

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 **March 31, 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.** **1700**  
**BARANGAY SAN MARTIN DE PORRES, PARANAQUE CITY**  
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	<b><u>COMMON</u></b>
<b><u>SHARES</u></b>	
Number of shares of common stock outstanding	<b><u>1,531,321,053</u></b>
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") for the three months ended March 31, 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 March 31, 2017 and December 31, 2016
- 1.2 Consolidated Statement of Income and Retained Earnings for the period ended March 31, 2017
- 1.3 Consolidated Statement of Cash Flows for the period ended March 31, 2017
- 1.4 Consolidated Statement of Changes in Shareholder's Equity for the period ended March 31, 2017 and December 31, 2016
- 1.5 Notes to Consolidated Financial Statements

### **Item 2. Management Discussions and Analysis of Financial Condition and Results of Operations (Based on the unaudited consolidated financial statements for the period ended March 31, 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 57.7% and 26.7% market share based on 2015 Euromonitor data. As of March 31, 2017, it operates a total of 189 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. As of today, PIZZA does not operate any stores outside of the Philippines.

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 the A and B classes through its delivery segment. With the shift of consumer trend towards convenience, 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 is spread nationwide through its five 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 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 SPAVI as of first quarters ended March 31, 2016 and 2017, respectively:

<b>In PHP Mill</b>	<b>Reported Q1 2016</b>	<b>Reported Q1 2017</b>	<b>Change YOY</b>
Systemwide sales	1,642	2,007	22%
Net Revenue	1,330	1,667	25%
Cost of Sales	(1,003)	(1,169)	17%
Gross Profit	327	498	52%
Operating Expense	(164)	(211)	29%
Operating Income	163	287	76%
EBITDA	238	327	37%
Net income before tax	178	240	34%
Net income after tax	138	173	26%
<b><u>Margins</u></b>			
Gross profit margin	24.6%	29.9%	530 bps
Operating income margin	12.3%	17.2%	490 bps
EBITDA margin	17.9%	19.6%	170 bps
Net income margin	10.4%	10.4%	-

### ***Key Highlights***

- Shakey's Pizza Asia Ventures Inc. (PSE:PIZZA), delivered a consolidated net income after tax of P173 million for the first three months ended March 31, 2017. This represents a growth of 26% year-on-year, driven by stronger sales and improved profitability.
- Systemwide sales grew by 22% to P2.0 billion, while same store sales registered a 11.6% growth as in-store head count and average checks increased.
- The Company's consolidated net revenues hit P1.7 billion for the period ended March 31, 2017, a 25% growth compared to the P1.3 billion registered during the same period last year.
- PIZZA saw improved profitability as its margins for gross profit and earnings before interest, taxes, depreciation, and amortization (EBITDA) expanded by 530 bps to 29.9% and 170bps to 19.6%, respectively.

### ***Systemwide sales and Revenues***

- System-wide sales, composed of sales generated from both Company-owned and franchise stores, grew from P1.6 billion to P2.0 billion for the first three months ended March 31, 2017. This represents a 22.2% growth versus the same period last year. Same store sales growth grew by 11.6% from the same period last year. The faster growth compared to the previous years is attributed to the increase in in-store head count as well as average checks.
- Consolidated net revenues, composed of (1) revenues from store activities and sale of merchandise and equipment to franchisees, (2) franchise and royalty fees, and (3) revenues from third party commissary sales, grew by 25.3% for the first three months ended March 31, 2017 to P1.7 billion from P1.3 billion during the same period last year.
- Strong revenue performance as in-store head count and average checks increased driven by a well-executed and well-received promotion deal during the first three months of the year. The 2017 meal deal, which ran from January to March 31, 2017, offered a full deal for 8-10 persons at an affordable price of P2,017.

### ***Cost of sales***

- Consolidated cost of sales for the first three months ended March 31, 2017 grew by 16.6% to P1.2 billion from P1.0 billion during the same period last year. This is less than the 25.3% growth in consolidated net revenues.
- Consolidated cost of sales is composed of raw material and packaging costs, direct labor costs, and store-related costs including rent, utilities, etc.
- The slower increase in cost of sales is attributed to purchasing synergies with the Century Pacific Group as well as the Company's hedging strategies in relation to its imported goods.

### ***Gross Profit***

- Consolidated gross profit for the three months ended March 31, 2017 amounted to P498 million, signifying a growth of 52.3% from P327 million during the same period last year.

This represents a 530 bps improvement in gross profit margin to 29.9% from 24.6% during the same period last year.

### ***Operating Expense and other income (expense)***

- Consolidated operating expense, composed of selling, distribution, market and administrative expenses, totaled P211 million for the period ended March 31, 2017. This represents a 12.7% cost-to-sales ratio, a slight increase of 40 bps from 12.3% cost-to-sales ratio during the same period last year. There was some upward adjustment in personnel costs as the Company brought in key personnel to support the back-end operations in its head office as it gears up for expansion.
- Other income/expense is composed of income and expenses that are not directly related to the Company's operations, namely (1) gains or losses on transactions relating to foreign currency exchange, sale of scrap and PPE, (2) service fee charged to franchisees, (3) rental income, interest income from investments. For the three months ended March 31, 2017, PIZZA's consolidated net other expense totaled P4.36 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.
- Net interest expense of P42.7 million recorded for the first three months ended March 31, 2017. Net interest expense was born from the P4.0 billion acquisition loan used to acquire the wholly-owned subsidiaries.
- Consolidated operating income for the three months ended March 31, 2017 totaled P287 million or a 17.2% operating income-to-sales ratio, an improvement of 490 bps from the 12.3% operating income-to-sales ratio for the same period last year.
- Consolidated EBITDA (earnings before interest, taxes, depreciation, and amortization) for the three months ended March 31, 2017 totaled to P327 million. This translates to 19.6% EBITDA margin, a 170 bps improvement from last year's 17.9%.
- Consolidated net income after tax for the period ended March 31, 2017 totaled P173 million, a 26% growth from the same period last year. Income performance can be attributed to a successful promotional deal during the first three months of 2017, purchasing and operating synergies with the Century Pacific Group, as well as the financial consolidation of its wholly-owned subsidiaries.

### ***Financial Condition***

The Company's financial stability and financial position as of March 31, 2017 is as follows:

- Cash and cash equivalents totaled P231 million as of March 31, 2017. Operating activities registered a P148 million total inflow, with operating cash more than enough to cover changes in working capital. Net cash used in investing and financing activities amounted to P623 million and P1.0 billion, respectively.
- Current ratio remained steady at 1.18 times as of March 31, 2017 relative to last year's ratio of 1.08 times. The cash conversion cycle marginally decreased to -20 days from -26 days a year ago. As of March 31, 2017, accounts receivable and inventory days stood at 21 and 21 respectively, while accounts payable came in at 62 days.

- Net property, plant and equipment, registered at P1.2 billion as of March 31, 2017. Capital expenditures for the first three months of the year totaled to P207 million, composed of new equipment for the commissary plant as well as materials for new stores and central office construction.
- As of March 31, 2017, the Company has 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 P173 million from P3.4 billion as of year-end 2016 to P3.5 billion as of March 31, 2017. The growth is mainly the net income earned during the first quarter of 2017.
- Total debt-to-equity ratio is measured at 1.40 times as of March 31, 2017, which is an improvement compared to 1.79 times as of year-end 2016. The improvement is attributed to the P1.0 billion loan prepayment in January 2017. Net of cash available, total debt-to-equity ratio is 1.34 times. Considering only interest-bearing debt, the Company's gearing and net gearing ratios are at 1.13 times and 1.06 times, respectively, as of March 31, 2017.

### Key Performance Indicators ( KPIs )

	Unaudited 1 <sup>st</sup> Quarter 2016	Unaudited 1 <sup>st</sup> Quarter 2017
Gross Profit Margin	25%	30%
Before Tax Return on Sales	13%	14%
Return on Sales	10%	10%
Interest-Bearing Debt-to-Equity	-	1.1x
Current Ratio	1.1x	1.2x

### 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 = 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

## 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: May 9, 2017



MANUEL T. DEL BARRIO  
Vice President & Chief Finance Officer  
Date: May 9, 2017

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

**INTERIM CONDENSED CONSOLIDATED**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>March 31, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	<b>₱230,612,322</b>	₱328,531,651
Available-for-sale (AFS) investments	<b>154,983,937</b>	1,125,173,721
Trade and other receivables	<b>349,382,590</b>	420,824,917
Inventories	<b>283,327,681</b>	256,285,224
Prepaid expenses and other current assets	<b>40,818,465</b>	13,309,956
Total Current Assets	<b>1,059,124,995</b>	2,144,125,469
<b>Noncurrent Assets</b>		
Property and equipment	<b>1,161,237,338</b>	999,005,919
Goodwill	<b>1,078,606,020</b>	1,078,606,020
Trademarks	<b>4,987,109,602</b>	4,987,109,602
Rental and other deposits	<b>123,789,419</b>	105,448,858
Deferred input value-added tax	<b>41,168,767</b>	40,257,683
Deferred tax assets – net	<b>29,094,420</b>	29,905,937
Total Noncurrent Assets	<b>7,421,005,566</b>	7,240,334,019
<b>TOTAL ASSETS</b>	<b>₱8,480,130,561</b>	₱9,384,459,488
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities	<b>₱733,614,456</b>	₱864,310,981
Current portion of loan payable	<b>48,772,005</b>	1,048,365,917
Income tax payable	<b>114,705,139</b>	64,438,143
Total Current Liabilities	<b>897,091,600</b>	1,977,115,041
<b>Noncurrent Liabilities</b>		
Loan payable - net of current portion	<b>3,933,241,406</b>	3,933,241,406
Accrued pension costs	<b>33,464,670</b>	34,334,511
Accrued rent	<b>64,672,406</b>	64,171,062
Dealers' deposits and other noncurrent liabilities	<b>19,433,812</b>	16,520,343
Total Noncurrent Liabilities	<b>4,050,812,294</b>	4,048,267,322
Total Liabilities	<b>4,947,903,894</b>	6,025,382,363
<b>Equity</b>		
Capital stock	<b>1,531,321,053</b>	1,531,321,053
Additional paid-in capital	<b>1,353,554,797</b>	1,353,554,797
Retained earnings	<b>659,345,027</b>	486,513,796
Other components of equity	<b>(11,994,210)</b>	(12,312,521)
Total Equity	<b>3,532,226,667</b>	3,359,077,125
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱8,480,130,561</b>	₱9,384,459,488

**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 MARCH 31, 2017 AND 2016**  
**(Unaudited)**

	2017	2016
<b>REVENUES</b>		
Net sales	<b>P1,607,466,309</b>	P1,281,272,040
Royalty and franchise fees	<b>59,189,637</b>	48,519,926
	<b>1,666,655,946</b>	1,329,791,966
<b>COSTS OF SALES</b>	<b>(1,168,710,754)</b>	(1,002,893,843)
<b>GROSS INCOME</b>	<b>497,945,192</b>	326,898,123
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>(211,224,882)</b>	(163,756,636)
<b>INTEREST EXPENSE</b>	<b>(42,703,029)</b>	—
<b>OTHER INCOME (EXPENSES) - Net</b>	<b>(4,362,714)</b>	15,113,671
<b>INCOME BEFORE INCOME TAX</b>	<b>239,654,567</b>	178,255,158
<b>PROVISION FOR INCOME TAX</b>		
Current	<b>66,229,575</b>	38,899,750
Deferred	<b>593,761</b>	1,830,300
	<b>66,823,336</b>	40,730,050
<b>NET INCOME</b>	<b>172,831,231</b>	137,525,108
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Disposal of AFS	<b>(534,464)</b>	—
Unrealized gain on changes in fair value of AFS investments	<b>344,680</b>	—
	<b>(189,784)</b>	—
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	<b>725,851</b>	(9,630,972)
Tax effect	<b>(217,756)</b>	2,889,292
	<b>508,095</b>	(6,741,680)
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>318,311</b>	(6,741,680)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P173,149,542</b>	P130,783,428
<b>Basic/Diluted Earnings Per Share</b>	<b>P0.11</b>	P0.18

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016**  
**(Unaudited)**

	Other Components of Equity					
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Changes in Fair Value of AFS Investments	Cumulative Actuarial Loss - Net of Tax	Total
Balances at December 31, 2016 (Audited)	<b>₱1,531,321,053</b>	<b>₱1,353,554,797</b>	<b>₱486,513,796</b>	<b>₱534,464</b>	<b>(₱12,846,985)</b>	<b>₱3,359,077,125</b>
Total comprehensive income (loss)	–	–	<b>172,831,231</b>	<b>(189,784)</b>	<b>508,095</b>	<b>173,149,542</b>
Balances at March 31, 2017 (Unaudited)	<b>₱1,531,321,053</b>	<b>₱1,353,554,797</b>	<b>₱659,345,027</b>	<b>₱344,680</b>	<b>(₱12,338,890)</b>	<b>₱3,532,226,667</b>
Balances at December 31, 2015 (Audited)	₱768,614,050	₱–	₱829,245,434	(₱2,888,071)	(₱16,728,550)	₱1,578,242,863
Total comprehensive income	–	–	137,525,108	–	(6,741,680)	130,783,428
Cash dividends	–	–	(986,916,843)	–	–	(986,916,843)
Balances at March 31, 2016 (Unaudited)	₱768,614,050	₱–	(₱20,146,301)	(₱2,888,071)	(₱23,470,230)	₱722,109,448

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

**INTERIM CONDENSED CONSOLIDATED**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016**  
**(Unaudited)**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱239,654,567</b>	₱178,255,158
Adjustments for:		
Depreciation and amortization	<b>44,813,691</b>	60,583,734
Interest expense	<b>42,703,029</b>	-
Movements in:		
Accrued rent	<b>501,344</b>	(5,967,709)
Accrued pension costs	<b>(143,988)</b>	8,607,114
Accretion income	<b>(779,273)</b>	(432,475)
Interest income	<b>(121,567)</b>	(1,205,204)
Unrealized foreign exchange loss (gain) - net	<b>(65,063)</b>	219,640
Gain on disposal of property and equipment	<b>(295)</b>	(393,524)
Income before working capital changes	<b>326,562,445</b>	239,666,734
Decrease (increase) in:		
Trade and other receivables	<b>18,997,123</b>	(59,241,661)
Inventories	<b>(27,042,457)</b>	33,227,167
Prepaid expenses and other current assets	<b>(21,630,295)</b>	(8,889,702)
Deferred input value added tax	<b>(8,461,726)</b>	(1,024,995)
Decrease in accounts payable and other current liabilities	<b>(125,059,472)</b>	30,238,424
Net cash generated from operations	<b>163,365,618</b>	233,975,967
Income taxes paid (including final tax and creditable withholding tax)	<b>(15,962,579)</b>	(9,703,985)
Interest received	<b>121,567</b>	1,205,204
Net cash provided by operating activities	<b>147,524,606</b>	225,477,186
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemption of AFS investments	<b>1,100,534,464</b>	682,534,072
Acquisition of:		
Property and equipment	<b>(207,045,405)</b>	(72,044,171)
AFS investments	<b>(130,000,000)</b>	-
Decreases (increase) in rental and other deposits	<b>(10,132,605)</b>	7,355,162
Increase in dealers' deposits and other noncurrent liabilities	<b>2,905,985</b>	-
Proceeds from disposals of property and equipment	<b>590</b>	5,890,915
Sale of financial assets at FVPL	<b>-</b>	36,084,300
Collection of intercompany loans	<b>-</b>	31,861,111
Net cash used in investing activities	<b>756,263,029</b>	691,681,389
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of:		
Loan	<b>(1,000,000,000)</b>	-
Interest	<b>(1,772,027)</b>	-
Dividends	<b>-</b>	(986,916,843)
Net cash used in investing activities	<b>(1,001,772,027)</b>	(986,916,843)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>65,063</b>	(219,640)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(97,919,329)</b>	(69,977,908)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>328,531,651</b>	388,872,392
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>₱230,612,322</b>	₱318,894,484

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**SHAKEY'S PIZZA ASIA VENTURES INC.**

(Formerly International Family Food Services, Inc.)

**AND SUBSIDIARIES**

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

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**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 Parent Company, thus making the Parent Company a wholly-owned subsidiary of SAFHI. SAFHI is owned by Century Pacific Group, Inc. (CPGI), 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. As at December 31, 2016, SSI has not yet started its commercial operations.

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 AFP-RSBS Industrial Park, C-5, KM12, ESR, Bicutan, 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 May 9, 2017.

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## **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) <sup>a</sup>	Manufacturer of pizza dough and pastries	100%
Shakey's International Limited (SIL) <sup>a</sup>	Trademark	100%
Golden Gourmet Limited (GGL) <sup>a</sup>	Trademark	100%
Shakey's Seacrest Incorporated (SSI) <sup>b</sup>	Trademark	100%
Shakey's Pizza Regional Foods Limited (SPRFL) <sup>c</sup>	Trademark	100%

<sup>a</sup> Acquired on October 5, 2016 from SAFHI.

<sup>b</sup> Incorporated on June 29, 2016.

<sup>c</sup> 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
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 P4,760.5 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	P6,277,921	P6,277,921
Trade and other receivables	348,670	348,670
<b>Total Current Assets</b>	<b>6,626,591</b>	<b>6,626,591</b>
Current Liabilities		
Accounts payable	P491,657	P491,657
Due to a stockholder	232,744,536	232,744,536
<b>Total Current Liabilities</b>	<b>233,236,193</b>	<b>233,236,193</b>
<b>Identifiable Net Liabilities Acquired</b>	<b>(P226,609,602)</b>	<b>(P226,609,602)</b>
Identifiable Net Liabilities Acquired		(P226,609,602)
Trademark from the acquisition		4,987,109,602
<b>Purchase consideration transferred</b>		<b>P4,760,500,000</b>
Cash flows from an investing activity:		
Cash payment		P4,760,500,000
Net cash acquired from subsidiary		(6,277,921)
<b>Net cash outflow</b>		<b>P4,754,222,079</b>

## 5. 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 the 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 three months ended March 31, 2017 and 2016:

	2017	2016
Consolidated EBITDA	<b>P327,049,720</b>	P237,633,688
Depreciation and amortization	<b>(44,813,691)</b>	(60,583,734)
Provision for income tax	<b>(66,823,336)</b>	(40,730,050)
Interest expense	<b>(42,703,029)</b>	—
Interest income	<b>121,567</b>	1,205,204
Consolidated net income	<b>P172,831,231</b>	P137,525,108

## 6. Cash and Cash Equivalents

	March 31, 2017	December 31, 2016
Cash on hand	<b>P32,005,609</b>	P54,795,138
Cash in banks	<b>144,304,904</b>	273,236,104
Short-term deposits	<b>54,301,809</b>	500,409
	<b>P230,612,322</b>	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 three months ended March 31, 2017 and 2016.

## 7. Trade and Other Receivables

	March 31, 2017	December 31, 2016
Trade:		
Stores	<b>P167,250,543</b>	P195,113,110
Related parties	<b>1,771,848</b>	2,934,997
Third parties	<b>29,463,562</b>	31,858,992
Advances:		
Suppliers	<b>93,944,103</b>	129,508,535
Third parties	<b>228,201</b>	226,477
Receivable from National Advertising Fund (NAF)	<b>21,268,182</b>	11,763,847
Receivables from employees	<b>15,784,225</b>	15,281,774
Royalty receivable	<b>15,726,306</b>	19,712,775
Others:		

Stores	<b>11,015,835</b>	20,649,181
Third parties	<b>592,150</b>	241,080
	<b>357,044,955</b>	427,290,768
Less allowance for doubtful accounts	<b>(7,662,365)</b>	(6,465,851)
	<b>₱349,382,590</b>	₱420,824,917

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 non-interest-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 March 31, 2017 (unaudited)	₱6,291,214	₱1,371,151	₱7,662,365

## 8. Inventories

	<b>March 31, 2017</b>	December 31, 2016
At net realizable value:		
Finished goods	<b>₱10,162,711</b>	₱5,172,117
Merchandise	<b>250,879,133</b>	236,992,503
Raw materials:		
Food	<b>15,417,072</b>	9,398,646
Packaging	<b>6,868,765</b>	4,721,958
	<b>₱283,327,681</b>	₱256,285,224

The cost of the inventories carried at NRV follows:

	<b>2017</b>	2016
Finished goods	<b>₱10,162,711</b>	₱5,172,116
Merchandise	<b>252,649,550</b>	241,459,792
Raw materials:		
Food	<b>15,457,913</b>	9,439,487
Packaging	<b>6,903,115</b>	4,756,308

	<b>P285,173,289</b>	<b>P260,827,703</b>
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No inventories are pledged as security for any liability as of March 31, 2017.

## 9. AFS Investments

Movements of the accounts are as follow:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Acquisition cost:		
Balance at beginning of period	<b>P1,129,344,022</b>	P690,126,908
Additions	<b>130,000,000</b>	1,124,639,257
Disposal	<b>(1,100,000,000)</b>	(685,422,143)
Balance at end of period	<b>159,344,022</b>	1,129,344,022
Unrealized gain (loss) on changes in fair value of AFS investments:		
Balance at beginning of period	<b>534,464</b>	(2,888,071)
Disposal	<b>(534,464)</b>	2,888,071
Unrealized gain	<b>344,680</b>	534,464
Balance at end of period	<b>344,680</b>	534,464
Cumulative impairment loss on golf club shares	<b>(4,704,765)</b>	(4,704,765)
AFS investment classified as current	<b>P154,983,937</b>	P1,125,173,721

As at March 31, 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

	Leasehold Improvements	Furniture, Fixtures and Equipment	Machinery and Equipment	Transportation Equipment	Cost of Shops and Maintenance Tools	Glasswares and Utensils	Construction-In- Progress	Total
<b>Cost</b>								
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	95,595,818	66,651,685	17,405,662	879,464	–	3,037,546	23,475,230	207,045,405
Disposals	–	(112,500)	–	–	–	–	–	(112,500)
Balance at March 31, 2017	<b>₱1,044,822,832</b>	<b>₱1,073,238,772</b>	<b>₱117,311,883</b>	<b>₱55,082,575</b>	<b>₱594,178</b>	<b>₱59,717,045</b>	<b>₱62,752,012</b>	<b>₱2,413,519,297</b>
<b>Accumulated Depreciation and Amortization</b>								
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	13,396,374	23,403,221	4,636,677	986,512	18,135	2,372,772	–	44,813,691
Disposals	–	(112,205)	–	–	–	–	–	(112,205)
Balance at March 31, 2017	<b>₱518,360,396</b>	<b>₱625,727,398</b>	<b>₱9,691,046</b>	<b>₱42,309,081</b>	<b>₱588,532</b>	<b>₱55,605,506</b>	<b>₱–</b>	<b>₱1,252,281,959</b>
<b>Net Book Value</b>								
Balance at March 31, 2017	<b>₱526,462,436</b>	<b>₱447,511,374</b>	<b>₱107,620,837</b>	<b>₱12,773,494</b>	<b>₱5,646</b>	<b>₱4,111,539</b>	<b>₱62,752,012</b>	<b>₱1,161,237,338</b>
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 ₱823.6 million and ₱819.2 million as at March 31, 2017 and December 31, 2016, respectively. There are no idle assets as at March 31, 2017 and December 31, 2016.

# 11. Accounts Payable and Other Current Liabilities

	March 31, 2017	December 31, 2016
Trade:		
Suppliers	<b>P283,181,053</b>	P320,037,962
Related parties	<b>196,560</b>	131,580
Nontrade	<b>188,838,500</b>	290,842,222
Accrued expenses:		
Utilities	<b>29,366,949</b>	48,747,325
Interest	<b>46,832,650</b>	5,625,000
Suppliers	<b>24,398,835</b>	33,319,368
Customers loyalty	<b>25,823,438</b>	27,215,981
Salaries and wages	<b>15,535,985</b>	10,902,991
Payable to NAF	<b>22,733,797</b>	32,531,643
Others	<b>96,706,689</b>	94,956,909
	<b>P733,614,456</b>	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 a portion 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:

	March 31, 2017	December 31, 2016
Salaries payable	<b>P25,293,396</b>	P28,449,332
Output VAT - net of input VAT amounting to P190.4 million and P125.3 million as at March 31, 2017 and December 31, 2016	<b>19,946,050</b>	26,007,722
Withholding tax payable	<b>17,919,982</b>	13,266,973
Customers' deposits	<b>10,804,418</b>	6,059,778
Due to cooperative	<b>8,470,120</b>	4,321,082
Fun certificates payable	<b>7,502,744</b>	10,899,405
SSS, Philhealth and Pag-ibig payable	<b>5,147,572</b>	4,951,799
Others	<b>1,622,407</b>	1,000,818
	<b>P96,706,689</b>	P94,956,909

## 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 three months ended March 31, 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
<b>Bakemasters, Inc. (BMI) (i)</b>							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	<b>2017</b> 2016	<b>P-</b> 4,586,797	<b>P-</b> -	<b>P-</b> -	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	<b>2017</b> 2016	- 63,032,446	- -	- -	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	<b>2017</b> 2016	- 392,833	- -	- -	4.0% per annum	Unsecured
<b>Shakey's International Limited (SIL) (i)</b>							
Management fee	Provides services (normally on cost plus basis) mutually agreed upon by both parties to manage the onshore transactions of SIL	<b>2017</b> 2016	- 166,529	- -	- -	30-day; non-interest bearing	Unsecured; not impaired
<b>The Pacific Meat Company Inc. (PMCI) (ii)</b>							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	<b>2017</b> 2016	<b>P6,615,421</b> -	<b>P-</b> -	<b>P196,560</b> -	30-day; non-interest bearing	Unsecured; not impaired

(Forward)

**Century Canning Corporation (CCC) (ii)**

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance Receivable	Payable	Terms	Conditions
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	<b>2017</b> 2016	— 114,534	— —	— —	30-day; non-interest bearing	Unsecured; not impaired
<b>DBE Project Inc. (DBE) (ii)</b>							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	<b>2017</b> 2016	<b>2,813,250</b> 562,335	<b>1,748,301</b> 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	<b>2017</b> 2016	<b>5,256</b> 2,827	— —	— 131,580	30-day; non-interest bearing 30-day; non-interest bearing	Unsecured; not impaired Unsecured; not impaired
Loans	Loan extended to the company. Please see succeeding discussion for the details.	<b>2017</b> 2016	— 15,000,000	— —	— —	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
Interest income	Pertains to the interest income on the remaining balance of loan to a related party at 4% per annum	<b>2017</b> 2016	— 792,472	— —	— —	4.0% per annum	Unsecured
<b>Shakey's Asia Food Holdings, Inc. (SAFHI) (ii)</b>							
Advances	Cash advance for the sole purpose of SAFHI's repayment of external debt	<b>2017</b> 2016	— —	— —	— —	Payable on demand, non-interest bearing	Unsecured; not impaired
Management fees	Provides services (normally on cost plus basis) mutually agreed upon by both parties	<b>2017</b> 2016	— —	— —	— —	30-day; non-interest bearing	Unsecured; not impaired
<b>Century Pacific Food Inc. (CPFI) (iii)</b>							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	<b>2017</b> 2016	<b>505,837</b> 552,048	<b>23,547</b> —	— —	30-day; non-interest bearing	Unsecured; not impaired
(Forward)							
<b>Golden Donuts, Inc. (GDI) (iii)</b>							
Rental income	Rental income on store lease	<b>2017</b> 2016	— 283,271	— —	— —	30-day; non-interest bearing	Unsecured; not impaired
(Forward)							
<b>Cavallino, Inc. (CI) (iii)</b>							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	<b>2017</b> 2016	— 2,393,849	— —	— —	30-day; non-interest bearing	Unsecured; not impaired

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance Receivable	Payable	Terms	Conditions
Purchases	Purchase of raw materials and goods and rental storage at agreed prices usually on a cost plus basis	<b>2017</b> 2016	<b>₱-</b> 13,839	<b>₱-</b> -	<b>₱-</b> -	30-day; non-interest bearing	Unsecured
<b>Mix Plant, Inc. (MPI)</b> (iii) Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	<b>2017</b> 2016	- 11,318,873	- -	- -	30-day; non-interest bearing	Unsecured
<b>Tencav Corp. (TC)</b> (iii) Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	<b>2017</b> 2016	- 21,697	- -	- -	30-day; non-interest bearing	Unsecured; not impaired
<b>Golden Pizza, Inc. (GPI)/Cowboy Grill</b> (iii) Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	<b>2017</b> 2016	- 295,752	- -	- -	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	<b>2017</b> 2016	- 135,750	- -	- -	30-day; non-interest bearing	Unsecured
<b>Golden Pie Realty &amp; Development Corporation (GPRDC)</b> (iii) Rent expense	Rental income on store sublease and utilities	<b>2017</b> 2016	- 134,100	- -	- -	30-day; non-interest bearing	Unsecured; not impaired
<b>Parkside Realty &amp; Development Corporation (PRDC)</b> (iii) Rent expense	Rental income on store sublease and utilities	<b>2017</b> 2016	- 4,087,474	- -	- -	30-day; non-interest bearing	Unsecured; not impaired
			<b>2017</b>	<b>₱1,771,848</b>	<b>₱196,560</b>		
			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 three months ended March 31, 2017								As at March 31, 2017	
	Purchases	Trade Sales and Service Income	Interest Income	Rental Income	License Fee	Loans/ Advances	Management Fee	Trade Payables and Accrued Expenses	Trade and Other Receivables
PMCI	P6,615,421	P-	P-	P-	P-	P-	P-	P196,560	P-
DBE	5,256	2,813,250	-	-	-	-	-	-	1,748,301
CPFI	505,837	-	-	-	-	-	-	-	23,547
	P94,190,159	P6,169,261	P-	P-	P251,375	P-	(P3,642,063)	P196,560	P1,771,848

  

For the three months ended March 31, 2016								As at December 31, 2016	
	Purchases	Trade Sales and Service Income	Interest Income	Rental Income	Rent Expense	Loans/ Advances	Management Fee	Trade Payables and Accrued Expenses	Trade and Other Receivables
CPGI	P-	P-	P-	P-	P-	P-	P-	P-	P-
BMI	63,032,446	4,586,797	392,833	-	-	-	-	-	-
SIL	-	-	-	-	-	-	(166,529)	-	-
CCC	426,270	-	-	-	-	-	-	-	-
DBE	2,827	562,335	792,472	-	-	15,000,000	-	131,580	2,934,997
SAFHI	-	-	-	-	-	-	91,857,382	-	-
CPFI	552,048	-	-	-	-	-	-	-	-
GDI	-	-	-	258,311	-	-	-	-	-
CI	-	2,722,729	-	-	-	-	-	-	-
MPI	11,954,128	-	-	-	-	-	-	-	-
TC	-	13,500	-	-	-	-	-	-	-
GPI	244,000	310,752	-	-	-	-	-	-	-
GPRDC	-	-	-	-	536,400	-	-	-	-
PRDC	-	-	-	-	16,316,974	-	-	-	-
	P76,211,719	P8,196,113	P1,185,305	P258,311	P16,853,374	P15,000,000	P91,690,853	P131,580	P2,934,997

Compensation of Key Management Personnel

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

	<b>For the three months ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Salaries	<b>₱73,515,977</b>	₱52,289,866
Pension costs	<b>5,577,222</b>	3,047,766
	<b>₱79,093,199</b>	₱55,337,632

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

**13. Loan Payable**

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Principal	<b>₱5,000,000,000</b>	₱5,000,000,000
Less principal repayment	<b>(1,000,000,000)</b>	–
	<b>4,000,000,000</b>	5,000,000,000
Less unamortized debt issue costs	<b>(17,986,589)</b>	(18,392,677)
	<b>3,982,013,411</b>	4,981,607,323
Less current portion of long-term loan	<b>(48,772,005)</b>	(1,048,365,917)
Noncurrent portion	<b>₱3,933,241,406</b>	₱3,933,241,406

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 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 12<sup>th</sup> 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 ₱42.6 million and nil was recognized for the three months ended March 31, 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.

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 March 31, 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 March 31, 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:

	March 31, 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
	<b>2,000,000,000</b>	<b>₱2,000,000,000</b>	<b>2,000,000,000</b>	<b>₱2,000,000,000</b>
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
	<b>1,531,321,053</b>	<b>₱1,531,321,053</b>	<b>1,531,321,053</b>	<b>₱1,531,321,053</b>

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

The issued and outstanding shares as at March 31, 2017 and December 31, 2016 are held by 28 equity holders.

##### Retained Earnings

There were no dividends declared for the three months ended March 31, 2017, while 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 ₱244.7 million as at March 31, 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.

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## 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 March 31, 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 three months ended March 31,	
	2017	2016
(a) Net income	<b>₱172,831,231</b>	₱137,525,108
(b) Weighted average number of shares outstanding	<b>1,531,321,053</b>	768,614,050
Basic/ diluted EPS (a/b)	<b>₱0.11</b>	₱0.18

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## 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:

	<b>March, 31 2017</b>	December 31, 2016
Cash and cash equivalents*	<b>₱198,606,713</b>	₱273,736,513
Trade and other receivables:		
Trade receivables	<b>192,675,654</b>	225,293,314
Receivable from NAF	<b>21,268,182</b>	11,763,847
Receivables from employees	<b>14,413,074</b>	13,910,623
Royalty receivable	<b>15,726,306</b>	19,712,775
Other receivables	<b>11,127,070</b>	20,409,346
Rental deposits	<b>103,920,818</b>	98,899,629
<b>Total credit risk exposure</b>	<b>₱557,737,817</b>	₱663,726,047

\*Excluding cash on hand.

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

<b>March 31, 2017</b>						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1-180 Days	181-360 Days	Subtotal		
Cash and cash equivalents*	<b>₱198,606,713</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱198,606,713</b>
Trade and other receivables:						
Trade receivables	142,448,747	45,786,304	4,440,603	50,226,907	5,810,299	198,485,953
Receivable from NAF	21,268,182	-	-	-	-	21,268,182
Receivables from employees	1,939,329	7,948,145	4,525,600	12,473,745	1,371,151	15,784,225
Royalty receivable	15,726,306	-	-	-	-	15,726,306
Other receivables	2,174,257	4,834,360	4,118,453	8,952,813	480,915	11,607,985
Rental deposits	103,920,818	-	-	-	2,095,290	106,016,108
	<b>₱486,084,352</b>	<b>₱58,568,809</b>	<b>₱13,084,656</b>	<b>₱71,653,465</b>	<b>₱9,757,655</b>	<b>₱567,495,472</b>

\*Excluding cash on hand.

<b>December 31, 2016</b>						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1-180 Days	181-360 Days	Subtotal		
Cash and cash equivalents*	<b>₱273,736,513</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱273,736,513</b>
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
	<b>₱549,735,097</b>	<b>₱100,906,293</b>	<b>₱13,084,656</b>	<b>₱113,990,949</b>	<b>₱8,561,141</b>	<b>₱672,287,188</b>

\*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:

March 31, 2017				
	High grade	Medium grade	Standard grade	Total
Cash and cash equivalents*	<b>₱198,606,713</b>	<b>₱–</b>	<b>₱–</b>	<b>₱198,606,713</b>
Trade and other receivables:				
Trade receivables	<b>105,402,833</b>	<b>13,596,921</b>	<b>23,448,993</b>	<b>142,448,747</b>
NAF	–	–	<b>21,268,182</b>	<b>21,268,182</b>
Receivables from employees	–	–	<b>1,939,329</b>	<b>1,939,329</b>
Royalty receivable	<b>15,726,306</b>	–	–	<b>15,726,306</b>
Other receivables	<b>617,334</b>	<b>1,556,923</b>	–	<b>2,174,257</b>
Rental deposits	–	–	<b>103,920,818</b>	<b>103,920,818</b>
	<b>₱320,353,186</b>	<b>₱15,153,844</b>	<b>₱150,577,322</b>	<b>₱486,084,352</b>

\*Excluding cash on hand.

December 31, 2016				
	High grade	Medium grade	Standard grade	Total
Cash and cash equivalents*	<b>₱273,736,513</b>	<b>₱–</b>	<b>₱–</b>	<b>₱273,736,513</b>
Trade and other receivables:				
Trade receivables	<b>100,986,464</b>	<b>13,027,211</b>	<b>28,435,072</b>	<b>142,448,747</b>
NAF	–	–	<b>11,763,847</b>	<b>11,763,847</b>
Receivables from employees	–	–	<b>1,939,329</b>	<b>1,939,329</b>
Royalty receivable	<b>18,772,775</b>	–	–	<b>18,772,775</b>
Other receivables	<b>431,214</b>	<b>1,743,043</b>	–	<b>2,174,257</b>
Rental deposits	–	–	<b>98,899,629</b>	<b>98,899,629</b>
	<b>₱393,926,966</b>	<b>₱14,770,254</b>	<b>₱141,037,877</b>	<b>₱549,735,097</b>

\*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.

March 31, 2017						
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	Total
Cash and cash equivalents	P198,606,713	P–	P–	P–	P–	P198,606,713
Trade and other receivables						
Trade	148,678,355	39,122,599	4,874,700	–	–	192,675,654
NAF	21,268,182	–	–	–	–	21,268,182
Receivables from employees	14,413,074	–	–	–	–	14,413,074
Royalty receivables	–	15,726,306	–	–	–	15,726,306
Other receivables	–	4,572,592	6,554,478	–	–	11,127,070
Rental deposits	70,614,913	–	–	–	33,305,905	103,920,818
AFS investment	154,983,937	–	–	–	–	154,983,937
	608,565,174	59,421,497	11,429,178	–	33,305,905	712,721,754
Accounts payable and other current liabilities:						
Trade payables	–	174,547,376	108,830,237	–	–	283,377,613
Nontrade payables	–	130,345,316	58,493,184	–	–	188,838,500
Accrued expenses	–	141,957,857	–	–	–	141,957,857
Other payables*	–	–	89,757,783	–	–	89,757,783
NAF	22,733,797	–	–	–	–	22,733,797
Dealers' deposit and other noncurrent payables	19,433,812	–	–	–	–	19,433,812
Loan payable**	–	–	109,968,750	159,337,500	5,779,267,399	6,048,573,649
	42,167,609	446,850,549	367,049,954	159,337,500	5,779,267,399	6,794,673,011
Liquidity gap	P566,397,565	(P387,429,052)	(P355,620,776)	(P159,337,500)	(P5,745,961,494)	(P6,081,951,257)

\*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
Accounts payable and other current liabilities:						
Trade payables	–	166,666,660	153,502,882	–	–	320,169,542
Nontrade payables	–	266,424,816	24,417,407	–	–	290,842,223
Accrued expenses	–	125,615,034	195,631	–	–	125,810,665
Other payables*	–	50,730,415	–	–	–	50,730,415
Payable to NAF	–	32,531,643	–	–	–	32,531,643
Dealers' deposit and other noncurrent payables	–	–	–	–	16,520,343	16,520,343
Loan payable**	–	1,045,875,000	109,968,750	114,900,000	5,823,704,899	7,094,448,649
	–	1,687,843,568	362,984,670	114,900,000	5,840,225,242	5,818,212,154
		P				
Liquidity gap	P1,667,730,594	1,613,806,303	(P311,478,260)	(P106,482,424)	(P5,798,222,182)	(P3,974,517,249)

\*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:

	March 31, 2017	December 31, 2016
Total liabilities	<b>P4,947,903,894</b>	P6,025,382,363
Total equity	<b>3,532,226,667</b>	3,359,077,125
	<b>1.40:1</b>	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 March 31, 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	March 31, 2016	P349,382,590	P349,382,590	P–
Rental deposits	March 31, 2016	123,789,419	–	116,485,489
		P473,172,009	P349,382,590	P116,485,489
Liabilities for which fair value are disclosed:				
Loan payable	March 31, 2016	P3,982,013,411	P–	P3,718,806,012
Dealers' deposits	March 31, 2016	10,624,906	–	10,010,389
		P3,992,638,317	P–	P3,728,816,401

As at December 31, 2016				
			Fair Value	
	Date of Valuation	Carrying 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	10,804,418	—	10,167,787
		₱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 March 31, 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 March 31, 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 March 31, 2017 and 6.25% as at December 31, 2016.

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