

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended September 30, 2017
2. Commission identification number 54666
3. BIR Tax Identification No. 000-163-396
4. SHAKEY'S PIZZA ASIA VENTURES INC.
Exact name of issuer as specified in its charter
5. MANILA, PHILIPPINES
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. 15KM EAST SERVICE ROAD CORNER MARIAN ROAD 2,
BARANGAY SAN MARTIN DE PORRES, PARANAQUE CITY 1700
Address of issuer's principal office Postal Code
8. (632) 839-0156
Issuer's telephone number, including area code
9. N/A
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	<u>COMMON SHARES</u>
Number of shares of common stock outstanding	<u>1,531,321,053</u>
11. Are any or all of the securities listed on a Stock Exchange?
Yes ☒ No ☐
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
PHILIPPINE STOCK EXCHANGE: COMMON SHARES
12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes ☒ No ☐
 - (b) has been subject to such filing requirements for the past ninety (90) days.
Yes ☒ No ☐

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited interim consolidated financial statements of Shakey's Pizza Asia Ventures Inc., and its wholly owned subsidiaries Bakemasters, Inc., Shakey's International Limited, Golden Gourmet Limited, Shakey's Seacrest Incorporated, Shakey's Pizza Regional Foods Limited, (collectively, the 'Company' or "PIZZA") as of and for the period ended September 30, 2017 and the comparative period in 2016 is attached to this 17-Q report, comprising of the following:

- 1.1 Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016
- 1.2 Consolidated Statement of Income for the period ended September 30, 2017 and September 30, 2016
- 1.3 Consolidated Statement of Cash Flows for the period ended September 30, 2017 and September 30, 2016
- 1.4 Consolidated Statement of Changes in Shareholder's Equity for the period ended September 30, 2017 and September 30, 2016
- 1.5 Notes to Consolidated Financial Statements for the period ended September 30, 2017

Item 2. Management Discussions and Analysis of Financial Condition and Results of Operations (Based on the unaudited consolidated financial statements for the period ended September 30, 2017)

Business Overview

Shakey's Pizza Asia Ventures Inc. (SPAVI or the "Company") or PIZZA, is the market leader in both chained pizza full service restaurant and chained full service restaurant with 63.4% and 28.2% market share based on 2016 Euromonitor data. As of September 30, 2017, it operates a total of 200 stores nationwide, a mix of Company-owned and franchise stores.

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, thus it has full control over the management and execution of Shakey's Philippine operations. Since PIZZA owns the brand, it 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. PIZZA opened its first international store in Kuwait last October 2017.

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 appeals to consumers' need for convenience through its delivery segment. PIZZA ensures that it continues to operate well-designed, comfortable, clean, and guest-friendly stores, run an efficient delivery system, and

expand its online sales platform to align itself with current market and consumption trends.

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

PIZZA operates a simple and scalable business model that is cash generative and requires low upfront costs due to the simplicity of its product. This enables high financial liquidity and an average store payback period of 3-4 years. PIZZA also has a well-established franchised model, which allows it flexibility to expand in new growth areas such as Visayas and Mindanao.

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.

Results of Operations

The following table summarizes the reported key financial information for PIZZA for the nine months ending September 30, 2017 and 2016, respectively:

In PHP Mill	Nine months ending September 30, 2017	Nine months ending September 30, 2016	Change YOY
Systemwide sales	6,035	5,254	14.9%
Net Revenue	4,992	4,240	17.7%
Cost of Sales	(3,527)	(2,950)	19.6%
Gross Profit	1,465	1,290	13.6%
Operating Expense	(645)	(685)	-5.8%
Operating Income	820	606	35.5%
EBITDA	946	730	29.5%
Net income before tax	676	581	16.3%
Net income after tax	504	424	18.9%
<u>Margins</u>			
Gross profit margin	29.4%	30.4%	-1.1pps
EBITDA margin	18.9%	17.2%	1.7pps
Net income margin	10.1%	10.0%	0.1pps
<u>ADJUSTED FOR ONE-OFFS:</u>			
EBITDA	967	768	25.9%
Net income after tax	519	449	15.4%
<u>Margins</u>			
EBITDA margin	19.4%	18.1%	1.2pps
Net income margin	10.4%	10.6%	-0.2pps

Key Highlights

- Shakey's Pizza Asia Ventures Inc. (PSE:PIZZA), posted recurring consolidated net income after tax of P519 million for the first nine months ended September 30, 2017. This represents a growth of 15% year-on-year. Income performance can be attributed to a bigger revenue base and improved operating profitability.
- Systemwide sales rose 15% to P6.0 billion, driven by same-store sales growth of 6% and an expanding local store network.
- The Company's consolidated net revenues stood at P5.0 billion during the first nine months of 2017, an 18% growth compared to the P4.2 billion registered during the same period last year.
- PIZZA saw improved profitability as its margins for operating profit and adjusted EBITDA expanded by 210 bps to 16.4% and 120 bps to 19.4%, respectively.
- As of September 30, 2017, the Company's systemwide store count reached 200 outlets, consisting of 118 Company-owned and 82 franchise stores. This represents an addition of 16 stores to PIZZA's nationwide store network during the first nine months of 2017.

Systemwide Sales and Revenues

- System-wide sales, composed of sales generated by both Company-owned and franchise stores, amounted to P6.0 billion for the first nine months ending September 30, 2017, an increase of 15% versus the same period last year. This was driven by same-store sales growth of 6% and the addition of 16 stores to PIZZA's systemwide store network for the first nine months of 2017.
- Consolidated net revenues, consisting of (1) revenues from store activities, (2) franchise and royalty fees, and (3) revenues from third party commissary sales grew by 18% to P5.0 billion from P4.2 billion during the same period last year.
- Despite a more competitive environment during the third quarter, the Company maintained its healthy revenue performance (1) driven by well-executed and well-received product and marketing initiatives and (2) recently opened stores, forming part of the Company's more aggressive store rollout, contributed more significantly to overall sales.

Cost of Sales and Gross Profit

- Consolidated cost of sales during the nine months ended September 30, 2017 went up by 19.6% to P3.5 billion from P2.9 billion during the same period last year.
- Consolidated cost of sales is comprised of raw material and packaging costs, direct labor costs, and store-related costs including rent, utilities, and other overhead expenses.
- Consolidated gross profit for the nine months ended September 30, 2017 amounted to P1.5 billion or an increase of 14% year-on-year. This translates to a 110-bp drop in gross profit margin to 29.4% from 30.4% during the same period last year.

Operating Expense and other income (expense)

- Consolidated operating expense, composed of selling, distribution, marketing and administrative expenses, totaled P645 million for the period ended September 30, 2017. This translates to a 12.9% cost-to-sales ratio, a decline of 320 bps from 16.1% during the same period last year. Last year's expenses included nonrecurring costs relating to the Company's initial public offering during the second half of 2016.
- Other income/expense is composed of income and expenses that are not directly related to the Company's operations, namely (1) loan prepayment bank charges; (2) gains or losses on transactions relating to foreign currency exchange, sale of scrap and PPE, (3) service fee charged to franchisees, (4) rental income, interest income from investments. For the nine months ended September 30, 2017, PIZZA's consolidated net other expense totaled P14 million. Other income pertains mostly to service fee charged to franchisees for IT infrastructure services while other expense pertains mostly to loan prepayment bank charges.
- Interest expense of P130 million was recorded for the first nine months of 2017. This amount pertains to interest on the P4.0 billion remaining of the acquisition loan used to acquire the wholly-owned subsidiaries.
- Consolidated operating income for the nine months ended September 30, 2017 amounted to P820 million, equivalent to operating margin of 16.4%. This represents year-on-year improvement of 210 bps from the 14.3% operating margin during the same period last year.
- Consolidated recurring EBITDA (earnings before interest, taxes, depreciation, and amortization) for the nine months ended September 30, 2017 totaled P967 million. This translates to 19.4% EBITDA margin or a 120-bp improvement from last year's 18.1%.

Financial Condition

The Company's financial stability and financial position as of September 30, 2017 is as follows:

- Cash and cash equivalents amounted to P192 million as of September 30, 2017. Operating activities generated a net inflow of P880 million, with operating cash more than enough to cover changes in working capital. Net cash generated by investing activities totaled P458 million while net cash used in financing activities amounted to P1.3 billion.
- Current ratio remained steady at 1.0x as of September 30, 2017 relative to 2016's 1.1x. The cash conversion cycle marginally increased to -26 days from -21 days as of end-December 2016. As of September 30, 2017, accounts receivable and inventory days stood at 21 and 24 respectively, while accounts payable came in at 71 days.
- Net property, plant and equipment, amounted to P1.5 billion as of September 30, 2017. Capital expenditures for the first nine months of the year totaled P633 million, composed of new equipment for the commissary plant as well as materials for new stores and the new headquarter.
- As of September 30, 2017, the Company had P4.0 billion in interest-bearing debt, having paid off P1.0 billion of the P5.0 billion long-term loan incurred for the acquisition of its wholly-owned subsidiaries.
- Total stockholders' equity increased by P350 million, from P3.4 billion as of year-end 2016 to P3.7 billion as of September 30, 2017. The increase came mainly from net income earned during the first nine months of 2017 less cash dividend declaration of P153 million.

- Total debt-to-equity ratio is measured at 1.36x as of September 30, 2017, an improvement compared to 1.79x as of year-end 2016. The improvement is attributed to the P1.0 billion loan prepayment in January 2017. Net of cash available, net debt-to-equity ratio stood at 1.31x. Considering only interest-bearing debt, the Company's gearing and net gearing ratios were at 1.07x and 1.02x, respectively, as of September 30, 2017.

Key Performance Indicators (KPIs)

	Unaudited 1 st Nine Months 2017	Unaudited 1 st Nine Months 2016
Gross Profit Margin	29%	30%
Before Tax Return on Sales	14%	14%
Return on Sales - Recurring	10%	11%
Interest-Bearing Debt-to-Equity	1.1x	1.5x*
Current Ratio	1.0x	1.1x*

Notes:

1 Gross Profit margin = Gross Profit / Net Revenue

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

3 Return on Sales = Recurring Net Profit After Tax / Net Revenue


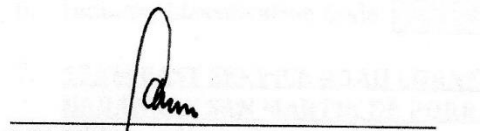
4 Interest-Bearing Debt-to-Equity = Loans Payable / Total Stockholders' Equity

5 Current Ratio = Total Current Assets / Total Current Liabilities

*Based on audited consolidated 2016 financials.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SHAKEY'S PIZZA ASIA VENTURES INC.
VICENTE L. GREGORIO
President & Chief Executive Officer
Date: November 7, 2017
MANUEL T. DEL BARRIO
Vice President & Chief Finance Officer
Date: November 7, 2017

SHAKEY'S PIZZA ASIA VENTURES INC.
(Formerly International Family Food Services, Inc.)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	P191,556,199	P328,531,651
Available-for-sale (AFS) investments	20,897,004	1,125,173,721
Trade and other receivables	392,005,087	420,824,917
Inventories	306,550,533	256,285,224
Prepaid expenses and other current assets	63,301,989	13,309,956
Total Current Assets	974,310,812	2,144,125,469
Noncurrent Assets		
Property and equipment	1,492,758,124	999,005,919
Goodwill	1,078,606,020	1,078,606,020
Trademarks	4,987,109,602	4,987,109,602
Rental and other deposits	125,067,517	105,448,858
Deferred input value-added tax	58,975,045	40,257,683
Deferred tax assets - net	28,008,005	29,905,937
Total Noncurrent Assets	7,770,524,314	7,240,334,019
TOTAL ASSETS	P8,744,835,126	P9,384,459,488
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	P924,847,660	P864,310,981
Current portion of loan payable	48,772,005	1,048,365,917
Income tax payable	33,924,193	64,438,143
Total Current Liabilities	1,007,543,858	1,977,115,041
Noncurrent Liabilities		
Loan payable - net of current portion	3,908,241,406	3,933,241,406
Accrued pension costs	32,845,151	34,334,511
Accrued rent	64,171,062	64,171,062
Dealers' deposits and other noncurrent liabilities	22,502,045	16,520,343
Total Noncurrent Liabilities	4,027,759,663	4,048,267,322
Total Liabilities	5,035,303,522	6,025,382,363
Equity		
Capital stock	1,531,321,053	1,531,321,053
Additional paid-in capital	1,353,554,797	1,353,554,797
Retained earnings	836,990,012	486,513,796
Other components of equity	(12,334,259)	(12,312,521)
Total Equity	3,709,531,604	3,359,077,125
TOTAL LIABILITIES AND EQUITY	P8,744,835,126	P9,384,459,488

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

SHAKEY'S PIZZA ASIA VENTURES INC.
(Formerly International Family Food Services, Inc.)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

	2017 (Unaudited)	2016 (Unaudited)
REVENUES		
Net sales	P4,805,314,924	P4,097,266,116
Royalty and franchise fees	187,014,251	142,509,549
	4,992,329,175	4,239,775,665
COSTS OF SALES	(3,526,986,845)	(2,949,562,882)
GROSS INCOME	1,465,342,330	1,290,212,783
GENERAL AND ADMINISTRATIVE EXPENSES	(644,986,511)	(684,641,320)
INTEREST EXPENSE	(130,408,870)	(63,609,233)
OTHER INCOME (EXPENSES) - Net	(14,071,713)	39,310,950
INCOME BEFORE INCOME TAX	675,875,236	581,273,180
PROVISION FOR INCOME TAX		
Current	171,602,421	150,933,727
Deferred	663,864	6,819,847
	172,266,285	157,753,574
NET INCOME	503,608,951	423,519,606
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Disposal of AFS	(791,811)	—
Unrealized gain on changes in fair value of AFS investments	261,976	2,944,053
	(529,835)	2,944,053
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	725,852	(19,261,944)
Tax effect	(217,756)	5,778,583
	508,096	(13,483,361)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(21,739)	(10,539,308)
TOTAL COMPREHENSIVE INCOME	P503,587,212	P412,980,298
Basic/Diluted Earnings Per Share	P0.33	P0.55

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

SHAKEY'S PIZZA ASIA VENTURES INC.
(Formerly International Family Food Services, Inc.)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

	2017 (Unaudited)	2016 (Unaudited)
REVENUES		
Net sales	1,559,391,868	1,408,074,885
Royalty and franchise fees	55,494,486	48,019,573
	1,614,886,354	1,456,094,458
COSTS OF SALES	(1,165,450,391)	(972,450,178)
GROSS INCOME	449,435,963	483,644,280
GENERAL AND ADMINISTRATIVE EXPENSES	(222,885,238)	(325,265,395)
INTEREST EXPENSE	(45,538,341)	(57,305,251)
OTHER INCOME (EXPENSES) - Net	(7,198,642)	(24,866,880)
INCOME BEFORE INCOME TAX	173,813,742	76,206,754
PROVISION FOR INCOME TAX		
Current	41,482,695	17,500,578
Deferred	70,103	411,525
	41,552,798	17,912,103
NET INCOME	132,260,944	58,294,651
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Disposal of AFS	(534,464)	—
Unrealized gain on changes in fair value of AFS investments	184,412	71,882
	(350,052)	71,882
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	725,852	(9,630,972)
Tax effect	(217,756)	2,889,292
	508,096	(6,741,680)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	692,508	(6,669,798)
TOTAL COMPREHENSIVE INCOME	132,953,452	51,624,853
Basic/Diluted Earnings Per Share	P0.09	P0.08

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

SHAKEY'S PIZZA ASIA VENTURES INC.
(Formerly International Family Food Services, Inc.)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

	Other Components of Equity					
			Retained Earnings	Unrealized Gain (Loss) on Changes in Fair Value of AFS Investments	Cumulative Actuarial Loss- Net of Tax	Total
	Capital Stock	Additional Paid-in Capital				
Balances at December 31, 2016 (Audited)	P1,531,321,053	P1,353,554,797	P486,513,796	P534,464	(P12,846,985)	P3,359,077,125
Total comprehensive income (loss)	—	—	503,608,952	(529,835)	508,097	503,587,214
Cash dividends	—	—	(153,132,735)	—	—	(153,132,735)
Balances at September 30, 2017 (Unaudited)	P1,531,321,053	P1,353,554,797	P836,990,013	P 4,629	P(12,338,888)	P3,709,531,604
Balances at December 31, 2015 (Audited)	P768,614,050	P—	P829,245,434	(P2,888,071)	(P16,728,550)	P1,578,242,863
Total comprehensive income	—	—	(986,916,843)	2,944,053	(13,483,361)	412,980,298
Cash dividends	—	—	423,519,606	—	—	(986,916,843)
Balances at September 30, 2016 (Unaudited)	P768,614,050	P—	P265,848,197	P55,982	(P30,211,911)	P1,004,306,318

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

SHAKEY'S PIZZA ASIA VENTURES INC.
(Formerly International Family Food Services, Inc.)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

	2017 (Unaudited)	2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P675,875,236	P581,273,180
Adjustments for:		
Depreciation and amortization	139,479,436	89,934,391
Interest expense	130,408,870	63,609,233
Movements in:		
Accrued rent	—	5,982,508
Accrued pension costs	(1,686,687)	944,456
Loss (gain) on disposal of AFS	1,157,578	(7,037,606)
Accretion income	(649,833)	(2,158,465)
Interest income	(205,748)	(4,630,237)
Unrealized gain on change in fair value of AFS Instruments	(627,743)	—
Unrealized foreign exchange loss (gain) - net	(379,512)	37,770
Loss on disposal of property and equipment	53,341	37,696
Income before working capital changes	943,424,939	727,992,926
Decrease (increase) in:		
Trade and other receivables	8,340,128	145,516,775
Inventories	(50,265,309)	20,256,100
Prepaid expenses and other current assets	(49,992,067)	(3,394,963)
Deferred input value added tax	(16,819,431)	(4,214,430)
Decrease in accounts payable and other current liabilities	45,528,125	(253,110,120)
Net cash generated from operations	880,216,385	633,046,288
Income taxes paid	(202,415,611)	(156,535,256)
Interest received	205,748	4,630,237
Net cash provided by operating activities	678,006,521	481,141,269
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances to related party	—	(5,000,000,000)
Decrease (increase) in:		
AFS investments	1,103,612,254	660,922,143
Financial assets at fair value through profit or loss	—	43,121,906
Rental and other deposits	(18,968,827)	(6,056,807)
Dealer's deposits and other noncurrent liabilities	5,981,702	
Acquisition of property and equipment	(633,268,987)	(259,982,479)
Intercompany loans granted	—	(70,500,000)
Collection of intercompany loans	—	38,669,444
Proceeds from disposals of property and equipment	154,966	4,935,101
Net cash provided by (used in) investing activities	457,511,108	(4,588,890,692)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	—	4,975,000,000
Payments of:		
Loan	(1,024,593,913)	—
Interest	(95,145,944)	(568,751)
Dividends	(153,132,735)	(986,916,843)
Net cash provided by (used in) financing activities	(1,272,872,593)	3,987,514,406
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	379,512	(37,770)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(136,975,451)	(120,272,787)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	328,531,651	388,872,392
CASH AND CASH EQUIVALENTS AT END OF YEAR	P191,556,199	P268,599,605

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

SHAKEY'S PIZZA ASIA VENTURES INC.
(Formerly International Family Food Services, Inc.)
AND SUBSIDIARIES

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
 FINANCIAL STATEMENTS**

1. General Information

Corporate Information

Shakey's Pizza Asia Ventures Inc. (SPAVI or the Parent Company), formerly International Family Food Services, Inc. or IFFSI, was incorporated and registered with the Philippine Securities and Exchange Commission on February 14, 1974 with registered office address at 15Km East Service Road corner Marian Road 2, Barangay San Martin de Porres, Parañaque City 1700. The Parent Company is the exclusive franchise holder of the Shakey's Pizza Restaurant business ("Shakey's") in the Philippines. As the exclusive franchise holder to operate Shakey's Restaurant System in the country, the Parent Company is licensed to develop company-owned Shakey's outlets and sub-license the Shakey's brand to other entities in the Philippines.

On April 1, 2016, Shakey's Asia Food Holdings, Inc. (SAFHI or Posana Food Brands, Inc.), a company incorporated in the Philippines, acquired 100% ownership interest in the Company, thus making the Parent Company a wholly-owned subsidiary of SAFHI. SAFHI is owned by Century Pacific Group, Inc. (CGPI), Arran Investments Private Limited (AIPL) and Prieto Family (the former majority owner of the Company) by 56%, 37% and 7%, respectively.

On June 29, 2016, the Parent Company acquired 100% interest in Shakey's Seacrest Incorporated (SSI, formerly, IFFSI Food Brand Trademark, Inc.), a newly incorporated company in the Philippines. SSI is a company engaged in the business of developing and designing, acquiring, selling, transferring, exchanging, managing, licensing, franchising to label marks, devices, brands, trademarks and all other form of intellectual property.

On October 5, 2016, SAFHI transferred its 100% ownership interest in the Parent Company to CPGI, AIPL and Prieto Family at 56%, 37% and 7% ownership interest, respectively, thus making CPGI the ultimate Parent Company of SPAVI. On the same date, SPAVI acquired 100% ownership interest in Bakemasters, Inc. (BMI), Shakey's International Limited (SIL) and Golden Gourmet Limited (GGL).

BMI was incorporated with the Philippine Securities Exchange Commission (SEC) on May 4, 2005 primarily to engage in the manufacture and distribution of fresh, frozen pan-baked and baked breads, pastries, cakes, desserts, confectionery items, pie crusts and party shells. BMI's registered office address is at 32-A Arturo Drive, Bagumbayan, Taguig City.

SIL and GGL are limited companies incorporated in Hong Kong. SIL and GGL's principal activity is to hold the trademarks of Shakey's Restaurant System. SIL and GGL's registered office is located at Room 505 Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui, Hong Kong.

On October 14, 2016, SEC approved the amendment of the Parent Company's Articles of Incorporation changing the name of the Parent Company from IFFSI to Shakey's Pizza Asia Ventures Inc. and its principal address from AFP-RSBS Industrial Park, C-5 Junction, Km. 12, East Service Road, Taguig City, Metro Manila to 15Km East Service Road corner Marian Road 2, Barangay San Martin de Porres, Parañaque City 1700.

On November 25, 2016, the Parent Company acquired 100% interest in Shakey's Pizza Regional Foods Limited (SPRFL), a newly incorporated company in Hong Kong. SPRFL is engaged to develop Shakey's restaurants in Kuwait under the area development agreement with SIL, which granted SPRFL exclusive right to sublicense Shakey's restaurants in the Middle East. SPRFL's registered office address is at 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

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".

Shakey's Pizza Asia Ventures Inc. and its subsidiaries are collectively referred to as "the Group".

Approval and Authorization for the Issuance of the Unaudited Interim Condensed Consolidated Financial Statements

The unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on November 6, 2017.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) investments which are carried at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine peso, which is the Group's functional currency. All values are rounded off to the nearest million, except those otherwise indicated.

Statement of Compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The unaudited interim condensed consolidated financial statements comprise the unaudited interim condensed financial statements of the Parent Company and its wholly-owned subsidiaries and are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

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.

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 unaudited interim condensed consolidated statement of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Upon consolidation, all intragroup balances, transactions, income and expenses and profits and losses resulting from intragroup transactions are eliminated in full.

Changes in the controlling ownership (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as an equity transaction.

The unaudited interim condensed consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Principal Activities	Percentage of Ownership (%)
Bakemasters, Inc. (BMI) ^a	Manufacturer of pizza dough and pastries	100%
Shakey's International Limited (SIL) ^a	Trademark	100%
Golden Gourmet Limited (GGL) ^a	Trademark	100%
Shakey's Seacrest Incorporated (SSI) ^b	Trademark	100%
Shakey's Pizza Regional Foods Limited (SPRFL) ^c	Trademark	100%

^a Acquired on October 5, 2016 from SAFHI.

^b Incorporated on June 29, 2016.

^c Incorporated on November 25, 2016.

3. Changes in Accounting Policies and Disclosures

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

4. Business Combinations

Bakemasters, Inc.

On October 5, 2016, SPAVI purchased from SAFHI the entire outstanding shares of stocks of BMI. The purchase price consideration has been allocated on the based on relative fair values at date of acquisition as follows:

	Carrying Values	Fair Values Recognized
Current Assets:		
Cash	₱13,620,583	₱13,620,583
Receivables	78,036,652	78,036,652
Inventory	18,402,386	18,402,386
Other current assets	1,427,246	1,427,246
Total Current Assets	111,486,867	111,486,867

	Carrying Values	Fair Values Recognized
Noncurrent Assets		
Property, plant and equipment	110,245,137	147,430,365
Other noncurrent assets	6,212,336	6,212,336
Deferred income tax assets	578,892	578,892
Total Noncurrent Assets	117,036,365	154,221,593
Current Liabilities		
Accounts payable	55,604,216	55,604,216
Current portion of loan payable	1,000,000	1,000,000
Income and withholding taxes payable	2,375,612	2,375,612
Total Current Liabilities	58,979,828	58,979,828
Noncurrent Liabilities		
Accrued pension cost	4,143,634	4,143,634
Deferred tax liability on the excess of fair value over the cost of the net identifiable assets acquired	–	11,155,568
Total Noncurrent Liabilities	4,143,634	15,299,202
Identifiable Net Assets Acquired	₱165,399,770	₱191,429,430
Identifiable Net Assets Acquired		₱191,429,430
Goodwill from the acquisition		1,078,606,020
Purchase consideration transferred		₱1,270,035,450
Cash flows from an investing activity:		
Cash payment		₱1,270,035,450
Net cash acquired from subsidiary		(13,620,583)
Net cash outflow		₱1,256,414,867

The goodwill of ₱1,078.6 million reflects the expected growth in the Company's restaurant business. The goodwill is not deductible for tax purposes.

Shakey's International Limited and Golden Gourmet Limited

On October 5, 2016, SPAVI purchased from SAFHI the entire outstanding shares of stocks of SIL and GGL. Both Companies were incorporated in Hong Kong with limited liability.

Management has assessed that SIL and GGL do not qualify as businesses based on relevant accounting standards and therefore were accounted for as an acquisition of assets, i.e. trademarks, amounting to ₱4,760.5 million. The transaction did not give rise to goodwill. The consideration has been allocated to the identifiable assets and liabilities on the basis of their fair values as follows at date of acquisition:

	Carrying Values	Fair Values Recognized
Current Assets -		
Cash	₱6,277,921	₱6,277,921
Trade and other receivables	348,670	348,670
Total Current Assets	6,626,591	6,626,591
Current Liabilities		
Accounts payable	₱491,657	₱491,657
Due to a stockholder	232,744,536	232,744,536
Total Current Liabilities	233,236,193	233,236,193

	Carrying Values	Fair Values Recognized
Identifiable Net Liabilities Acquired	(P226,609,602)	(P226,609,602)
Identifiable Net Liabilities Acquired		(P226,609,602)
Trademark from the acquisition		4,987,109,602
Purchase consideration transferred		P4,760,500,000
Cash flows from an investing activity:		
Cash payment		P4,760,500,000
Net cash acquired from subsidiary		(6,277,921)
Net cash outflow		P4,754,222,079

5. Segment Information

Segment information is prepared on the following bases:

Seasonality of Operations

The Group's operations are not generally affected by any seasonality or cyclicity.

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 unaudited interim condensed 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-PFRS measures.

The following table shows the reconciliation of the consolidated EBITDA to consolidated net income for the nine months ended September 30, 2017 and 2016:

	2017	2016
Consolidated EBITDA	P945,557,794	P730,186,567
Depreciation and amortization	139,479,436	89,934,391
Provision for income tax	172,266,285	157,753,574
Interest expense	130,408,870	63,609,233
Interest income	(205,748)	(4,630,237)
Consolidated net income	P503,608,951	P423,519,606

6. Cash and Cash Equivalents

	September 30, 2017	December 31, 2016
Cash on hand	P42,402,994	P54,795,138
Cash in banks	91,898,780	273,236,104
Short-term deposits	57,254,426	500,409
	P191,556,199	P328,531,651

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest ranging from 0.13% to 0.25% for the nine months ended September 30, 2017 and 2016.

Interest income on cash and cash equivalents amounted to P0.2 million and P4.6 million for the nine months ended September 30, 2017 and 2016, respectively.

7. Trade and Other Receivables

	September 30, 2017	December 31, 2016
Trade:		
Stores	P143,552,707	P195,113,110
Related parties	59,420	2,934,997
Third parties	24,670,841	31,858,992
Advances:		
Suppliers	156,789,475	129,508,535
Third parties	–	226,477
Receivable from National Advertising Fund (NAF)	15,815,297	11,763,847
Receivables from employees	7,989,409	15,281,774
Royalty receivable	20,370,772	19,712,775
Others:		
Stores	30,306,936	20,649,181
Related parties	112,596	–
Third parties	–	241,080
	399,667,452	427,290,768
Less allowance for doubtful accounts	(7,662,365)	(6,465,851)
	P392,005,087	P420,824,917

Below are the terms and conditions of the financial assets:

- Trade receivables are noninterest-bearing and are normally collectible within 10 days.
- Advances to suppliers represent payments to suppliers and contractors for items purchased or goods yet to be delivered or rendered.
- Royalty receivable is being collected from dealers on the 20th day of the following month.
- 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.
- Receivable from NAF pertains to short-term advances provided by the Group for the advertising and promotional activities of Shakey's which are to be reimbursed from the fund.
- Other receivables consist mainly of receivables from various parties for transactions other than sale of goods such as management fees, freight and gas expenses, are noninterest-bearing and generally have 30 to 45 days' term.

The movements of allowance for doubtful accounts are as follows:

	Trade and Others	Receivables from Employees	Total
Balance as at December 31, 2015 (audited)	₱5,184,105	₱1,371,151	₱6,555,256
Effects of business combination	775,884	—	775,884
Reversal of allowance for doubtful accounts	(393,024)	—	(393,024)
Accounts written-off	(472,265)	—	(472,265)
Balance as at December 31, 2016 (audited)	5,094,700	1,371,151	6,465,851
Provision for doubtful accounts	1,196,514	—	1,196,514
Balance as at September 30, 2017 (unaudited)	₱6,291,214	₱1,371,151	₱7,662,365

8. Inventories

	September 30, 2017	December 31, 2016
At net realizable value:		
Finished goods	₱7,898,006	₱5,172,117
Merchandise	282,562,419	236,992,503
Raw materials:		
Food	11,684,447	9,398,646
Packaging	4,405,660	4,721,958
	₱306,550,533	₱256,285,224

The cost of the inventories carried at NRV follows:

	2017	2016
Finished goods	₱7,898,006	₱5,172,116
Merchandise	284,332,837	241,459,792
Raw materials:		
Food	11,725,288	9,439,487
Packaging	4,440,011	4,756,308
	₱308,396,141	₱260,827,703

The cost of merchandise and materials charged to cost of sales in the unaudited interim condensed consolidated statements of comprehensive income for the nine months ended September 30, 2017 and 2016 amounted to ₱1,817.1 million and ₱1,667.2 million, respectively.

Allowance for inventory obsolescence amounted to ₱1.8 million and ₱4.5 million as at September 30, 2017 and December 31, 2016, respectively.

Provision for inventory obsolescence amounting ₱0.4 million recognized for the nine months ended September 30, 2017, while reversal of provision for inventory obsolescence amounting to ₱1.8 million was recognized for the nine-month period ended September 30, 2016.

Inventory amounting to ₱2.8 million and nil were written off for the nine months ended September 30, 2017 and 2016, respectively.

9. AFS Investments

Movements of the accounts are as follow:

	September 30, 2017	December 31, 2016
Acquisition cost:		
Balance at beginning of period	₱1,129,204,765	₱690,126,908
Additions	190,892,375	1,124,500,000
Disposal	(1,294,500,000)	(685,422,143)
Balance at end of period	25,597,140	1,129,204,765
(Forward)		
	September 30, 2017	December 31, 2016
Unrealized gain (loss) on changes in fair value of AFS investments:		
Balance at beginning of period	673,721	(2,888,071)
Disposal	(1,157,578)	2,888,071
Unrealized gain	488,486	673,721
Balance at end of period	4,629	673,721
Cumulative impairment loss on golf club shares	(4,704,765)	(4,704,765)
AFS investment classified as current	₱20,897,004	₱1,125,173,721

As at September 30, 2017 and December 31, 2016, the Group's AFS investments consist of investment in unit investment trust fund (UITF), which have no holding period and are callable any time.

The changes in the fair value of AFS investments are recognized under "Unrealized gain (loss) on changes in fair value of AFS investments" shown as part of "Other components of equity" in the unaudited interim condensed consolidated statements of financial position.

10. Property and Equipment

	Building and Leasehold Improvements	Furniture, Fixtures and Equipment	Machinery and Equipment	Transportation Equipment	Cost of Shops and Maintenance Tools	Glasswares and Utensils	Construction-In- Progress	Total
Cost								
At December 31, 2015	₱785,077,569	₱764,749,819	₱–	₱56,632,793	₱518,448	₱45,219,055	₱–	₱1,652,197,684
Additions through business combination	21,346,000	749,415	99,667,393	2,774,000	–	–	22,893,557	147,430,365
Additions	142,803,445	243,236,246	599,542	3,071,389	75,730	11,467,970	16,383,225	417,637,547
Disposal	–	(2,035,893)	(360,714)	(8,275,071)	–	(7,526)	–	(10,679,204)
At December 31, 2016	949,227,014	1,006,699,587	99,906,221	54,203,111	594,178	56,679,499	39,276,782	2,206,586,392
Additions	300,858,314	255,759,602	66,229,530	4,054,248	25,000	6,342,292	–	633,268,987
Reclassification	39,276,782	–	–	–	–	–	(39,276,782)	–
Disposals	(43,926,819)	(2,736,667)	–	(448,833)	(3,196)	–	–	(47,115,515)
Balance at September 30, 2017	₱1,245,435,291	₱1,259,722,522	₱166,135,751	₱57,808,527	₱615,982	₱63,021,791	₱–	₱2,792,739,864
Accumulated Depreciation and Amortization								
At December 31, 2015	₱470,038,573	₱522,032,309	₱–	₱40,083,241	₱398,011	₱42,500,951	₱–	₱1,075,053,085
Depreciation and amortization	34,925,449	81,721,192	5,258,774	5,170,873	172,386	10,736,694	–	137,985,368
Disposals	–	(1,317,119)	(204,405)	(3,931,545)	–	(4,911)	–	(5,457,980)
At December 31, 2016	504,964,022	602,436,382	5,054,369	41,322,569	570,397	53,232,734	–	1,207,580,473
Depreciation and amortization	47,683,167	68,736,109	13,903,763	2,426,232	24,117	6,706,049	–	139,479,437
Disposals	(43,926,819)	(2,754,672)	–	(396,678)	–	–	–	(47,078,170)
Balance at September 30, 2017	₱508,720,370	₱668,417,819	₱18,958,132	₱43,352,123	₱594,514	₱59,938,783	–	₱1,299,981,740
Net Book Value								
Balance at September 30, 2017	₱736,714,921	₱591,304,704	₱147,177,620	₱14,456,404	₱21,468	₱3,083,009	₱–	₱1,492,758,124
Balance at December 31, 2016	444,262,992	404,263,205	94,851,852	12,880,542	23,781	3,446,765	39,276,782	999,005,919

The Group has fully depreciated property and equipment still used in the operations with cost of ₱985.1 million and ₱819.2 million as at September 30, 2017 and December 31, 2016, respectively. There are no idle assets as at September 30, 2017 and December 31, 2016.

11. Accounts Payable and Other Current Liabilities

	September 30, 2017	December 31, 2016
Trade:		
Suppliers	P412,537,093	P320,037,962
Related parties	249,161	131,580
Nontrade	194,176,128	290,842,222
Accrued expenses:		
Utilities	31,643,237	48,747,325
Interest	—	5,625,000
Suppliers	39,545,376	33,319,368
Customers loyalty	28,783,168	27,215,981
Salaries and wages	76,961,864	10,902,991
Payable to NAF	19,454,821	32,531,643
Customers' deposits	27,511,002	6,059,778
Others	93,985,811	88,897,131
	P924,847,660	P864,310,981

Below are the terms and conditions of the financial liabilities:

- Trade payables are non-interest bearing and are normally settled within the following year.
- Nontrade payables consist mainly of reimbursable expenses to officers and employees and 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.
- Payable to NAF pertains to remittances from dealers equivalent to 4.4% of gross sales of the previous month. This is to be used exclusively in implementing the national advertising and promotions programs of the Shakey's System in the country. Payable to NAF is remitted to the fund within 20 days of the following month of collection.
- Other payables are normally settled in 15 to 45 days' term.

Other payables consist of the following:

	September 30, 2017	December 31, 2016
Salaries payable	P24,342,993	P28,449,332
Output VAT - net of input VAT amounting to P379.2 million and P425.4 million as at September 30, 2017 and December 31, 2016	27,774,470	26,007,722
Withholding tax payable	15,873,643	13,266,973
Fun certificates payable	4,610,236	10,899,405
SSS, Philhealth and Pag-ibig payable	5,444,662	4,951,799
Due to cooperative	12,651,965	4,321,082
Others	3,287,842	1,000,818
	P93,985,811	P88,897,131

12. 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.

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 nine months ended September 30, 2017 and 2016, 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 Receivable	Payable	Terms	Conditions
Century Pacific Group Inc. (CPGI, Ultimate Parent Company)							
Management Fee	Management fee of CPGI from July to December 2016	2017 2016	P= –	P= –	P= 3,473,907	30-day; non-interest bearing	Unsecured
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2017 2016	– 5,834,288	– –	– –	30-day; non-interest bearing	Unsecured; not impaired
Bakemasters, Inc. (BMI) (i)							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2017 2016	P= 21,111,493	P= –	P= –	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	2017 2016	– 222,770,293	– –	– –	30-day; non-interest bearing	Unsecured
Interest income	Pertains to the interest income on the remaining balance of loan to a related party at 4% per annum	2017 2016	– 357,666	– –	– –	4.0% per annum	Unsecured
Golden Gourmet Ltd. (GGL) (i)							
Licenses	License fees, freight expense and courier expense	2017 2016	– 712,467	– –	– –	360-day; non-interest bearing	Unsecured

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance Receivable	Payable	Terms	Conditions
Shakey's Seacrest Inc. (SSI) (i)							
Advances	Cash advances for working capital	2017 2016	— 202,510	— —	— —	30-day; non-interest bearing	Unsecured; not impaired
Shakey's International Limited (SIL) (i)							
Management fee	Provides services (normally on cost plus basis) mutually agreed upon by both parties to manage the onshore transactions of SIL	2017 2016	— 9,035,404	— —	— —	30-day; non-interest bearing	Unsecured; not impaired
The Pacific Meat Company Inc. (PMCI) (ii)							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2017 2016	13,260 —	— —	— —	30-day; non-interest bearing	Unsecured; not impaired
Century Canning Corporation (CCC) (ii)							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2017 2016	— 382,306	— —	— —	30-day; non-interest bearing	Unsecured; not impaired
DBE Project Inc. (DBE) (ii)							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2017 2016	2,122,630 33,941,339	172,016 2,934,997	— —	30-day; non-interest bearing	Unsecured; not impaired
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2017 2016	9,554 70,174	— —	— 131,580	30-day; non-interest bearing	Unsecured; not impaired
Advances	Pertains to cash advances for working capital purposes. Amount advanced in 2015 was converted into an interest bearing loan in 2016.	2017 2016	— 24,000,000	— —	— —	30-day; non-interest bearing	Unsecured; not impaired
Loans	Loan extended to the company. Please see succeeding discussion for the details.	2017 2016	— 70,500,000	— —	— —	Payable monthly beginning January 2015 for 36 months and bears a 6% annual interest to be paid together with the principal amount.	Unsecured; not impaired

(Forward)

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance		Terms	Conditions
Interest income	Pertains to the interest income on the remaining balance of loan to a related party at 4% per annum.	2017 2016	— 2,187,750	— —	— —	4.0% per annum	Unsecured
Shakey's Asia Food Holdings, Inc. (SAFHI) (ii)							
Advances	Cash advance for the sole purpose of SAFHI's repayment of external debt	2017 2016	— 5,000,000,000	— —	— —	Payable on demand, non-interest bearing	Unsecured; not impaired
Management Fee	Provides services (normally on cost plus basis) mutually agreed upon by both parties to handle the Company's corporate matters, management and affairs.	2017 2016	— 51,440,134	— —	— —	Payable on demand, non-interest bearing	Unsecured; not impaired
Century Pacific Food Inc. (CPFI) (ii)							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2017 2016	1,577,224 5,834,288	— —	249,161 —	30-day; non-interest bearing	Unsecured; not impaired
Golden Donuts, Inc. (GDI) (iii)							
Rental income	Rental income on store lease	2017 2016	— 251,466	— —	— —	30-day; non-interest bearing	Unsecured; not impaired
Cavallino, Inc. (CI) (iii)							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2017 2016	— 2,722,729	— —	— —	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	2017 2016	— 13,839	— —	— —	30-day; non-interest bearing	Unsecured
Mix Plant, Inc. (MPI) (iii)							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2017 2016	— 12,595,900	— —	— —	30-day; non-interest bearing	Unsecured

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance Receivable	Payable	Terms	Conditions
Golden Pizza, Inc. (GPI)/Cowboy Grill (iii)							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2017 2016	— 381,642	— —	— —	30-day; non-interest bearing	Unsecured; not impaired
Purchases	Purchase of raw materials and goods and dues subscription at agreed prices usually on a cost plus basis	2017 2016	— 149,325	— —	— —	30-day; non-interest bearing	Unsecured
Golden Pie Realty & Development Corporation (GPRDC) (iii)							
Rent expense	Rental expense on store lease and utilities	2017 2016	— 402,300	— —	— —	30-day; non-interest bearing	Unsecured; not impaired
Parkside Realty & Development Corporation (PRDC) (iii)							
Rent expense	Rental expense on store lease and utilities	2017 2016	— 13,176,144	— —	— —	30-day; non-interest bearing	Unsecured; not impaired
			2017	₱172,016	₱249,161		
			2016	₱2,934,997	₱3,605,487		

(i) Considered related parties as at and for the year ended December 31, 2015 and for the period from January 1 to October 4, 2016. Became wholly-owned subsidiaries of SPAVI starting October 5, 2016.

(ii) Pertains to entities that are within the same Group (CPGI). Considered related parties starting April 1, 2016.

(iii) Considered related parties until March 31, 2016 only. Due to change in ownership effective April 1, 2016, the entities were no longer affiliated with the Company. 2016 amount/volume of transactions pertains only to transactions from January 1, 2016 to March 31, 2016. Balances as at December 31, 2016 are nil since as at April 1, 2016, they are no longer considered related parties.

The above transactions are recorded in the Group's books as follows:

For the nine months ended September 30, 2017								As at September 30, 2017	
	Purchases	Trade Sales and Service Income	Interest Income	Rental Expense	License Fee	Loans/ Advances	Management Fee	Trade Payables and Accrued Expenses	Trade and Other Receivables
PMCI	P13,260	P-	P-	P-	P-	P-	P-	P	P-
DBE	9,554	2,122,630	-	-	-	-	-	-	172,016
CPFI	1,577,224	-	-	-	-	-	-	249,161	-
	P1,600,038	P2,122,630	P-	P-	P-	P-	P-	P249,161	P172,016
For the nine months ended September 30, 2016								As at December 31, 2016	
	Purchases	Trade Sales and Service Income	Interest Income	Rental Expense	License Fee	Loans/ Advances	Management Fee	Trade Payables and Accrued Expenses	Trade and Other Receivables
CPGI	P5,834,288	P-	P-	P-	P-	P-	P-	P3,473,907	P-
BMI	222,770,293	21,111,493	357,666	-	-	-	-	-	-
SIL	-	-	-	-	-	-	9,035,404	-	-
CCC	382,306	-	-	-	-	-	-	-	-
DBE	70,174	33,941,339	2,187,750	-	-	94,500,000	-	131,580	2,934,997
GGL	-	-	-	-	712,467	-	-	-	-
SSI	-	-	-	-	-	202,510	-	-	-
SAFHI	-	-	-	-	-	5,000,000,000	51,440,134	-	-
CPFI	5,834,288	-	-	-	-	-	-	-	-
GDI	-	-	251,466	-	-	-	-	-	-
CI	13,839	2,722,729	-	-	-	-	-	-	-
MPI	12,595,900	-	-	-	-	-	-	-	-
GPI	149,325	381,642	-	-	-	-	-	-	-
GPRDC	-	-	-	402,300	-	-	-	-	-
PRDC	-	-	-	13,176,144	-	-	-	-	-
	P247,650,413	P58,157,203	P2,796,882	P13,578,444	P712,467	P5,094,702,510	P60,475,538	P3,605,487	P2,934,997

Compensation of Key Management Personnel

The salaries and pension costs of key management personnel in 2017 and 2016 are as follows:

	For the nine months ended September 30,	
	2017	2016
Salaries	₱170,952,345	₱103,464,020
Pension costs	16,321,155	5,480,280
	₱187,273,500	₱108,944,300

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

13. Loan Payable

	September 30, 2017	December 31, 2016
Principal	₱5,000,000,000	₱5,000,000,000
Less principal repayment	(1,025,000,000)	–
	3,975,000,000	5,000,000,000
Less unamortized debt issue costs	(17,986,589)	(18,392,677)
	3,957,013,411	4,981,607,323
Less current portion of long-term loan	(48,772,005)	(1,048,365,917)
Noncurrent portion	₱3,908,241,406	₱3,933,241,406

On September 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 for the purpose of refinancing the bridge loan of SAFHI. SAFHI shall in turn pledge its 100% ownership shares of all of its subsidiaries.

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.

Interest expense amounting to ₱130.4 million and ₱63.6 million was recognized for the nine months ended September 30, 2017 and 2016, respectively.

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 as at December 31, 2016. On January 3, 2017, the Group exercised its option to prepay. Break-funding costs related to the exercise of the prepayment option amounted to ₱21.4 million.

So 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 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 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 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 consolidated financial statements. The Company obtained a letter from the lender dated June 30, 2016 waiving the DSCR and Debt to Equity Ratio requirements for the period ended June 30, 2016 and granted a twelve-month grace period within which the Group can rectify the breach and during which the lender cannot demand immediate repayment. Furthermore, 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.
- 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 of September 30, 2017 and December 31, 2016, the Group is in compliance with the aforementioned affirmative covenants. Accordingly, the non-current portion of the loan remains as noncurrent liability in the unaudited interim condensed consolidated statement of financial position as of September 30, 2017 and in the audited consolidated financial position as of December 31, 2016.

14. Equity

Capital Stock

On October 14, 2016, SEC approved the Parent Company's application to increase its authorized capital stock from ₱1,000.0 million to ₱2,000.0 million. Details of the movement in capital stock are as follows:

	September 30, 2017		December 31, 2016	
	Number of shares	Amount	Number of shares	Amount
Authorized capital stock - ₱1 par value				
Beginning	2,000,000,000	₱2,000,000,000	1,000,000,000	₱1,000,000,000
Increase in capital stock	–	–	1,000,000,000	1,000,000,000
	2,000,000,000	₱2,000,000,000	2,000,000,000	₱2,000,000,000
Issued and outstanding capital stock - ₱1 par value				
Beginning	1,531,321,053	₱1,531,321,053	768,614,050	₱768,614,050
Issuance	–	–	762,707,003	762,707,003
	1,531,321,053	₱1,531,321,053	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
December 1, 2016	Registered and Listed Shares (Original Shares)	2,000,000,000	1,179,321,053	₱1.00
	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

The issued and outstanding shares as at September 30, 2017 and December 31, 2016 are held by 29 and 28 equity holders, respectively.

Retained Earnings

On May 8, 2017, the BOD approved the declaration of regular cash dividend amounting to ₱153.1 million or ₱0.10 per share to all stockholders of record as of September 6, 2017.

Details of cash dividends declared in 2016 are as follows:

Date of Declaration	Dividend		Record Date
	Rate (per share)	Amount	
February 29, 2016	₱0.06	46,116,843	March 29, 2016
February 29, 2016	1.22	940,800,000	March 30, 2016
October 4, 2016	0.15	115,000,000	September 30, 2016

Undistributed earnings of the subsidiaries included in the Group's retained earnings amounting to ₱258.9 million as at September 30, 2017 and ₱247.8 million as at December 31, 2016 are not currently available for dividend distribution.

APIC

Amount received in excess of the par values of the shares issued amounting to ₱1,436.5 million was recognized as "APIC" in the 2016 unaudited interim condensed consolidated statement of changes in equity. Directly attributable transaction costs incurred on the initial public offering of 104.0 million primary shares amounting to ₱83.0 million were charged to APIC in 2016.

15. 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 as of September 30, 2017 and December 31, 2016, hence, diluted EPS is the same as the basic EPS.

The Group's EPS were computed as follows:

	For the nine months ended September 30,	
	2017	2016
(a) Net income	₱503,608,951	₱423,519,606
(b) Weighted average number of shares outstanding	1,531,321,053	768,614,050
Basic/ diluted EPS (a/b)	₱0.33	₱0.55

16. Financial Risks Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, AFS investments and loan to a related party. 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 trade and other receivables, rental deposit, accounts payable and other current liabilities arising directly from operations and dividends payable.

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

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:

	September 30, 2017	December 31, 2016
Cash and cash equivalents*	₱149,153,205	₱273,736,513
Trade and other receivables:		
Trade receivables	162,472,669	225,293,314
Receivable from NAF	15,815,297	11,763,847
Receivables from employees	6,618,258	13,910,623
Royalty receivable	20,370,772	19,712,775
Other receivables	29,938,617	20,409,346
Rental deposits	114,422,797	98,899,629
Total credit risk exposure	₱498,791,615	₱663,726,047

*Excluding cash on hand.

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

September 30, 2017						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1–180 Days	181–360 Days	Subtotal		
Cash and cash equivalents*	P149,153,205	P–	P–	P–	P–	P149,153,205
Trade and other receivables:						
Trade receivables	135,165,915	26,933,130	373,623	27,306,754	5,810,299	168,282,968
Receivable from NAF	15,815,297	–	–	–	–	15,815,297
Receivables from employees	481,325	1,578,303	4,558,630	6,136,933	1,371,151	7,989,409
Royalty receivable	20,370,772	–	–	–	–	20,370,772
Other receivables	23,500,831	5,066,642	1,371,144	6,437,786	480,915	30,419,532
Rental deposits	114,422,797	–	–	–	2,095,290	116,518,087
	P458,910,142	P33,578,075	P6,303,397	P39,881,473	P9,757,655	P508,549,269

*Excluding cash on hand.

December 31, 2016						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1–180 Days	181–360 Days	Subtotal		
Cash and cash equivalents*	P273,736,513	P–	P–	P–	P–	P273,736,513
Trade and other receivables:						
Trade receivables	142,448,747	78,403,964	4,440,603	82,844,567	4,613,785	229,907,099
Receivable from NAF	11,763,847	–	–	–	–	11,763,847
Receivables from employees	1,939,329	7,445,694	4,525,600	11,971,294	1,371,151	15,281,774
Royalty receivable	18,772,775	940,000	–	940,000	–	19,712,775
Other receivables	2,174,257	14,116,635	4,118,453	18,235,088	480,915	20,890,260
Rental deposits	98,899,629	–	–	–	2,095,290	100,994,919
	P549,735,097	P100,906,293	P13,084,656	P113,990,949	P8,561,141	P672,287,188

*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 tables below show the credit quality of the Group’s neither past due nor impaired financial assets based on their historical experience with the corresponding debtors:

September 30, 2017				
	High grade	Medium grade	Standard grade	Total
Cash and cash equivalents*	P149,153,205	P–	P–	P149,153,205
Trade and other receivables:				
Trade receivables	121,004,581	7,880,383	6,280,950	135,165,915
NAF	–	–	15,815,297	15,815,297
Receivables from employees	–	–	481,325	481,325
Royalty receivable	20,370,772	–	–	20,370,772
Other receivables	1,370,976	22,129,855	–	23,500,831
Rental deposits	–	–	114,422,797	114,422,797
	P291,899,534	P30,010,238	P137,000,369	P458,910,142

*Excluding cash on hand.

December 31, 2016				
	High grade	Medium grade	Standard grade	Total
Cash and cash equivalents*	P273,736,513	P–	P–	P273,736,513
Trade and other receivables:				
Trade receivables	100,986,464	13,027,211	28,435,072	142,448,747
NAF	–	–	11,763,847	11,763,847
Receivables from employees	–	–	1,939,329	1,939,329
Royalty receivable	18,772,775	–	–	18,772,775
Other receivables	431,214	1,743,043	–	2,174,257
Rental deposits	–	–	98,899,629	98,899,629
	P393,926,966	P14,770,254	P141,037,877	P549,735,097

*Excluding cash on hand.

Financial assets classified as “high grade” are those cash and cash equivalents 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 tables below summarize the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments. The tables also analyze the maturity profile of the Group’s financial assets in order to provide a complete view of the Group’s contractual commitments and liquidity.

September 30, 2017						
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	Total
Cash and cash equivalents	P149,153,205	P–	P–	P–	P–	P149,153,205
Trade and other receivables						
Trade	135,165,915	26,626,028	680,725	1,196,515	4,613,785	168,282,968
NAF	15,815,297	–	–	–	–	15,815,297
Receivables from employees	7,989,409	–	–	–	–	7,989,409
Royalty receivables	–	20,370,772	–	–	–	20,370,772
Other receivables	23,500,831	4,147,858	2,289,928	–	480,915	30,419,532
Rental deposits	81,116,892	–	–	–	35,401,195	116,518,087
AFS investment	20,897,004	–	–	–	–	20,897,004
	433,638,553	51,144,659	2,970,653	1,196,515	40,495,894	529,446,273
Accounts payable and other current liabilities:						
Trade payables	–	397,054,747	15,731,507	–	–	412,786,254
Nontrade payables	–	133,967,966	60,208,161	–	–	194,176,127
Accrued expenses	–	176,933,645	–	–	–	176,933,645
Other payables*	–	44,893,036	–	–	–	44,893,036
NAF	19,454,821	–	–	–	–	19,454,821
Dealers’ deposit and other noncurrent payables	–	–	–	–	22,502,045	22,502,045
Loan payable**	–	–	116,335,563	115,761,125	5,304,173,938	5,536,270,625
	19,454,821	752,849,394	192,275,230	115,761,125	5,326,675,982	6,407,016,552
Liquidity gap	P414,183,731	(P701,704,736)	(P189,304,577)	(P114,564,611)	(P5,286,180,088)	(P5,877,570,280)

*excluding statutory payables

**Including future interest payments

December 31, 2016						
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	Total
Cash and cash equivalents	P328,531,651	P–	P–	P–	P–	P328,531,651
Trade and other receivables						
Trade	142,448,747	40,336,242	42,508,325	–	–	225,293,314
Receivable from NAF	11,763,847	–	–	–	–	11,763,847
Receivables from employees	1,939,329	7,672,171	–	4,299,123	–	13,910,623
Royalty receivables	–	19,712,775	–	–	–	19,712,775
Other receivables	976,730	6,316,077	8,998,085	4,118,453	–	20,409,345
Rental deposits	56,896,569	–	–	–	42,003,060	98,899,629
AFS investment	1,125,173,721	–	–	–	–	1,125,173,721
	1,667,730,594	74,037,265	51,506,410	8,417,576	42,003,060	1,843,694,905

(Forward)

Accounts payable and other current liabilities:						
Trade payables	–	219,891,073	153,502,882	–	–	373,393,955
Nontrade payables	–	266,424,816	24,417,407	–	–	290,842,223
Accrued expenses	–	125,615,034	195,631	–	–	125,810,665
Other payables*	–	67,250,759	–	–	–	67,250,759
Payable to NAF	–	32,531,643	–	–	–	32,531,643
Dealers' deposit and other noncurrent payables	–	–	–	–	16,520,343	16,520,343
Loan payable**	–	–	–	1,048,365,917	3,933,241,406	4,981,607,323
	–	711,713,325	178,115,920	1,048,365,917	3,949,761,749	5,887,956,911
Liquidity gap	₱1,667,730,594	(₱637,676,060)	(₱126,609,510)	(₱1,039,948,341)	(₱3,907,758,689)	(₱4,044,262,006)

*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 others 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 adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. The Group's debt-to-equity ratios is as follows:

	September 30, 2017	December 31, 2016
Total liabilities	₱5,035,303,522	₱6,025,382,363
Total equity	3,709,531,604	3,359,077,125
	1.36:1	1.79:1

17. 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, 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 Group's financial instruments other than those described above:

As at September 30, 2017				
		Fair Value		
	Date of Valuation	Carrying Value	Level 1 Quoted	Level 2 Significant Observable Input
Asset for which fair value are disclosed:				
AFS investments	September 30, 2017	₱20,897,004	₱20,897,004	₱–
Rental deposits	September 30, 2017	119,563,507	–	112,508,918
		₱140,460,511	₱20,897,004	₱112,508,918
Liabilities for which fair value are disclosed:				
Loan payable	September 30, 2017	₱3,957,013,411	₱–	₱3,695,458,489
Dealers' deposits	September 30, 2017	14,132,321	–	13,314,944
		₱3,971,145,732	₱–	₱3,708,773,433

As at December 31, 2016				
	Date of Valuation	Carrying Value	Fair Value	
			Level 1 Quoted	Level 2 Significant Observable Input
Asset for which fair value are disclosed:				
AFS investments	December 31, 2016	₱1,125,173,721	₱1,125,173,721	₱–
Rental deposits	December 31, 2016	100,879,622	–	94,539,912
		₱1,226,053,343	₱1,125,173,721	₱94,539,912
Liabilities for which fair value are disclosed:				
Loan payable	December 31, 2016	₱4,981,607,323	₱–	₱4,672,841,275
Dealers' deposits	December 31, 2016	10,624,906	–	9,952,746
		₱4,992,232,229	₱–	₱4,682,794,021

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 6.27% as at September 30, 2017 and 6.71% as at December 31, 2016.

AFS Investments. The fair values are based on quoted shares as at reporting date.

Loans Payable. The fair value of loan payable which was discounted using prevailing market rate of 6.14% as at September 30, 2017 and 6.61% as at December 31, 2016 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 6.14% as at September 30, 2017 and 6.25% as at December 31, 2016.

As at September 30, 2017 and December 31, 2016, there were no transfers between Level 1 and 2 fair value measurements.