,546	233,331,243
Franchise right (see Note 13)	4,078,374	4,787,656
Right-of-use assets (see Note 14)	1,231,516,139	1,311,464,060
	₱2,824,770,371	₱2,969,217,182

Recoverability of Goodwill and Trademarks with Indefinite Life. The Group performs recoverability testing annually or more frequently when there are indications of impairment for goodwill and trademarks with indefinite lives. Goodwill acquired through business combination has been allocated to one CGU which is also the operating entity acquired through business combination and to which the goodwill relates. Recoverability testing requires an estimation of the value in use or fair value less cost of disposal of the CGU to which goodwill and trademarks with indefinite life are allocated. Estimating the recoverable amount of the CGU involves significant assumptions about the future results of the business such as long-term revenue growth rate, operating expenses, gross margin and discount rate which were applied to cash flow forecasts. In addition, the assumptions are also subjected to a higher level of estimation uncertainty due to the current economic conditions which have been impacted by the COVID-19 pandemic. The cash flow forecasts were based on financial budgets approved by the BOD covering a five-year period.

The impairment on goodwill and trademark is determined by comparing: (a) the carrying amount of the cash-generating unit; and (b) the present value of the annual projected cash flows for five years and the present value of the terminal value computed under the discounted cash flow method.

The key assumptions used in the impairment test of goodwill and trademarks with indefinite life are as follows:

a. Gross Revenue

On the average, gross revenue of the CGU over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, the business growth had a direct correlation with economic growth. A 5.5% perpetuity growth rate was assumed at the end of the five-year forecast period.

b. Operating Expenses

On the average, operating expenses were projected to increase in relation to revenue growth.

c. Gross Margins

Increased efficiencies over the next five years are expected to result in margin improvements.



d. Discount Rate

The discount rate used to arrive at the present value of future cash flows was the Group's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity. The discount rates applied to the cash flow projections range from 10.5% to 10.9% in 2021 and 2020.

The carrying amount of goodwill and trademarks with indefinite life are as follows:

	2021	2020
Goodwill (see Note 13)	₱1,264,082,949	₱1,264,082,949
Trademarks (see Note 13)	5,550,550,340	5,549,307,154
	₱6,814,633,289	₱6,813,390,103

The recoverable amount of the CGUs to which the goodwill and trademarks with indefinite lives are allocated is greater than its carrying amount. No impairment loss was recognized on goodwill and trademarks for the years ended December 31, 2021, 2020 and 2019.

Determination of Pension Costs. The cost of defined benefit pension plans and present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Accrued pension cost amounted to ₱96.3 million and ₱131.2 million as at December 31, 2021 and 2020, respectively, (see Notes 24 and 26).

The discount rate is derived by discounting all expected benefit payments using interest rates of government bonds that correspond to the timing of benefit payments, after which, a single discount rate is computed considering the aggregate amount of all discounted values.

The mortality rate is based on publicly available mortality tables in the Philippines and is modified accordingly with estimates of mortality improvements. Future salary and pension increases are based on expected future inflation rates in the Philippines.

Further details about the assumptions used are provided in Note 26.

Recoverability of Deferred Tax Assets. The Group performs an annual evaluation of the realizability of deferred tax assets in determining the portion of deferred tax assets which should be recognized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the following period. This forecast is based on the Group's past results and future expectations on revenue and expenses. The effect of COVID-19 pandemic on the macroeconomic factors are also used in developing the assumptions. The Group computes for deferred tax using the 25% corporate tax rate except for its subsidiaries BMI, SPCI and SSI which compute for deferred tax using the OSD effective tax rate of 15%.

Deferred tax assets recognized amounted to ₱253.4 million and ₱357.0 million as at December 31, 2021 and 2020, respectively (see Note 29).



Evaluation of Claims Under Legal and Other Contingencies. The Group is involved in certain legal actions and claims. The Group's estimate of the probable costs for the resolution of possible legal actions and claims has been developed in consultation with outside legal counsel handling the Group's defense in these matters and is based upon thorough analysis of potential results. Management believes that the ultimate liability or loss recorded in the consolidated financial statements with respect to such obligations, claims and disputes is adequate.

The Group recognized reversal amounting ₱1.4 million in 2021 and provisions amounting to amounting to ₱34.8 in 2020 and nil in 2019 for legal and other contingencies (see Notes 28 and 33).

6. Segment Information

Segment information is prepared on the following bases:

Business Segments

For management purposes, the Group is organized into three business activities - Restaurant sales, franchise and royalty fees and commissary sales. This segmentation is the basis upon which the Group reports its primary segment information.

- Restaurant sales comprise revenues from restaurant activities and sale of merchandise and equipment to franchisees.
- Franchise and royalty fees represents payment of subdealers for use of the Shakey's brand.
- Commissary sales comprise third party sales other than aforementioned activities.

Inter-segment Transactions

Segment revenue, segment expenses and operating results include transfers among business segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

The Group's chief operating decision maker, monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on consolidated net income for the year, EBITDA and EBITDA margin. EBITDA margin pertains to EBITDA divided by gross revenues.

EBITDA and EBITDA margin are non-PFRSs measures.

The following table shows the reconciliation of the consolidated EBITDA to consolidated net income:

	Years Ended December 31		
	2021	2020	2019
Consolidated EBITDA	₱1,021,458,522	₱ 459,339,031	₱1,971,448,615
Depreciation and amortization (Note 25)	(499,875,646)	(497,433,459)	(554,013,596)
Benefit from (provision for) income tax (Note 29)	(107,699,412)	114,921,887	(243,071,407)
Interest expense (Note 27)	(292,179,579)	(333,303,573)	(311,472,803)
Interest income (Notes 7 and 28)	1,276,273	2,886,826	2,345,458
Consolidated net income (loss)	₱122,980,158	(₱253,589,288)	₱865,236,267



Business Segment Data

The following tables present revenue and income information and certain assets and liabilities information regarding business segments for each of the three years in the period ended December 31:

	Restaurant			Franchise and Royalty Fees			Commissary and Others			Eliminations			Consolidated		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Revenue from contracts with customers	P5,388,587,125	P6,248,779,788	P10,045,004,683	P305,720,125	P255,117,257	P537,342,436	P405,281,225	P370,489,536	P579,836,760	(P619,160,887)	(P1,577,615,035)	(P2,923,090,092)	P5,480,427,588	P5,296,771,546	P8,239,093,787
Net income (loss)	(P143,550,674)	(P292,343,354)	P1,295,963,269	P218,664,056	P182,651,564	P382,917,607	P50,397,202	P34,863,740	P90,679,009	(P2,530,426)	(P178,761,238)	(P904,323,618)	P122,980,158	(P253,589,288)	P865,236,267
Interest expense	281,935,664	324,239,685	301,976,511	3,132,434	736,725	1,058,206	7,111,481	8,327,163	8,438,086	—	—	—	292,179,579	333,303,573	311,472,803
Interest income	(1,231,358)	(2,700,192)	(2,267,428)	(6,668)	(1,641)	(35,751)	(38,247)	(184,993)	(42,279)	—	—	—	(1,276,273)	(2,886,826)	(2,345,458)
Income tax	24,570,587	(197,578,504)	74,748,204	74,533,570	61,628,337	142,020,695	10,186,506	18,339,731	26,302,508	(1,591,251)	2,688,549	—	107,699,412	(114,921,887)	243,071,407
Depreciation and amortization	462,050,114	462,862,745	514,352,918	—	—	—	36,670,937	34,570,714	39,660,678	1,154,595	—	—	499,875,646	497,433,459	554,013,596
EBITDA	P623,774,333	P294,480,380	P2,184,773,474	P296,323,392	P245,014,985	P525,960,757	P104,327,879	P95,916,355	P165,038,002	(P2,967,082)	(P176,072,689)	(P904,323,618)	P1,021,458,522	P459,339,031	P1,971,448,615
EBITDA Margin													18.6%	8.67%	23.93%
Assets and Liabilities															
Operating assets	P12,859,819,534	P12,360,967,559	P13,049,648,512	P1,386,435,005	P81,988,104	P3,936,383,054	P626,455,376	P1,844,940,471	P522,557,825	(P2,485,953,280)	(P2,418,076,485)	(P5,330,936,192)	P12,386,756,635	P11,869,819,649	P12,177,653,199
Deferred tax assets	248,857,614	347,966,523	121,321,456	—	—	17,699,942	454,384	5,152,962	16,209,568	(1,355,706)	(2,946,957)	(258,408)	247,956,292	350,172,528	154,972,558
Total assets	P13,108,677,148	P12,708,934,082	P13,170,969,968	P1,386,435,005	P81,988,104	P3,954,082,996	P626,909,760	P1,850,093,433	P538,767,393	(P2,487,308,986)	(P2,421,023,442)	(P5,331,194,600)	P12,634,712,927	P12,219,992,177	P12,332,625,757
Operating liabilities	P3,145,415,483	P4,044,255,616	P3,623,219,246	P199,492,313	P193,377,235	P2,162,919,678	P207,294,615	P184,477,811	P208,042,348	(P838,834,959)	(P775,079,841)	(P3,116,780,164)	P2,713,367,452	P3,647,030,821	P2,877,401,108
Interest-bearing loans and borrowings	3,740,557,954	3,788,597,369	4,386,718,303	—	—	—	—	—	—	—	—	—	3,740,557,954	3,788,597,369	4,386,718,303
Total liabilities	P6,885,973,437	P7,832,852,985	P8,009,937,549	P199,492,313	P193,377,235	P2,162,919,678	P207,294,615	P184,477,811	P208,042,348	(P838,834,959)	(P775,079,841)	(P3,116,780,164)	P6,453,925,406	P7,435,628,190	P7,264,119,411

Restaurant sales are attributable to revenues from the general public, which are generated through the Group's store outlets while franchise and royalty fees and commissary and others are derived from various franchisees of the Group's trade names. Consequently, the Group has no concentrations of revenues from a single customer or franchisee in 2021, 2020 and 2019.

The Group's international operations (through SIL and SPFRL) are considered to be immaterial in relation to the consolidated financial statements. Total assets and revenues are 0.06% and 0.14% in 2021 and 0.07% and 0.09% in 2020, of the consolidated assets and revenues, respectively, of the Group.



7. Cash

	2021	2020
Cash on hand	₱153,112,015	₱54,049,698
Cash in banks	332,302,506	553,624,434
	₱485,414,521	₱607,674,132

Cash in banks earn interest at the respective bank deposit rates. Interest income on cash amounted to ₱1.3 million, ₱2.9 million and ₱2.3 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 28).

8. Trade and Other Receivables

	2021	2020
Trade:		
Franchisee	₱234,363,067	₱99,739,093
Third parties	203,929,298	157,501,221
Related parties (see Note 17)	25,928,331	32,689,608
Royalty receivable	85,992,882	37,339,494
Receivable from:		
National Advertising Fund (NAF)	35,583,471	140,304,750
Franchisees	52,442,190	24,372,171
Employees	18,854,882	13,157,850
Others (see Note 17)	73,008,253	51,707,638
	730,102,374	556,811,825
Less allowance for ECL	(6,119,007)	(6,119,007)
	₱723,983,367	₱550,692,818

Below are the terms and conditions of the financial assets:

- Trade receivables are non-interest bearing and are normally collectible within 10 days.
- Royalty receivable is being collected from dealers on the 20th day of the following month.
- Receivable from NAF pertains to reimbursable advertising and promotion expenses from dealers which will be applied on future dealer remittances.
- Receivable from franchisees pertains to receivables for transactions other than sale of goods such as management fees, freight and gas expenses and are non-interest bearing and generally have 30 to 45 days' term.
- Receivables from employees, which represent mainly salary loan, are interest-free and are being collected through salary deduction for a period ranging from 6 months to 1 year.
- Other receivables consist mainly of receivables from cooperatives and freight charges which are non-interest bearing and generally have 30 to 45 days' term.
- For terms and conditions of related party receivables, refer to Note 17.

The movements of allowance for ECL are as follows:

	2021			2020		
	Trade and Others	Receivables from Employees	Total	Trade and Others	Receivables from Employees	Total
Balance at beginning of year	₱4,873,440	₱1,245,567	₱6,119,007	₱4,973,440	₱1,245,567	₱6,219,007
Reversal of ECL (see Note 29)	—	—	—	(100,000)	—	(100,000)
Balance at year-end	₱4,873,440	₱1,245,567	₱6,119,007	₱4,873,440	₱1,245,567	₱6,119,007



For the years ended December 31, 2021, 2020 and 2019, the Group used the simplified provision matrix approach in estimating the ECL on trade and other receivables. Based on the assessments made, no provision for ECL was recognized in 2021 and 2020 while in 2019, the Group recognized provision for ECL amounting to ₱0.2 million (see Note 23). Reversal of allowance for ECL amounted to nil in 2021, ₱0.1 million in 2020 and ₱0.4 million in 2019 (see Note 28).

9. Inventories

	2021	2020
At cost -		
Finished goods	₱6,345,557	₱4,443,221
Raw materials - food	47,225,394	18,127,413
At NRV:		
Merchandise	371,955,904	417,026,575
Raw materials – packaging	7,349,371	5,344,363
	₱432,876,226	₱444,941,572

The cost of the inventories carried at NRV follows:

	2021	2020
Merchandise	₱376,212,505	₱421,283,176
Raw materials – packaging	7,424,562	5,419,554
	₱383,637,067	₱426,702,730

The cost of merchandise and materials charged to cost of sales in the consolidated statements of comprehensive income amounted to ₱2,231.6 million in 2021, ₱2,204.6 million in 2020 and ₱3,125.3 million in 2019 (see Note 22).

Allowance for inventory obsolescence amounted to ₱4.3 million as at December 31, 2021 and 2020.

No reversal and provision for inventory obsolescence was recognized in 2021, 2020 and 2019.

10. Prepaid Expenses and Other Current Assets

	2021	2020
Advances to suppliers	₱79,635,553	₱57,534,693
Prepaid taxes	64,963,443	27,227,826
Prepaid expenses	23,905,166	57,591,809
Input VAT	19,052,627	–
	₱187,556,789	₱142,354,328

Advances to suppliers represent payments for items purchased or goods yet to be delivered or services to be rendered.

Prepaid expenses pertain to advance payments for insurance and dues and subscription and are amortized monthly over a period of one year.



11. Financial Assets at FVPL

Movements of this account are as follows:

	2021	2020
Cost:		
Balance at beginning of year	₱120,000,000	₱120,000,000
Additions	300,000,000	120,000,000
Redemption	(120,000,000)	(120,000,000)
Balance at end of year	300,000,000	120,000,000
Accumulated Unrealized Fair Value Change		
Balance at beginning of year	—	—
Fair value gain (see Note 28)	1,949,288	589,306
Redemption	(1,949,288)	(589,306)
Balance at end of year	—	—
Net carrying value	₱300,000,000	₱120,000,000

The Group's investments in financial assets at FVPL consist of UITF, which have no holding period and are callable any time.

Fair value gain on financial assets at FVPL included in "Other Income" in the consolidated financial statements amounted to ₱1.9 million in 2021, ₱0.6 million in 2020 and ₱1.0 million in 2019 (see Note 28).



12. Property and Equipment

	Building	Leasehold Improvements	Furniture, Fixtures and Equipment	Machinery and Equipment	Transportation Equipment	Cost of Shops and Maintenance Tools	Glassware and Utensils	Construction in-progress	Total
Cost									
Balance at December 31, 2019	₱249,429,619	₱1,374,047,450	₱1,464,902,747	₱209,190,945	₱40,230,884	₱3,069,202	₱15,077,312	₱120,986,226	₱3,476,934,385
Additions	3,375,257	63,869,452	61,564,185	16,591,092	2,623,805	15,893,038	3,251,773	—	167,168,602
Disposals	(263,870)	(299,263,918)	(378,630,778)	—	(17,269,699)	(1,772,295)	—	—	(697,200,560)
Reclassification	4,559,627	64,848,723	4,059,459	—	—	—	—	(73,467,809)	—
Balance at December 31, 2020	257,100,633	1,203,501,707	1,151,895,613	225,782,037	25,584,990	17,189,945	18,329,085	47,518,417	2,946,902,427
Additions	—	89,510,308	71,510,977	1,550,560	850,000	8,848,206	3,185,493	104,682,278	280,137,822
Disposals	—	(8,578,070)	(168,393)	(6,521,954)	—	—	—	—	(15,268,417)
Reclassification	7,840,386	13,877,556	—	—	—	—	—	(21,717,942)	—
Balance at December 31, 2021	264,941,019	1,298,311,501	1,223,238,197	220,810,643	26,434,990	26,038,151	21,514,578	130,482,753	3,211,771,832
Accumulated Depreciation									
Balance at December 31, 2019	30,127,293	848,126,064	865,346,357	78,724,396	29,824,699	530,051	8,963,362	—	1,861,642,222
Depreciation (see Notes 22, 23 and 25)	18,016,234	114,962,173	150,940,176	26,522,906	3,663,397	11,272,401	8,244,166	—	333,621,453
Disposals	(263,870)	(276,747,559)	(372,506,186)	—	(17,269,684)	(1,208,172)	—	—	(667,995,471)
Balance at December 31, 2020	47,879,657	686,340,678	643,780,347	105,247,302	16,218,412	10,594,280	17,207,528	—	1,527,268,204
Depreciation (see Notes 22, 23 and 25)	18,442,868	116,310,445	151,076,002	26,958,119	168,791	10,826,163	2,181,659	—	325,964,047
Disposals	—	(8,348,288)	(146,240)	(6,529,203)	—	—	—	—	(15,023,731)
Balance at December 31, 2021	66,322,525	794,302,835	794,710,109	125,676,218	16,387,203	21,420,443	19,389,187	—	1,838,208,520
Net Book Value									
Balance at December 31, 2020	₱209,220,976	₱517,161,029	₱508,115,266	₱120,534,735	₱9,366,578	₱6,595,665	₱1,121,557	₱47,518,417	₱1,419,634,223
Balance at December 31, 2021	₱198,618,494	₱504,008,666	₱428,528,088	₱95,134,425	₱10,047,787	₱4,617,708	₱2,125,391	₱130,482,753	₱1,373,563,312



There are no idle assets as at December 31, 2021 and 2020. The Group has no property and equipment that are used as collateral for existing loans payable.

Net book value of property and equipment transferred to franchisees as part of the franchising agreement amounted to ₱6.9 million in 2021 and ₱6.4 million in 2020.

13. Intangible Assets

The Group's intangible assets consist of:

	2021	2020
Goodwill	₱1,264,082,949	₱1,264,082,949
Trademarks	5,550,550,340	5,549,307,154
Software	215,612,546	233,331,243
Franchise right	4,078,374	4,787,656
	₱7,034,324,209	₱7,051,509,002

In 2016, goodwill amounting to ₱1,078.6 million was recognized in connection with its acquisition of BMI while trademarks amounting to ₱4,987.1 million related to its pizza business was recognized and treated as acquisition of assets based on relevant accounting standards since such transaction did not qualify as an acquisition of a business.

In 2019, the Group acquired the Peri-Peri business from I-Foods, Inc. including the properties, assets and rights which are related to or are used in the said business. Such transaction was accounted for as an acquisition of a business and additional goodwill and trademarks amounting to ₱185.5 million and ₱562.2 million, respectively, were recorded as at the date of acquisition.

On August 24, 2020, the Group entered into a master franchise agreement for a consideration of ₱5.0 million (\$0.1 million) with Supertea (Int) Pte. Ltd. (Supertea), whereby Supertea granted the Group the following:

- the exclusive right and license to develop and operate the Business, provide the services and sell the products, from the R&B Tea Outlets;
- the exclusive right and license, subject to the fulfillment of certain conditions, to grant franchisees for R&B Tea Outlet to third parties (Sub-Franchisees) by entering into sub-franchise agreements in the form approved and/or provided by Supertea in writing; and
- the non-exclusive right and license to use the Intellectual Property strictly in connection with the aforesaid.

The license does not include the right to sell, provide or distribute any products or services through channels other than the R&B Outlets, or selected outlets as set out in the master franchise agreement.

The master franchise agreement is effective from August 20, 2020 and continue for the initial term of seven (7) years, unless otherwise terminated or renewed.

On November 17, 2021, the Group executed a deed of assignment with DBE Project, Inc. acquiring the Project Pie Design Build Eat trademark for a consideration of ₱1.2 million.



The details of the Group's intangible assets with finite life are as follows:

	Software	Franchise Right
Cost		
Balance at December 31, 2019	₱178,159,719	₱—
Additions	85,158,730	4,964,977
Balance at December 31, 2020	263,318,449	4,964,977
Additions	—	—
Balance at December 31, 2021	263,318,449	4,964,977
Accumulated Amortization		
Balance at December 31, 2019	14,721,101	—
Amortization (see Note 25)	15,266,105	177,321
Balance at December 31, 2020	29,987,206	177,321
Amortization (see Note 25)	17,718,697	709,282
Balance at December 31, 2021	47,705,903	886,603
Net Book Value		
Balance at December 31, 2021	₱215,612,546	₱4,078,374
Balance at December 31, 2020	233,331,243	4,787,656

Acquisition of Peri-Peri Business

On April 2, 2019, SPAVI and I-Foods, Inc. (IFI) entered into a purchase agreement (the “Agreement”) for the rights, title and interest to the Peri-Peri (P2) Business, including the properties, assets, and rights which are related to or are used in the P2 Business.

P2 Business is a casual and full-service restaurant brand in the Philippines. The restaurant offers variety of food and sauces such as peri-peri chicken, pizza and pasta.

On June 1, 2019 (the acquisition date), SPAVI and WBHI, a newly-incorporated subsidiary, executed a deed of assignment, wherein SPAVI, assigned, transferred and conveyed all its rights under the Agreement, except with respect to SPAVI's rights under the Agreement pertaining to Trademarks, Know-How and Confidential Information, and Intellectual Properties (collectively, the “Intangible Assets”) of the P2 Business, to WBHI. Subsequently, WBHI and IFI executed a deed of absolute sale of assets wherein I-Foods sold, transferred and conveyed to WBHI the title, rights, material and physical possession of, and interest in, the assets related to the P2 Business for ₱212.3 million. On the same date, as part of the acquisition of the P2 business, SPAVI acquired 100% ownership of AWIL, which is the owner of the intangible assets relevant to the P2 Business for ₱562.2 million.

Total consideration for the acquisition of the P2 business amounted to ₱774.5 million.



The purchase price consideration has been allocated based on relative fair values at date of acquisition as follows:

	Carrying Values	Fair Values Recognized
Current Assets -		
Inventories	₱4,000,000	₱4,000,000
Noncurrent Assets		
Property and equipment	13,390,023	13,390,023
Trademark	562,197,552	562,197,552
Rental deposits	9,456,662	9,456,662
Total Noncurrent Assets	585,044,237	585,044,237
Identifiable Net Assets Acquired	₱589,044,237	₱589,044,237
Identifiable Net Assets Acquired		₱589,044,237
Goodwill from the acquisition		185,476,929
Purchase consideration transferred		₱774,521,166
Cash flow from an investing activity:		
Cash payment		₱774,521,166
Net cash acquired from subsidiary		—
Net cash outflow		₱774,521,166

The fair values of the identifiable assets acquired from IFI amounted to ₱26.8 million. The fair value of property and equipment amounting to ₱13.4 million was measured using the replacement cost method while the fair value of the trademark amounting to ₱562.2 million was measured using the relief from royalty method. The revenue growth and discount rates used to measure the fair value of trademark are 3.0% and 13.9%, respectively.

In 2020, the fair values of the assets acquired, and liabilities assumed were finalized, no changes from the initial recognition were recognized by the Group.

The goodwill of ₱185.5 million reflects the expected growth in the Group's restaurant business and Group management attributes the goodwill to achieving synergies and economies of scale arising from its common processes from its existing operations and contacts with suppliers and other partners to improve cost and efficiency (see Note 14). The goodwill is not deductible for tax purposes.

The revenue from contracts with customer and net loss included in the consolidated statement of comprehensive income for the year ended December 31, 2020 contributed by the acquisition of P2 Business amounted to ₱221.0 million and ₱37.4 million, respectively, while the revenue from contracts with customer and net profit contributed by the acquisition for the period ended December 31, 2019 amounted to ₱205.4 million and ₱26.4 million, respectively.

Had the acquisition taken place on January 1, 2019, the consolidated statement of comprehensive income of the Group would have included revenue from contracts with customers of ₱444.6 million and net profit of ₱32.8 million for the year ended December 31, 2019.



14. Right-of-Use Assets and Lease Liabilities

Group as a lessee

The Group has lease contracts for land and building for the use of its office spaces and stores. Lease contracts of office spaces usually have terms of 20 to 25 years while leases of stores usually have terms of 3 to 15 years.

The Group also has certain leases of stores with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of right-of-use assets follows:

	2021	2020
Cost		
Balance at beginning of year	₱1,808,953,814	₱1,637,933,084
Additions	221,482,193	261,876,559
Pre-terminations	(50,533,071)	(90,855,829)
Balance at end of year	1,979,902,936	1,808,953,814
Accumulated Amortization		
Balance at beginning of year	497,489,754	224,309,814
Amortization (see Notes 22, 23 and 25)	155,831,173	148,368,580
Lease concessions	117,008,801	138,357,193
Pre-terminations	(21,942,931)	(13,545,833)
Balance at end of year	748,386,797	497,489,754
Net Book Value	₱1,231,516,139	₱1,311,464,060

The rollforward analysis of lease liabilities follows:

	2021	2020
Balance at beginning of year	₱1,530,603,019	₱1,598,627,163
Additions	221,482,193	259,663,593
Interest expense (see Note 27)	89,082,753	105,789,642
Payments	(204,302,941)	(203,225,951)
Pre-terminations	(39,119,704)	(91,894,235)
Lease concessions	(117,008,801)	(138,357,193)
Balance at end of year	1,480,736,519	1,530,603,019
Current portion of lease liabilities	92,010,031	211,544,249
Lease liabilities - net of current portion	₱1,388,726,488	₱1,319,058,770

The Group has lease contracts for stores that contains variable payments based on the gross sales. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

	As at December 31, 2021		
	Fixed Payments	Variable Payments	Total
Fixed	₱146,034,622	₱—	₱146,034,622
Variable rent with minimum payment	67,074,019	60,932,766	128,006,785
Variable rent only	—	1,226,875	1,226,875
	₱213,108,641	₱62,159,641	₱275,268,282



As at December 31, 2020			
	Fixed Payments	Variable Payments	Total
Fixed	₱147,711,286	₱—	₱147,711,286
Variable rent with minimum payment	81,106,019	55,043,751	136,149,770
Variable rent only	—	903,476	903,476
	₱228,817,305	₱55,947,227	₱284,764,532

Shown below is the maturity analysis of the undiscounted lease payments:

	2021	2020
1 year	₱305,123,153	₱305,080,184
more than 1 years to 2 years	261,491,608	261,208,767
more than 2 years to 3 years	223,842,918	223,630,545
more than 3 years to 4 years	183,727,478	183,415,290
more than 5 years	1,282,603,145	1,293,618,928

Rent expense on short-term leases and leases of low-value assets amounted to ₱88.0 million and ₱93.1 million as of December 31, 2021 and 2020, respectively (see Notes 22 and 23).

15. Other Noncurrent Assets

	2021	2020
Advances to suppliers	₱400,000,000	₱—
Rental deposits (net of allowance for unrecoverable deposits of ₱3.2 million in 2021 and 2020)	189,287,521	173,125,540
	₱589,287,521	₱173,125,540

Advances to suppliers are the Group's initial payment for future investments such as acquisition of assets.

The Group's rental deposits are refundable at the end of the lease term which range from 3 years to 15 years. Accordingly, rental deposits are discounted based on comparable rates for similar financial instruments with rates ranging from 1.08% to 4.95% for the years ended December 31, 2021 and 2020. The excess of the principal amount of the deposit over its fair value is accounted for as right-of-use asset and amortized over the lease term on a straight-line basis while interest on the deposit is accounted for using the effective interest rate method.

The Group uses a provision matrix to calculate ECLs for rental and other deposits. No provision was recognized in 2021 and 2020 while reversal of allowance for unrecoverable deposit in 2019 amounted to ₱25,000 (see Note 23).

The accretion income from rental deposits amounted to ₱3.0 million in 2021, ₱4.2 million in 2020 and ₱4.0 million in 2019 (see Note 28).



16. Accounts Payable and Other Current Liabilities

	2021	2020
Trade:		
Suppliers	₱483,151,890	₱372,469,808
Related parties (see Note 17)	61,264,356	56,154,616
Nontrade	106,073,835	50,961,628
Accrued expenses:		
Suppliers	127,941,624	104,160,624
Utilities	29,544,774	42,924,172
Salaries and wages	24,646,206	48,596,636
Customers loyalty	20,994,474	15,112,737
Interest	7,656,566	5,225,000
Others	5,569,866	2,919,385
Others	101,791,388	102,647,267
	₱968,634,979	₱801,171,873

Below are the terms and conditions of the financial liabilities:

- Trade payables are non-interest bearing and are normally settled in 30 to 90 days' term.
- Nontrade payables consist mainly of reimbursable expenses to officers and employees, payable to contractors and employment agencies which are normally settled in 30 to 90 days' term.
- Accrued expenses, which consist mainly of accrual of rent expense of stores, utilities, employee benefits and incentives, freight, commissions and storage costs are normally settled in 30 to 90 days' term.
- Customers loyalty pertain to accumulated points which are generally applied to customer purchases within the next financial year. Revenue is recognized upon actual usage or expiration whichever comes first.
- Other payables are normally settled in 15 to 45 days' term.
- For terms and conditions of related party payables, refer to Note 17.

Other payables consist of the following:

	2021	2020
Provision (see Note 33)	₱35,679,548	₱37,033,000
Output VAT	30,589,527	27,841,838
Customers' deposits	10,492,490	11,719,001
Withholding tax payable	9,386,172	10,580,738
Fun certificates payable	6,452,560	2,631,055
Due to cooperative	3,146,619	8,305,794
Others	6,044,472	4,535,841
	₱101,791,388	₱102,647,267



17. Related Party 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 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.

Approval requirements and limits on the amount and extent of related party transactions

Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited consolidated financial statements.

All individual MRPT shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2021, 2020 and 2019, the Group has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Group, in the normal course of business, has significant transactions with the following companies which have common members of BOD and stockholders as the Group:

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance		Terms	Conditions
				Receivable (see Note 8)	Payable (see Note 16)		
Century Pacific Group Inc. (CPGI, Ultimate Parent Company)							
Sales	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2021 2020	₱7,685,937 3,219,631	₱2,389,536 3,082,080	₱— —	30-day; non-interest bearing	Unsecured; not impaired
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	2021 2020	— —	— —	— —	30-day; non-interest bearing	Unsecured

(Forward)



Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance		Terms	Conditions
				Receivable (see Note 8)	Payable (see Note 16)		
Companies with common members of BOD and stockholders as the Group							
The Pacific Meat Company Inc. (PMCI)							
Sales	Sale of goods at prices (normally on cost-plus basis) mutually agreed upon by both parties	2021 2020	₱17,510,534 27,510,242	₱14,349,478 14,801,958	₱– –	30-day; non-interest bearing	Unsecured; not impaired
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	2021 2020	130,969,714 45,847,763	– –	51,919,361 49,190,062	30-day; non-interest bearing	Unsecured
DBE Project Inc. (DBE)							
Trade sales and service income	Sale of goods at prices (normally on cost-plus basis) mutually agreed upon by both parties	2021 2020	99,814 534,441	2,778,786 2,700,958	– –	30-day; non-interest bearing	Unsecured; not impaired
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	2021 2020	1,392,369 –	– –	293,488 333,045	30-day; non-interest bearing	Unsecured
Snow Mountain Dairy Corporation (SMDC)							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	2021 2020	– 1,142,575	– –	– 367,200	30-day; non-interest bearing	Unsecured
Century Pacific Food Inc. (CPFI)							
Sales	Sale of goods at prices (normally on cost-plus basis) mutually agreed upon by both parties	2021 2020	22,184,403 10,870,848	6,410,531 12,104,612	– –	30-day; non-interest bearing	Unsecured; not impaired
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	2021 2020	19,680,597 10,188,271	– –	9,051,507 6,264,309	30-day; non-interest bearing	Unsecured
			2021	₱25,928,331	₱61,264,356		
			2020	32,689,608	56,154,616		



Compensation of Key Management Personnel

The salaries and pension costs of key management personnel in 2021 and 2020 are as follows:

	2021	2020
Salaries	₱304,387,069	₱314,154,418
Pension costs	50,828,697	42,533,969
	₱355,215,766	₱356,688,387

There are no other short-term and long-term benefits given to the key management personnel.

18. Short-term Loans Payable

	2021	2020
Balance at beginning of year	₱1,050,000,000	₱550,000,000
Additions	—	1,500,000,000
Payments	(1,050,000,000)	(1,000,000,000)
Balance at end of year	₱—	₱1,050,000,000

The Group acquired several short-term loans amounting to ₱1,500.0 million in 2020 with interest rates ranging from 3.50% to 5.50% per annum.

Interest expense pertaining to short-term loans amounting to ₱30.9 million, ₱39.5 million and ₱21.7 million was recognized for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 27).

19. Long-term Loans Payable

Long-term facility loan

On June 8, 2016, the Group entered into an Omnibus Loan and Security Agreement (OLSA) with BDO Unibank, Inc. (the Lender) and SAFHI. The lender provided a term loan facility in the principal amount of ₱5,000.0 million.

The breakdown of the loan is as follows:

	2021	2020
Principal	₱3,750,000,000	₱3,800,000,000
Less unamortized debt issue costs	9,442,046	11,402,631
	3,740,557,954	3,788,597,369
Less current portion of loan payable	47,986,963	48,099,942
Noncurrent portion	₱3,692,570,991	₱3,740,497,427

The loan is payable within 10 years to commence on the 12th month following the availment date. Payments shall be made in 18 consecutive semi-annual installments of ₱25.0 million and a final payment of ₱4,550.0 million.



The loan's interest is to be fixed at the higher of 5-year PDST-R2 plus a spread of 0.75% or 4.5% floor rate for the first 5 years, to be repriced at the last 5 years. Management has assessed that the interest rate floor on the loan is an embedded derivative which is not for bifurcation since the market rate approximates the floor rate at the transaction date.

The loan facility also contains a prepayment provision which allows the Group to make optional prepayment in the amount calculated by the lender comprising (i) the outstanding principal amount of the Loan to be prepaid, and (ii) any accrued interest on the principal amount of the Loan being prepaid computed as of the date of prepayment. The prepayment option was assessed as closely related to the loan and thus, was not bifurcated.

On December 22, 2016, the Group notified BDO of its intention to prepay the loan amounting to ₱1,000.0 million. The exercise of the prepayment option resulted in the revision of estimated future payments and change in the carrying amount of the financial liability. On January 3, 2017, the Group prepaid portion of the loan amounting to ₱1,000.0 million and the corresponding break funding fee and prepayment penalty amounting to ₱21.4 million.

As long as any portion of the loan is outstanding and until payment in full of all amounts payable by the Group under the loan documents are made, the Group is required to comply with certain affirmative covenants, unless the Lender shall otherwise give its consent in writing:

- a. Ensure that at all times its obligations will constitute its secured, direct, unconditional and unsubordinated obligations, and any of its residual obligation not satisfied out of the proceeds of the Collateral shall rank and will rank at all times at least paripassu in priority of payment and in all other respects with all its unsecured obligations, save for such obligations in respect of which a statutory preference is established solely by operation of law.
- b. The net proceeds from the loan shall be used for the purpose of refinancing the bridge loan.
- c. Financial covenant during the term of the Term Loan:
 - i. its Debt Service Coverage Ratio is at least 1.2x. Debt Service Coverage Ratio is as of the date of determination, the ratio of EBITDA less regular dividends and advances to shareholders over Debt Service. For purposes hereof, "EBITDA" means operating profit before interest, taxes, depreciation and amortization, each item determined in accordance with PFRSs, and the term "Debt Service" means the aggregate amount of the succeeding year's principal amortization for the Loan, interest, fees and other financial charges made or due in respect thereof payable by the Borrower, provided that one (1) year prior to the maturity of the Loan, "Debt Service Coverage Ratio" shall mean the ratio of sum of the beginning cash balance and EBITDA less regular dividends and advances to shareholders over Debt Service;
 - ii. its Debt to Equity Ratio does not exceed 5.0x within the first two years from the Borrowing under the Term Loan and 4.0x thereafter.

The foregoing financial covenant shall be tested every six months based on annual audited or unaudited semi-annual consolidated financial statements. On January 27, 2017, the OLSA was amended to include June 30, 2017 as the commencement date for the testing for the financial covenant ratios.



- d. Within the period required, open and establish the Debt Service Reserve Account (DSRA); and ensure that the funds deposited in the DSRA is at all times maintained in accordance with the agreement. As at December 31, 2021 and 2020, the balances of DSRA has been applied to the loan balance.
- e. Prior to the assignment or transfer of any trade names, copyrights, trademarks, patents and other intellectual property rights or licenses currently held by the Group or any wholly-owned subsidiary of the Group, the Group shall pledge in favor of the Lender, under the terms and conditions of the Pledge under the Omnibus loan and security Agreement, all the outstanding shares of the Group in such wholly-owned subsidiary.

As at December 31, 2021 and 2020, the Group is in compliance with the aforementioned affirmative covenants.

Interest expense amounting to ₱166.4 million, ₱181.6 million and ₱178.9 million were recognized for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 27).

20. Equity

Capital Stock

Authorized capital stock

The authorized capital stock of the Parent Company is 2,000,000,000 shares at ₱1 par value in 2021 and 2020.

Issued and outstanding

	2021		2020	
	No. of shares	Amount	No. of shares	Amount
Beginning of year	1,531,521,053	₱1,531,321,053	1,531,321,053	₱1,531,321,053
Additions	152,439,125	152,439,125	—	—
End of year	1,683,760,178	₱1,683,760,178	1,531,321,053	₱1,531,321,053

Below is the Parent Company's track record of the registration of securities:

Date of SEC Order Rendered Effective or Permit to Sell	Event	Authorized Capital Stock	Issued Shares	Issue Price
	Registered and Listed Shares (Original Shares)	2,000,000,000	1,179,321,053	₱1.00
December 1, 2016	Initial Public Offering (IPO)			
	Primary	2,000,000,000	104,000,000	11.26
	Secondary	2,000,000,000	202,000,000	11.26
	Over-allotment Option	2,000,000,000	46,000,000	11.26
August 6, 2021	Issuance	2,000,000,000	152,439,025	7.93
August 9, 2021	Issuance	2,000,000,000	100	8.20

The issued and outstanding shares as at December 31, 2021 and 2020 are held by 43 and 38 equity holders, respectively.



Retained Earnings

Details of cash dividends declared in 2021, 2020 and 2019 are as follows:

Date of Declaration	Dividend		Record Date
	Rate (per share)	Amount	
June 20, 2019	₱0.10	₱153,132,105	July 19, 2019
July 15, 2020	0.01	15,313,210	August 14, 2020
July 15, 2021	0.02	33,675,208	August 17, 2021

There are no outstanding dividends payable as at December 31, 2021 and 2020. Cash declared and paid amounted to ₱33.7 million in 2021 and ₱15.3 million in 2020.

Undistributed earnings of the subsidiaries included in the Group's retained earnings amounting to ₱231.2 million and ₱191.2 million as at December 31, 2021 and 2020, respectively, are not currently available for dividend distribution.

APIC

Amount received in excess of the par values of the shares issued amounting to ₱2,451.1 million and ₱1,353.6 million were recognized as "APIC" as at December 31, 2021 and 2020, respectively.

21. Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers for the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Revenue source:			
Restaurant sales	₱3,856,896,913	₱3,829,454,422	₱6,017,118,710
Sale of goods	1,356,366,336	1,219,937,901	1,843,208,026
Royalty and franchise fees (see Note 32)	267,164,339	247,379,223	378,767,051
	₱5,480,427,588	₱5,296,771,546	₱8,239,093,787
Timing of recognition:			
Goods transferred at a point in time	₱5,457,508,873	₱5,265,608,468	₱8,215,705,312
Services rendered over time	22,918,715	31,163,078	23,388,475
	₱5,480,427,588	₱5,296,771,546	₱8,239,093,787

Contract liabilities

Below are the details of contract liabilities as at December 31, 2021 and 2020:

	2021	2020
Initial franchise fee	₱82,197,813	₱89,620,579
Less current portion	18,965,155	16,020,186
Noncurrent portion	₱63,232,658	₱73,600,393



Movements of contract liabilities arising from initial franchise fees as at and for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Balance as at January 1	₱89,620,579	₱109,169,959
Amortization of initial franchise fees	(22,918,715)	(31,163,078)
Initial franchise fees received	11,746,128	7,732,650
Accretion of interest expense (see Note 27)	3,749,821	3,881,048
Balance as at December 31	₱82,197,813	₱89,620,579

As at December 31, 2021, the amounts of initial franchise fees allocated to remaining performance obligations, its accretion of interest expense in the succeeding years, and contract liabilities arising from initial franchise fees are as follows:

	Unamortized initial franchise fees	Accretion of interest expense	Contract liabilities from initial franchise fees
Within one year	₱18,965,155	₱3,151,133	₱22,116,288
More than one year	63,232,658	17,512,243	80,744,901
	₱82,197,813	₱20,663,376	₱102,861,189

22. Cost of Sales

	2021	2020	2019
Inventory costs (see Note 9)	₱2,231,590,400	₱2,204,553,069	₱3,125,251,410
Salaries, wages and benefits	564,090,965	827,031,643	996,785,139
Depreciation and amortization (see Note 25)	464,894,144	453,025,380	532,953,110
Utilities	285,447,117	265,342,629	354,394,827
Delivery call fees	145,684,145	106,666,672	73,363,564
Outside services	113,920,696	109,040,201	178,475,243
Rent (see Note 14)	87,675,542	92,206,787	167,962,914
Supplies	86,613,779	86,344,075	109,040,126
Gas expenses	75,972,071	67,597,940	101,568,984
Repairs and maintenance	60,903,968	54,643,476	72,649,124
Dues and subscription	22,343,628	20,060,633	1,570,357
Pension costs (see Note 26)	20,500,279	16,806,284	17,009,639
Card charges	15,829,245	17,982,948	34,153,443
Commissary costs	1,733,483	721,408	4,168,985
Seminar and training	942,877	634,622	2,254,367
Others	28,568,824	41,499,542	55,416,936
	₱4,206,711,163	₱4,364,157,309	₱5,827,018,168



23. General and Administrative Expenses

	2021	2020	2019
Salaries, wages and benefits	₱241,493,636	₱330,577,851	₱281,595,118
Advertising and promotions	176,819,913	150,360,713	242,500,544
Taxes and licenses	105,122,992	149,853,823	131,126,005
Outside services	95,298,364	130,858,533	184,519,580
Depreciation and amortization (see Note 25)	34,981,502	44,408,079	21,060,486
Transportation and travel	34,930,982	32,783,940	43,859,084
Pension costs (see Note 26)	32,379,082	25,343,893	24,717,252
Supplies	31,301,760	33,783,403	47,315,803
Utilities	13,619,760	13,487,441	15,297,106
Gas expenses	7,669,083	5,304,639	8,536,964
Insurance	4,852,364	7,756,866	4,422,552
Directors' fees	1,249,123	1,371,930	1,238,596
Rent (see Note 14)	367,260	881,081	875,546
Provision for ECL (see Note 8)	—	—	190,000
Others	57,259,575	45,940,408	44,347,439
	₱837,345,396	₱972,712,600	₱1,051,602,075

24. Personnel Expenses

	2021	2020	2019
Salaries, wages, bonuses and allowances:			
Cost of sales (see Note 22)	₱526,987,995	₱771,835,204	₱950,873,708
General and administrative expense (see Note 23)	227,555,296	317,237,561	267,334,556
SSS, Pag-ibig, Medicare and other contributions:			
Cost of sales (see Note 22)	37,102,970	55,196,439	45,911,431
General and administrative expense (see Note 23)	13,938,340	13,340,290	14,260,562
Pension costs:			
Cost of sales (see Notes 22 and 26)	20,500,279	16,806,284	17,009,639
General and administrative expense (see Notes 23 and 26)	32,379,082	25,343,893	24,717,252
	₱858,463,962	₱1,199,759,671	₱1,320,107,148



25. Depreciation and Amortization

	2021	2020	2019
Property and equipment:			
Cost of sales (see Note 22)	₱309,207,492	₱304,794,400	₱309,012,506
General and administrative expense (see Note 23)	16,409,002	28,827,053	6,201,784
Right-of-use assets:			
Cost of sales (see Note 22)	155,686,652	148,230,980	223,940,604
General and administrative expense (see Note 23)	144,521	137,600	137,600
Software -			
General and administrative expense (see Note 23)	17,718,697	15,266,105	14,721,102
Franchise right -			
General and administrative expense (see Note 23)	709,282	177,321	—
	₱499,875,646	₱497,433,459	₱554,013,596

26. Pension Costs

The Group has a funded, noncontributory defined benefit pension plan covering substantially all of its qualified employees. The benefits are based on years of service and percentage of compensation during the last year of employment.

The Group amended its retirement plan beginning January 1, 2019. Based on the amended plan, employees who completed at least five (5) years of service qualify in the early retirement plan of the Group. Current service cost and interest cost were computed using the financial assumptions at the beginning of the year reflecting the benefits offered under the plan amendment. Any changes in that effect, excluding amount in net interest, are recognized in OCI. Past service cost recognized as a result of the plan amendment amounted to ₱19.0 million for the year ended December 31, 2019.

The following tables summarize the components of net pension costs in the consolidated statements of comprehensive income in 2021, 2020 and 2019 and accrued pension costs in the consolidated statements of financial position as at December 31, 2021 and 2020. The latest actuarial valuation is as at December 31, 2021.

	2021	2020	2019
Pension costs:			
Current service cost	₱47,905,273	₱48,373,849	₱22,352,218
Net interest cost	5,704,427	3,954,215	392,379
Past service cost due to plan amendment	—	(10,177,887)	18,982,294
	₱53,609,700	₱42,150,177	₱41,726,891

	2021	2020
Accrued pension costs:		
Present value of benefit obligation (PVBO)	₱262,655,508	₱297,527,903
Fair value of plan assets (FVPA)	(166,394,561)	(166,289,571)
	₱96,260,947	₱131,238,332



Movements in the PVBO are as follows:

	2021	2020
Balance at beginning of year	₱297,527,903	₱296,264,606
Current service cost	47,905,273	48,373,849
Interest cost	11,270,636	14,954,775
Past service cost due to employee reduction	–	(10,177,887)
Net actuarial loss (gain)	(82,084,789)	23,528,245
Benefits paid:		
From plan assets	(11,963,515)	(75,367,988)
By Group	–	(47,697)
Balance at end of year	₱262,655,508	₱297,527,903

Movements in the FVPA are as follows:

	2021	2020
Balance at beginning of year	₱166,289,571	₱217,954,307
Interest income	6,296,548	11,000,560
Contributions	12,000,000	11,048,423
Net actuarial gain (loss)	(5,588,630)	1,701,966
Remeasurement – plan asset	(639,413)	–
Benefits paid		
From plan assets	(11,963,515)	(75,367,988)
By Group	–	(47,697)
Balance at end of year	₱166,394,561	₱166,289,571

Movements in the accrued pension costs (pension asset) are as follows:

	2021	2020
Balance at beginning of year	₱131,238,332	₱78,310,299
Pension costs	52,879,361	42,150,177
Contributions	(12,000,000)	(11,048,423)
Actuarial loss (gain)	(75,856,746)	21,826,279
Balance at end of year	₱96,260,947	₱131,238,332

Amount recognized in OCI are as follows:

	2021	2020	2019
Actuarial gain (loss) - PVBO	₱82,084,789	(₱23,528,245)	(₱99,778,262)
Actuarial gain (loss) - FVPA	(6,228,043)	1,701,966	4,966,937
Deferred income tax	(18,738,959)	6,586,418	28,443,398
	₱57,117,787	(₱15,239,861)	(₱66,367,927)



The details of the market value of the Group's plan assets are shown below:

	2021	2020
Investments:		
Government securities	₱130,391,924	₱160,081,650
Stocks	18,587,019	4,925,458
Deposit in banks	6,379	5,747
Other securities	16,490,822	—
Total investments	165,476,144	165,012,855
Other assets:		
Interest receivable	1,164,826	1,373,213
Due from broker	—	14,854
Total other assets	1,164,826	1,388,067
Total assets	166,640,970	166,400,922
Less due to broker	246,409	111,351
Net asset value	₱166,394,561	₱166,289,571

The plan assets were invested in fixed income securities and equity investments. All equity and debt instruments held have quoted prices in active market. Investment activities entered by the plan asset/liability matching strategy during the year consist of, but is not limited to, buying and selling of securities. All investments are considered as high grade based on its performance in the market.

The management performs an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans.

The principal assumptions used to determine pension benefit obligations are as follows:

	2021	2020
Discount rates at beginning of year	4.99%	3.79%
Rate of compensation increase	5.00%	5.00%
Average future working years of service	25	25

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation assuming if all other assumptions were held constant:

	2021		2020	
	Increase (decrease)	Amount	Increase (decrease)	Amount
Discount rates	0.50% (0.50%)	(₱15,619,039) 20,451,805	0.50% (0.50%)	(₱25,973,025) 33,177,578
Salary increase rate	1.00% (1.00%)	44,227,023 (29,383,618)	1.00% (1.00%)	69,788,584 (46,173,092)



Shown below is the maturity profile of the undiscounted benefit payments as of December 31, 2021 and 2020:

	2021	2020
1 year and less	₱17,439,824	₱16,701,800
more than 1 years to 5 years	1,852,532	1,945,093
more than 5 years to 10 years	90,216,303	43,146,722
more than 10 years to 15 years	113,643,272	153,626,702
more than 15 years to 20 years	341,569,190	211,715,318
more than 20 years	6,117,941,026	5,835,255,872

The Group expects to contribute ₱42.2 million to the Fund in 2022.

The plan contributions are based on the actuarial present value of accumulated plan benefits and fair value of plan assets are determined using an independent actuarial valuation. The net defined benefit cost and the contributions to the plan are specifically identifiable, such that, the Group's PVBO pertains only to the benefit of the Group's employees and the FVPA, pertains only to the contributions made by the Group. The Group shall contribute to the Fund such amounts as shall be required, under actuarial principles, to provide the benefits and the expenses incident to the operation and administration of the Fund.

27. Interest Expense

	2021	2020	2019
Long-term loan payables (see Note 19)	₱166,437,238	₱181,577,312	₱178,929,113
Lease liabilities (see Note 14)	89,082,753	105,789,642	102,342,903
Short-term loan payables (see Note 18)	30,896,730	39,481,097	21,730,833
Contract liabilities (see Note 21)	3,749,821	3,881,048	6,225,946
Debt issue cost	2,013,037	1,879,066	1,783,237
Others	—	695,408	460,771
	₱292,179,579	₱333,303,573	₱311,472,803

28. Other Income – Net

	2021	2020	2019
Gain (loss) on:			
Reversal of long outstanding liabilities	₱24,682,991	₱—	₱—
Recovery of receivables	23,210,194	—	—
Pre-termination of leases (see Note 14)	10,529,566	14,584,239	—
Disposal of inventories	(12,250,140)	5,498,534	—
Disposal of property and equipment	(121,143)	(18,749,687)	(1,883,436)
Other income from franchisees	23,310,805	19,412,500	10,943,399
Service fee and expired loyalty fund points	6,045,697	7,323,836	44,508,088

(Forward)



	2021	2020	2019
Accretion income from dealers' deposits (see Note 15)	₱3,023,323	₱4,243,006	₱3,990,747
Fair value gain on financial assets at FVPL (see Note 11)	1,949,288	589,306	1,016,240
Net reversal (provisions for) legal and other contingencies (see Note 33)	1,353,452	(34,779,970)	—
Interest income (see Note 7)	1,276,273	2,886,826	2,345,458
Unrealized foreign exchange gain (loss)	247,925	(332,437)	1,963,181
Reversal of allowance for ECL (see Note 8)	—	100,000	443,910
Others – net	3,229,889	4,114,608	(4,020,654)
	₱86,488,120	₱4,890,761	₱59,306,933

Other income from franchisees pertains mostly to cash overages, fees charged by the Group to its franchisees for the new module of the point-of-sale machines, rental income and incentives given by a supplier for high volume purchases.

29. Income Taxes

The details of the Group's net deferred tax assets are as follows:

	2021	2020
Deferred tax assets:		
NOLCO	₱89,424,217	₱170,841,604
Lease liabilities	64,278,496	69,974,877
Difference in depreciation due to adoption of lease standard	36,447,503	45,530,167
Accrued pension costs	24,245,537	39,513,066
MCIT	20,545,761	12,149,016
Contract liabilities	5,391,146	5,577,558
Unamortized past service cost	3,172,954	4,579,107
Loyalty points	2,470,314	2,511,484
Accrued bonus and other expense	3,194,577	2,165,042
Allowance for:		
Expected credit losses	1,228,669	1,474,402
Inventory obsolescence	1,064,150	1,276,980
Unrecoverable deposits	824,323	989,188
Unrealized profit	1,159,804	418,034
Interest from contingencies	—	32,174
Unrealized foreign exchange loss	—	8,429
	253,447,451	357,041,128
Deferred tax liabilities:		
Debt issuance cost	2,360,512	3,420,789
Excess of fair value over cost of net identifiable assets acquired in business combination	2,515,511	3,364,991
Pension asset	553,156	82,820
Unrealized foreign exchange gain	61,980	—
	5,491,159	6,868,600
	₱247,956,292	₱350,172,528



The deferred tax assets were measured using the appropriate corporate income tax rate on the year these are expected to be reversed. The Group computes for deferred tax using the 25% tax rate except for its subsidiaries, namely BMI, SPCI and SSI, which compute for deferred tax using the OSD effective tax rate of 15%.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(b) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2020, the Group has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	Applied in Previous Year/s	Expired	Applied in Current Year	Unapplied
2020	2021-2025	₱569,472,013	₱—	₱—	₱ 203,932,152	₱365,539,861

The MCIT that can be applied against future RCIT is as follows:

Year Incurred	Availment Period	Amount	MCIT			
			Applied in Previous Year/s	Expired	Applied in Current Year	Unapplied
2020	2021-2023	₱12,149,016	₱—	₱—	₱—	₱12,149,016
2021	2022-2024	8,396,745	—	—	—	8,396,745
		₱20,545,761	₱—	₱—	₱—	₱20,545,761

The provision for current income tax represents RCIT and final withholding taxes on royalty and franchise fees which are as follows:

	2021	2020	2019
RCIT	₱16,918,486	₱61,554,768	₱266,784,766
MCIT	11,252,265	11,958,316	—
Final withholding taxes	298,948	178,581	552,742
	₱28,469,699	₱73,691,665	₱267,337,508

The reconciliation between the provision for income tax computed at statutory income tax rate and the provision for (benefit from) income tax as shown in the consolidated statements of comprehensive income is as follows:

	2021	2020	2019
Provision for (benefit from) income tax computed at statutory income tax rate of 25% in 2021 and 30% in 2020 and 2019	₱57,669,893	(₱110,553,353)	₱332,492,302
Tax effects of:			
Nondeductible expenses	17,963,800	32,816,355	22,563,076
Reversal of provision for claims and contingencies	(9,258,250)	—	—
Application of OSD	(8,131,888)	(39,329,484)	(105,463,707)
Nontaxable:			

(Forward)



	2021	2020	2019
Amortization of franchise fees	(P3,302,588)	(P5,974,147)	(P4,315,413)
Interest accretion	(626,458)	(1,272,902)	(1,196,341)
Income subject to final tax:			
Interest income	(405,026)	(865,555)	(703,638)
Fair value gain on financial assets at FVPL	(461,346)	(176,792)	(304,872)
Provisions for legal and other contingencies	—	10,433,991	—
Change in tax rate	54,251,275	—	—
Provision for (benefit from) income tax	P107,699,412	(P114,921,887)	P243,071,407

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, President Rodrigo Duterte signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

30. Financial Risks Management Objectives and Policies

The Group's principal financial instruments comprise cash, trade and other receivables and short-term and long-term loans payable. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as rental deposit, accounts payable and other current liabilities, and dealers' deposits arising directly from operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

Credit Risk. Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by trading only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition,



receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The table below shows the maximum exposure to credit risk for the Group's financial assets, without taking account of any collateral and other credit enhancements:

	2021	2020
Cash*	₱332,302,506	₱553,624,434
Financial assets at FVPL	300,000,000	120,000,000
Trade and other receivables:		
Trade receivables	459,828,170	285,437,396
Receivable from NAF	35,583,471	140,304,750
Royalty receivable	85,992,882	37,339,494
Receivable from franchisees	52,442,190	24,372,171
Receivable from employees	17,609,315	12,012,283
Other receivables	72,527,339	51,226,724
Rental and other deposits	189,287,521	173,125,540
Total credit risk exposure	₱1,545,573,394	₱1,397,442,792

*Excluding cash on hand.

An aging analysis of financial assets per class are as follows:

	2021					
	Neither Past Due	Past Due but not Impaired			Expected Credit Loss	Total
		nor Impaired	1-180 Days	Over 181 days		
Cash*		₱332,302,506	₱-	₱-	₱-	₱332,302,506
Financial assets at FVPL		300,000,000	-	-	-	300,000,000
Trade and other receivables:						
Trade receivables		348,263,898	97,449,797	14,114,475	4,392,526	464,220,696
Receivable from NAF		35,583,471	-	-	-	35,583,471
Royalty receivable		85,992,882	-	-	-	85,992,882
Receivable from franchisees		52,442,190	-	-	-	52,442,190
Receivable from employees		8,587,856	9,021,459	-	1,245,567	18,854,882
Other receivables		70,843,566	1,570,073	113,700	480,914	73,008,253
Rental and other deposits		-	-	189,287,521	3,297,293	192,584,814
		₱1,234,016,369	₱108,041,329	₱203,515,696	₱9,416,300	₱1,554,989,694

*Excluding cash on hand.

	2020					
	Neither Past Due	Past Due but not Impaired			Expected Credit Loss	Total
		nor Impaired	1-180 Days	Over 181 Days		
Cash*		₱553,624,434	₱-	₱-	₱-	₱553,624,434
Financial assets at FVPL		120,000,000	-	-	-	120,000,000
Trade and other receivables:						
Trade receivables		247,924,019	27,584,267	10,029,110	4,392,526	289,929,922
Receivable from NAF		140,304,750	-	-	-	140,304,750
Royalty receivable		37,339,494	-	-	-	37,339,494
Receivable from franchisees		24,372,171	-	-	-	24,372,171
Receivable from employees		1,670,906	10,167,026	174,351	1,245,567	13,257,850
Other receivables		32,609,056	14,706,654	3,911,014	480,914	51,707,638
Rental and other deposits		-	-	173,125,540	3,297,293	176,422,833
		₱1,157,844,830	₱52,457,947	₱187,240,015	₱9,416,300	₱1,406,959,092

Excluding cash on hand.

A financial asset is considered past due when a counterparty has failed to make a payment when contractually due. "Past due but not impaired" financial assets are items with history of frequent default. Nevertheless, the amounts due are still collectible. Lastly, "Impaired" items are those that are long outstanding and have been specifically identified as impaired.



The table below shows the credit quality of the Group's neither past due nor impaired financial assets based on their historical experience with the corresponding debtors:

	2021			Total
	High grade	Medium grade	Standard grade	
Cash*	₱332,302,506	₱-	₱-	₱332,302,506
Financial assets at FVPL	300,000,000	-	-	300,000,000
Trade and other receivables:				
Trade receivables	433,899,839	25,928,331	-	459,828,170
Royalty receivable	85,992,882	-	-	85,992,882
Receivable from NAF	-	-	35,583,471	35,583,471
Receivable from franchisee	-	-	52,442,190	52,442,190
Receivable from employees	-	-	17,609,315	17,609,315
Other receivables	72,527,339	-	-	72,527,339
Rental and other deposits	-	-	189,287,521	189,287,521
	₱1,224,722,566	₱25,928,331	₱294,922,497	₱1,545,573,394

*Excluding cash on hand.

	2020			Total
	High grade	Medium grade	Standard grade	
Cash*	₱553,624,434	₱-	₱-	₱553,624,434
Financial assets at FVPL	120,000,000	-	-	120,000,000
Trade and other receivables:				
Trade receivables	229,943,566	5,497,969	12,482,484	247,924,019
Royalty receivable	37,339,494	-	-	37,339,494
Receivable from NAF	-	-	140,304,750	140,304,750
Receivable from franchisee	-	-	24,372,171	24,372,171
Receivable from employees	-	-	1,670,906	1,670,906
Advances	-	-	10,311,752	10,311,752
Other receivables	23,706,790	8,902,266	-	32,609,056
Rental and other deposits	-	-	173,125,540	173,125,540
	₱964,614,284	₱14,400,235	₱362,267,603	₱1,341,282,122

*Excluding cash on hand.

Financial assets classified as “high grade” are those cash transacted with reputable local banks and financial assets with no history of default on the agreed contract terms while “medium grade” includes those financial assets being collected on due dates with an effort of collection. Financial instruments classified as “standard grade” are those financial assets with little history of default on the agreed terms of the contract.

Liquidity Risk. Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet or settle its obligations at a reasonable price.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of advances to related parties. The Group maintains sufficient cash to finance its operations.

The Group manages its liquidity risk by maintaining strength and quality on financial position where debt-to-equity ratio is at a manageable level. The Group also maintains a financial strategy that the scheduled debts are within the Group's ability to generate cash from its business operations.



The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. The table also analyses the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments and liquidity.

	2021					Total
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	
Cash	P332,302,506	P–	P–	P–	P–	P332,302,506
Financial assets at FVPL	300,000,000	–	–	–	–	300,000,000
Trade and other receivables						
Trade	348,263,898	97,449,797	14,114,475	–	4,392,526	464,220,696
Royalty receivables	85,992,882	–	–	–	–	85,992,882
Receivable from NAF	35,583,471	–	–	–	–	35,583,471
Receivable from franchisees	52,442,190	–	–	–	–	52,442,190
Receivables from employees	8,587,856	9,021,459	–	–	1,245,567	18,854,882
Other receivables	70,843,566	1,570,073	–	113,700	480,914	73,008,253
Rental and other deposits	189,287,521	–	–	–	192,584,814	381,872,335
	1,423,303,890	108,041,329	14,114,475	113,700	198,703,821	1,744,277,215
Accounts payable and other current liabilities:						
Trade payables	–	544,416,246	–	–	–	544,416,246
Nontrade payables	–	106,073,835	–	–	–	106,073,835
Accrued expenses	–	195,359,036	–	–	–	195,359,036
Other payables*	–	101,791,388	–	–	–	101,791,388
Dealers' deposit and other noncurrent payables	–	–	–	–	92,389,568	92,389,568
Long-term loans payable**	–	–	24,002,940	24,046,183	3,692,570,991	3,740,620,114
	–	947,640,505	24,002,940	24,046,183	3,784,960,559	4,780,650,187
Liquidity gap	P1,423,303,890	(P839,599,176)	(P9,888,465)	(P23,932,483)	(P3,586,256,738)	(P3,036,372,972)

*Excluding statutory payables.

**Including future interest payments.

	2020					Total
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	
Cash	P553,624,434	P–	P–	P–	P–	P553,624,434
Financial assets at FVPL	120,000,000	–	–	–	–	120,000,000
Trade and other receivables						
Trade	247,924,019	27,584,267	–	10,029,110	4,392,526	289,929,922
Royalty receivables	37,339,494	–	–	–	–	37,339,494
Receivable from NAF	140,304,750	–	–	–	–	140,304,750
Receivable from franchisees	24,372,171	–	–	–	–	24,372,171
Receivables from employees	1,570,906	5,693,535	4,473,491	174,351	1,245,567	13,157,850
Advances	10,311,752	–	–	–	–	10,311,752
Other receivables	32,609,056	14,706,654	–	3,911,014	480,914	51,707,638
Rental and other deposits	–	–	–	–	176,422,833	176,422,833
	1,168,056,582	47,984,456	4,473,491	14,114,475	182,541,840	1,417,170,844
Accounts payable and other current liabilities:						
Trade payables	–	427,298,167	1,326,257	–	–	428,624,424
Nontrade payables	–	45,682,280	–	5,279,348	–	50,961,628
Accrued expenses	–	200,906,432	–	–	–	200,906,432
Other payables*	–	75,093,759	–	–	–	75,093,759
Dealers' deposit and other noncurrent payables	–	–	–	–	41,240,550	41,240,550
Short-term loans payable**	–	100,875,000	707,145,833	255,833,333	–	1,063,854,166
Long-term loans payable**	–	63,479,894	88,438,131	151,774,175	4,843,937,698	5,147,629,898
	–	913,335,532	796,910,221	412,886,856	4,885,178,248	7,008,310,857
Liquidity gap	P1,168,056,582	(P865,351,076)	(P792,436,730)	(P398,772,381)	(P4,702,636,408)	(P5,591,140,013)

*Excluding statutory payables.

**Including future interest payments.

Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, so that it can to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group adjusts the dividend payment to stockholders, return capital to stockholders or issue new shares.



The Group's debt-to-equity ratio is as follows:

	2021	2020
Total liabilities	₱6,453,925,406	₱7,435,628,190
Total equity	6,180,787,522	4,784,363,987
	1.04:1	1.55:1

31. Fair Value Information

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale.

Financial Instruments Whose Carrying Amounts Approximate Fair Value. Management has determined that the carrying amounts of cash, financial assets at FVPL, trade and other receivables and accounts payable and other current liabilities, based on their notional amounts, reasonably approximates their fair values because these are mostly short-term in nature or are repriced frequently.

Other Financial Instruments. Set out below is a comparison by category of carrying amounts and estimated fair values of the Group's financial instruments other than those described above:

As at December 31, 2021				
			Fair Value	
	Date of Valuation	Carrying Value	Level 1 Quoted	Level 2 Significant Observable Input
Assets for which fair values are disclosed -				
Financial assets at FVPL	December 31, 2021	₱300,000,000	₱–	₱300,000,000
Rental deposits	December 31, 2021	189,287,521	–	162,575,604
		₱489,287,521	₱–	₱462,575,604
Liabilities for which fair values are disclosed:				
Long-term loans payable	December 31, 2021	₱3,740,557,954	₱–	₱4,478,403,943
Dealers’ deposits	December 31, 2021	24,274,585	–	19,715,844
		₱3,764,832,539	₱–	₱4,498,119,787

As at December 31, 2020				
		Fair Value		
	Date of Valuation	Carrying Value	Level 1 Quoted	Level 2 Significant Observable Input
Assets for which fair values are disclosed -				
Financial assets at FVPL	December 31, 2020	₱120,000,000	₱–	₱120,000,000
Rental deposits	December 31, 2020	176,597,476	–	175,306,979
		₱296,597,476	₱–	₱295,306,979
Liabilities for which fair values are disclosed:				
Long-term loans payable	December 31, 2020	₱3,788,597,369	₱–	₱4,528,403,943
Dealers’ deposits	December 31, 2020	23,710,436	–	19,257,642
		₱3,812,307,805	₱–	₱4,547,661,585



The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Rental Deposits. The fair values were obtained by discounting the instruments' expected cash flows using interest rates of 1.08% to 4.95% as at December 31, 2021 and of 1.12% to 10.39% as at December 31, 2020.

Long-term loans Payable. The fair value of loan payable which was discounted using prevailing market rate of 2.57% and 4.22% as at December 31, 2021 and 2020, respectively, approximates the carrying value since these bear interest at current market rates. Fair value category is Level 2, significant observable inputs.

Dealers' Deposits. The fair values were obtained by discounting the instruments' expected cash flows using interest rates of 4.46% and 7.05% as at December 31, 2021 and 2020, respectively.

As at December 31, 2021 and 2020, there were no transfers between Level 1 and 2 fair value measurements.

32. Commitments

Trademark Licensing and Franchise Agreements

The Group has existing Trademark Licensing and Franchise Agreements with independent franchisees to operate restaurant outlets under the "Shakey's" and "Peri-Peri" brand name, method, concept and trade name. In consideration thereof, the franchisees agree to pay continuing franchise fees equivalent to a certain percentage of the franchisees' net sales.

The franchisees also pay management fees for various services, including maintenance services, rendered by the Group.

The Group recognized royalty and franchise fees amounting to ₱267.2 million in 2021, ₱247.4 million in 2020 and ₱378.8 million in 2019 (see Note 21). Royalty receivables as at December 31, 2021 and 2020 amounted ₱86.0 million and ₱37.3 million, respectively (see Note 8).

33. Provisions

	2021	2020
Balance at beginning of year	₱37,033,000	₱2,253,030
Addition (see Note 28)	35,679,548	34,779,970
Reversal (see Note 28)	(37,033,000)	—
Balance at end of year	₱35,679,548	₱37,033,000

The Group's outstanding provisions consist mainly of provisions for legal actions and claims and other contingencies which are normal to the Group's business. These include estimates settlement amounts and other costs of claims made against the Group. As allowed by PAS 37, the Group does not provide further information on these provisions and contingencies in order not to impair the outcome of the litigations, claims and disputes.



34. Earnings (Loss) per Share (EPS)

Basic earnings (loss) per share (EPS) is computed based on the weighted average number of issued and outstanding common shares during each year. Diluted EPS is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as of the beginning of the year. When there are no potential common shares or other instruments that may entitle the holder to common shares, diluted EPS, is the same as the basic EPS.

There are no dilutive financial instruments as of December 31, 2021, 2020 and 2019, hence, diluted EPS is the same as the basic EPS.

The Group's EPS were computed as follows:

	2021	2020	2019
(a) Net income (loss)	₱122,980,158	(₱253,589,288)	₱865,236,267
(b) Weighted average number of shares outstanding	1,594,837,355	1,531,321,053	1,531,321,053
Basic/diluted EPS (a/b)	₱0.08	(₱0.17)	₱0.57

35. Notes to Consolidated Statements of Cash Flows

The following are the noncash activities for the years ended December 31, 2021 and 2020:

	2021			
	January 1	Net cash flows	Noncash changes	December 31
Rental and other noncurrent assets (a)	₱173,125,540	(₱407,896,378)	₱8,265,603	₱589,287,521
Long-term loans payable (b)	3,788,597,369	(50,000,000)	1,960,585	3,740,557,954
Contract liabilities (c)	89,620,579	(11,172,587)	3,749,821	82,197,813

	2020			
	January 1	Net cash flows	Noncash changes	December 31
Rental and other noncurrent assets (a)	₱165,662,780	(₱5,432,721)	₱12,895,481	₱173,125,540
Long-term loans payable (b)	3,836,718,303	(50,000,000)	1,879,066	3,788,597,369
Contract liabilities (c)	109,169,959	(23,430,428)	3,881,048	89,620,579

Details of the noncash changes are as follows:

- (a) Pertains to accretion of interest expense and interest income on long-term rental deposits included in "Rental and other noncurrent assets" and long-term dealer's deposits included in "Dealer's deposits and other noncurrent liabilities", respectively.
- (b) Pertains to amortization of debt issuance cost during the year amounting to ₱2.0 million and ₱1.9 million in 2021 and 2020, respectively.
- (c) Pertains to the accretion of the significant financing component of contract liabilities during the year amounting to ₱3.7 million and ₱3.9 million in 2021 and 2020, respectively.



The changes in the Group's liabilities arising from financing activities are as follows:

	2021						December 31
	January 1	Additions	Proceeds	Payments	Interest expense	Other movements	
Lease liabilities*	₱1,530,603,019	₱221,482,193	₱—	(₱204,302,941)	₱89,082,753	(₱156,128,505)	₱1,480,736,519
Loans payable	4,838,597,369	—	—	(1,100,000,000)	1,960,585	—	3,740,557,954
Dividends	—	33,675,208	—	(33,675,208)	—	—	—
Accrued interest**	5,225,000	—	—	(194,954,854)	291,583,953	(94,197,533)	7,656,566
Total liabilities from financing activities	₱6,374,425,388	₱255,157,401	₱—	(₱1,532,933,003)	₱382,627,291	(₱250,326,038)	₱5,228,951,039

*Other movements pertain to the gain on lease concession and derecognition of lease liability

**Other movements pertain to interest accretion for PFRS 15

	2020						December 31
	January 1	Additions	Proceeds	Payments	Interest expense	Other movements	
Lease liabilities*	₱1,598,627,163	₱259,663,593	₱—	(₱203,225,951)	₱105,789,642	(₱230,251,428)	₱1,530,603,019
Loans payable	4,386,718,303	—	1,500,000,000	(1,050,000,000)	1,879,066	—	4,838,597,369
Dividends	—	15,313,210	—	(15,313,210)	—	—	—
Accrued interest**	5,293,750	—	—	(221,822,567)	225,634,865	(3,881,048)	5,225,000
Total liabilities from financing activities	₱5,990,639,216	₱274,976,803	₱1,500,000,000	(₱1,490,361,728)	₱333,303,573	(₱234,132,476)	₱6,374,425,388

*Other movements pertain to the gain on lease concession and derecognition of lease liability

**Other movements pertain to interest accretion for PFRS 15

36. Impact of COVID-19

COVID-19, an infectious disease caused by a new virus, was declared a world-wide pandemic by the World Health Organization (WHO) on March 11, 2020. This resulted in the implementation of different classification of community quarantine to slow the spread of COVID-19 have had a significant impact on the global economy.

These measures have resulted in massive disruptions to most businesses and have caused significant increase in economic uncertainty. Governments and Central Banks have responded with monetary and fiscal interventions to stabilize the economies. The significant events and transactions that have occurred since December 31, 2020 which relate to the effects of the global pandemic on the Group's financial statements for the year ended December 31, 2021 are summarized as follows:

- The Group was granted several lease concessions for its lease of land for the use of its office spaces and stores.
- The forecast used for impairment testing of trademark with indefinite life includes the Group's estimates of the potential future impact from COVID-19 pandemic. Cash flow projections have been adjusted to reflect a range of possible outcomes, weighted by their expected occurrence.

37. Event After Reporting Date

On December 23, 2021, the Parent Company reached an agreement with the Cinco Group to purchase assets and intellectual property related to Potato Corner Business. The acquisition of the Parent Company will also involve owning and operating all company-owned stores, as well as serving as brand-owner and franchisor of stores being operated by franchisees both domestically and internationally. Prior to acquisition, both parties also agreed to perform due diligence on valuation of the assets to be acquired.



On March 5, 2022, the Group and Potato Corner signed Deeds of Assignment and Deeds of Absolute Sale purchasing several assets relating to the Potato Corner business, including shares in a Potato Corner entity in Singapore.

As of April 12, 2022, the disclosure of information required by PFRS 3, *Business Combination*, is impracticable since the full details related to the transaction are being finalized. The transaction is still subject to the fulfillment of conditions and post-closing adjustments, such as the submission of documents from the seller, including execution of contracts to enable full ownership.

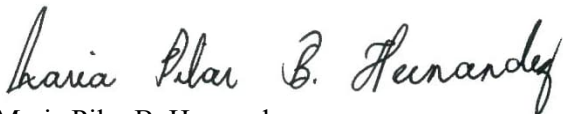


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Shakey's Pizza Asia Ventures Inc.
15Km East Service Road corner Marian Road 2
Barangay San Martin de Porres, Parañaque City 1700

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Shakey's Pizza Asia Ventures Inc. and Subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 included in this Form 17-A and have issued our report thereon dated April 12, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Maria Pilar B. Hernandez

Partner

CPA Certificate No. 105007

Tax Identification No. 214-318-972

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 105007-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-116-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8853500, January 3, 2022, Makati City

April 12, 2022



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SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES

Schedule A. Financial Assets
December 31, 2021

Name of Issuing Entity and Association of each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
BDO Unibank, Inc.	300,000,000	300,000,000	300,000,000	1,949,288
	300,000,000	300,000,000	300,000,000	1,949,288

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2021

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Current	Non Current	Balance at End of Period
			Amount Collected	Amount Reclassified	Amount Written-Off			
DBE Project Inc. (DBE)	2,700,958	99,814	21,987	-	-	2,778,786	-	2,778,786
The Pacific Meat Company Inc. (PMCI)	14,801,958	17,510,534	17,963,015	-	-	14,349,478	-	14,349,478
Century Pacific Group Inc. (CPGI)	3,082,080	7,685,937	8,378,481	-	-	2,389,536	-	2,389,536
Century Pacific Food Inc. (CPFI)	12,104,612	22,184,403	27,878,483	-	-	6,410,531	-	6,410,531
ALVAREZ, EMILY M	2,547	28,275	30,822	-	-	-	-	-
BELGICA, EDWIN R	21,151	14,874	32,322	-	-	3,703	-	3,703
BONIFACIO, ROLANDO H	12,762	719,083	141,041	-	-	590,804	-	590,804
CANIZARES, ROWENA R	19,324	17,214	16,581	-	-	19,958	-	19,958
CRUZ, CLARINDA	115,752	-	-	-	-	115,752	-	115,752
DE MESA, LIXLES	-	110,468	109,868	-	-	600	-	600
DEL ROSARIO, JONAS	2,975	93,578	42,501	-	-	54,052	-	54,052
DIVINAGRACIA, ELMER S	8,692	6,620	5,720	-	-	9,592	-	9,592
LORESCO, JULIUS M	12,600	25,200	-	-	-	37,800	-	37,800
MADALANSACAY, JANE	2,877	13,666	16,542	-	-	-	-	-
MALAGAYO, ROLAND F.	(25,795)	691,333	665,539	-	-	-	-	-
MENOR, ELENA S	3,040	30,542	33,582	-	-	-	-	-
MERCADO, MA VERONICA P	13,978	4,749	17,818	-	-	909	-	909
NOVELLES, EVANGELINE	189,999	138,142	314,749	-	-	13,392	-	13,392
PARAISO, MICHAEL ANGELO M	7,321	-	-	-	-	7,321	-	7,321
ROXAS, VICTOR	687	7,849	8,536	-	-	-	-	-
SILVESTRE, FLODELIZA Z.	14,648	245,639	126,872	-	-	133,415	-	133,415
TUBU, CELESTE	2,509	16,000	18,509	-	-	-	-	-
VASQUEZ, KAREN	4,000	1,074	5,074	-	-	-	-	-
VISPERAS, JONATHAN	1,319	54,532	55,351	-	-	500	-	500
	P 33,099,994	P 49,699,527	P 55,883,393	- P	-	P 26,916,128	P -	P 26,916,128

**This consists of various small amount of receivable per employee.*

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES

Schedule C. Accounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

December 31, 2021

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amount Collected	Amount Written-Off			
Shakey's Seacrest Inc. (SSI)	₱ 3,514,777	₱ 3,437,558	₱ 1,072,581	₱ -	₱ 5,879,754	₱ -	₱ 5,879,754
Shakey's International Ltd. (SIL)	50,706,556	4,264,033	2,180,069	-	52,790,520	-	52,790,520
Shakeys Pizza Commerce Inc (SPCI)	278,216,660	-	40,108,517	-	238,108,143	-	238,108,143
Bakemasters, Inc. (BMI)	4,688,089	7,617,991	-	-	12,306,080	-	12,306,080
WOW Brands Holding, Inc. (WBHI)	70,480,758	279,158,355	129,611,613	-	220,027,500	-	220,027,500
	₱ 407,606,840	₱ 294,477,937	₱ 172,972,780	₱ -	₱ 529,111,997	₱ -	₱ 529,111,997

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES
Schedule D. Intangible Assets - Other Assets
December 31, 2021

Description	Beginning Balance	Additions At Cost	Deductions		Other Changes- Additions (Deductions)	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts		
Trademark from the acquisition of SIL	P 3,577,911,666	P -	P -	P -	P -	P 3,577,911,666
Trademark assignment to SSI from GGL	1,409,197,936	-	-	-	-	1,409,197,936
Trademark assignment to SPAVI from AWIL	562,197,552	-	-	-	-	562,197,552
Trademark acquisition from DPI to SPAVI	-	1,243,186	-	-	-	1,243,186
Goodwill from the acquisition of WBHI	185,476,929	-	-	-	-	185,476,929
Goodwill from the acquisition of BMI	1,078,606,020	-	-	-	-	1,078,606,020
	P 6,813,390,103	P 1,243,185.96	P -	P -	P -	P 6,814,633,289

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES

Schedule E. Long-Term Debt
December 31, 2021

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current Portion of Long-Term Debt" in related Balance Sheet	Amount shown under Caption "Long-Term Debt" in related Balance Sheet
Omnibus Loan and Security Agreement-			
BDO Unibank Inc.	₱ 3,750,000,000	₱ 50,000,000	₱ 3,700,000,000
Unamortized debt issue costs	(9,442,046)	(2,013,037)	(7,429,009)
	₱ 3,740,557,954	₱ 47,986,963	₱ 3,692,570,991

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2021

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Not applicable: The Company has no indebtedness to related parties as at December 31, 2021.		
	₱ -	₱ -

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2021

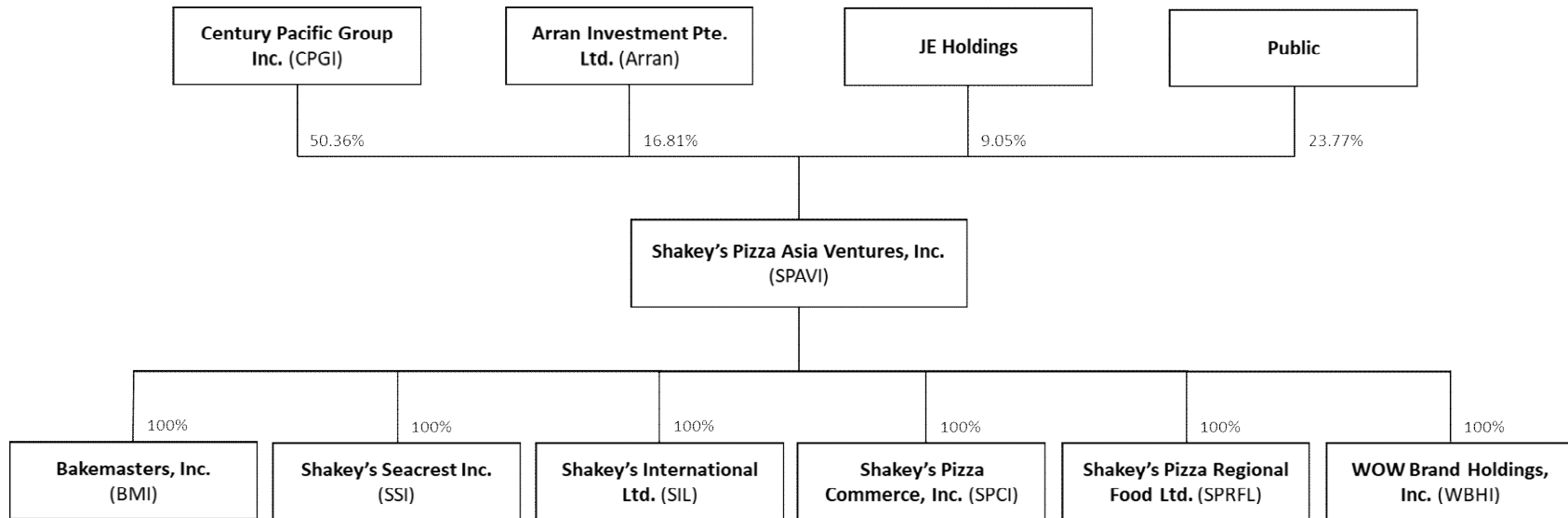
Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
Not applicable: The Company has no guarantees of securities of other issuers as at December 31, 2021.				
		P	-	P
			-	

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES
Schedule H. Capital Stock
December 31, 2021

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	1,683,760,178	-	1,283,476,298	3,452,838	396,831,042

-

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES
Map of Relationships of the Companies within the Group



SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

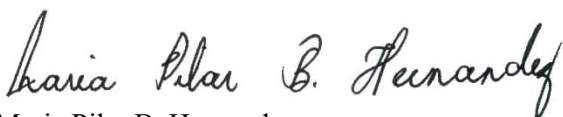
Retained earnings, at December 31, 2020		1,772,937,737
Less:		
Deferred Tax Assets		290,576,248
Unappropriated retained earnings, as adjusted, as at December 31, 2020		1,482,361,489
Add (less):		
Net Income	80,197,418	
Changes in deferred tax assets	79,259,214	159,456,632
		1,641,818,121
Dividends declared during the year		(33,675,204)
Retained earnings available for additional dividend distribution as at December 31, 2021		1,608,142,917

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Shakey's Pizza Asia Ventures Inc.
15Km East Service Road corner Marian Road 2
Barangay San Martin de Porres, Parañaque City 1700

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Shakey's Pizza Asia Ventures Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 12, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Maria Pilar B. Hernandez

Partner

CPA Certificate No. 105007

Tax Identification No. 214-318-972

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 105007-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-116-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8853500, January 3, 2022, Makati City

April 12, 2022



SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS-FINANCIAL RATIOS

	As at December 31, 2021	As at December 31, 2020
Net income	122,980,158	(253,589,288)
Total Assets	12,634,712,928	12,219,992,177
Return on Assets (Net income / Total Assets)	1.0%	-2.1%
Net income	122,980,158	(253,589,288)
Average stockholders' equity	5,482,575,755	4,784,363,987
Return on Equity (Net Income / Stockholders' Equity)	2.2%	-5.3%
Net income	122,980,158	(253,589,288)
Average No. of Shares	1,594,837,355	1,531,321,053
Earnings per share (Net income / Total no. of shares outstanding)	0.08	(0.17)
Total current assets	2,129,830,903	1,865,662,850
Total current liabilities	1,129,154,419	2,129,992,718
Current Ratio (Total Current assets / Total Current Liabilities)	1.89	0.88
Total current assets	2,129,830,903	1,865,662,850
Total current liabilities	1,129,154,419	2,129,992,718
Net working capital (Total Current Assets - Total Current Liabilities)	1,000,676,484	(264,329,868)
Total liabilities	6,453,925,406	7,435,628,190
Total Equity	6,180,787,522	4,784,363,987
Debt to equity ratio (Total Liabilities / Stockholders' Equity)	1.04	1.55
Depreciation	499,875,646	497,433,459
Net income (loss)	122,980,158	(253,589,288)
Net Income + depreciation expense	622,855,804	243,844,171
Short Term + long term liabilities	6,453,925,406	7,435,628,190
Solvency ratio (Net Income + Depreciation Expense / Short and Long Term Liabilities)	0.10	0.03
Total assets	12,634,712,928	12,219,992,177
Total Equity	6,180,787,522	4,784,363,987
Asset to equity ratio (Total assets / total equity)	2.04	2.55
Earnings before interest expense and income taxes (EBIT)	522,859,149	(35,207,602)
Interest expense	292,179,579	333,303,573
Interest coverage ratio (EBIT / Interest Expense)	1.79	(0.11)



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