

COVER SHEET

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(Business Address: No. Street/City/Province)

MARIA ROSARIO YBAÑEZ

Contact Person

687-1195

Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

SEC Form 17-A

FORM TYPE

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Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles
Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended **31 December 2018**
2. SEC Identification Number **54666**
3. BIR Tax Identification No. **000-163-396**
4. Exact name of issuer as specified in its charter **SHAKEY'S PIZZA ASIA VENTURES INC.**
5. **MANILA, PHILIPPINES**
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **15 KM EAST SERVICE ROAD CORNER MARIAN ROAD 2,**
BARANGAY SAN MARTIN DE PORRES, PARANAQUE CITY
Address of principal office
- 1700**
Postal Code
8. **(632) 839-0156**
Issuer's telephone number, including area code
9. **NA**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	1,531,321,053

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

Yes [☒] No [☐]

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

Philippine Stock Exchange

Common Shares

12. Check whether the issuer:

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

Yes [☒] No [☐]

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

Yes [☐] No [☒]

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

PHP18,375,852,636.00 COMPUTED USING THE CLOSING PRICE OF PHP12.00 AND ISSUED SHARES OF 1,531,321,053 AS OF MARCH 29, 2019.

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

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

Yes [☐] No [☐]

DOCUMENTS INCORPORATED BY REFERENCE

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

2018 Consolidated Financial Statements of Shakey's Pizza Asia Ventures Inc. and its Subsidiaries attached as Annex A referred to in Item 6 on page 10.

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

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business	6
a. Overview	
b. Key Risks	
Item 2. Properties	8
Item 3. Legal Proceedings	8
Item 4. Submission of Matters to a Vote of Security Holders	8
a. Date, Time, and Place of Meeting	
b. List of elected directors for the ensuing year with their corresponding shareholdings in the Issuer	
c. Matters Voted Upon	

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters	8
a. Market Information	
b. Holders	
c. Dividends	
d. Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction	
Item 6. Management's Discussion and Analysis or Plan of Operation	10
a. Results of Operation	
b. Financial Position	
c. Key Performance Indicators	
Item 7. Financial Statements	14
Item 8. Information on Independent Public Accountants	14
a. External Auditor	
b. Audit Fees	
c. Audit Committee and Policies	
d. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer	16
a. Directors, Including Independent Directors, and Executive Officers	
b. Family Relationships	
c. Involvement in Certain Legal Proceedings	
Item 10. Executive Compensation	20
a. General	
b. Summary Compensation Table	
c. Compensation of Directors	
d. Employment Contracts and Termination of Employment and Change-in-Control Arrangements.	
e. Warrants and Options Outstanding: Repricing	
Item 11. Security Ownership of Certain Beneficial Owners and Management	22
a. Security Ownership of Certain Record and Beneficial Owners	
b. Security Ownership of Management	
c. Voting Trust Holders of 5% Or More	
d. Changes in Control	
Item 12. Certain Relationships and Related Transactions	23

PART IV - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C	25
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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

a) Overview

Shakey's Pizza Asia Ventures Inc. (SPAVI) or PIZZA, is the market leader in both chained pizza full service restaurant and chained full service restaurant with 57.7% and 26.7% market share as cited by Euromonitor. As of December 31, 2018, it operated a total of 228 nationwide, a mix of Company-owned and franchise stores. PIZZA has consistently recorded double digit growth in system-wide sales in the past three years.

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-oriented stores, 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 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 payback period of 3-4 years. PIZZA also has a well-established franchised model with industry leading return on investment of 3-4 years.

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

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

b) Key Risks

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

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

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

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

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

PIZZA hires approximately 1,200 full-time employees, a portion of which are covered by a 5-year collective bargaining agreement renewed on October 19, 2016. Although PIZZA's operations have never been affected by any labor dispute in the past, it cannot assure that it will not experience labor unrest and activism in the future, which may affect its business, financial condition and result of operations.

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

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

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

Item 2. Properties

As of December 31, 2018, PIZZA does not own land. PIZZA enters into long-term leases for the properties wherein all its Company-owned stores are constructed while its franchisees have either independent lease agreements for their franchise stores or may own land on which the store is constructed. The company's lease agreements with its lessors are typically for a term of 10-15 years, renewable upon mutual agreement of the parties.

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

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

Item 3. Legal Proceedings

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

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

a) Market Information

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

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

Period	High	Low
1 st Quarter of 2017	14.80	11.38
2 nd Quarter of 2017	14.20	12.76
3 rd Quarter of 2017	14.50	12.00
4 th Quarter of 2017	13.70	12.72
January 1, 2017 to December 31, 2017	14.80	11.38
1 st Quarter of 2018	17.48	13.00
2 nd Quarter of 2018	14.92	12.14
3 rd Quarter of 2018	13.78	11.70
4 th Quarter of 2018	12.20	9.80
January 1, 2018 to December 31, 2018	17.48	9.80
January 1, 2019 to March 31, 2019	13.40	11.50

Source: Daily Quotation Reports of the Philippine Stock Exchange

The market capitalization of the Company's common shares as of end of 2018, based on the closing price of ₱11.90 per share was ₱18,222,720,530.70. The market capitalization of the Company's common shares as of March 29, 2019, based on the closing price of ₱12.00 per share was ₱18,375,852,636.00.

b) Holders

Total shares outstanding as of December 31, 2018, is 1,531,321,053 with a par value of ₱1.00.

The number of shareholders of record as of December 31, 2018, was 31. The shareholders as of the same date are as follows:

Name of Shareholder	Number of Shares	% Ownership
Century Pacific Group, Inc.	812,282,141	53.05%*
PCD Nominee Corp. (Non-Filipino)	506,585,649	33.08%
PCD Nominee Corp. (Filipino)	149,236,186	9.75%
Ma. Luisa P. Lovina	13,766,511	0.90%
Karina P. Moreno / Ma. Carmen M. Prieto	7,413,282	0.48%
Leopoldo M. Prieto III	6,882,542	0.45%
Karina P. Moreno / Carmen M. Prieto	6,353,229	0.41%
Ma. Cristina P. Moraza	5,429,529	0.35%
Carlos M. Prieto	5,429,529	0.35%
Jamille P. Torres	3,706,257	0.24%
Ma. Ines P. Borromeo	3,608,268	0.24%
Panda Development Corporation	3,314,264	0.22%
Jamille M. P. Torres	3,176,285	0.21%
Ma. Consuelo P. Guerrero	2,923,808	0.19%
Ma. Pilar P. Lorenzo	2,923,808	0.19%
Eduardo M. Prieto	2,923,808	0.19%
Rosario Anne R. Prieto	2,811,823	0.18%
L.L.P. Enterprises, Inc.	2,808,968	0.18%
Ramon M. Prieto	2,760,093	0.18%
Ma. Teresa P. Rufino	1,514,170	0.10%
Ma. Teresa R. Prieto	1,297,653	0.08%
Alma Bella Pil Alberastine	2,000	-
Veronica Aguilar Pedrasa	2,000	-
Leopoldo H. Prieto, Jr.	1,427	-
Dondi Ron R. Limgenco	1,111	-
Christine F. Herrera	1,000	-
John T. Lao	1,000	-
Teresa P. Marcelino	1,000	-
Celina F. Lucero	200	-
Roy Eduardo T. Lucero	200	-
Owen Nathaniel S Au ITF: Li Marcus Au	110	-
Shareholders' Association of the Philippines Inc.	100	-
Jesus San Luis Vanelcia	100	-
Paulo L. Campos III	1	-
Fernan Victor P. Lukban	1	-

* Century Pacific Group, Inc. owns 796,445,141 shares of the Company in its own name and another 15,837,000 shares of the Company lodged under PCD Nominee Corp. (Filipino).

c) Dividends

Last August 16, 2018, the Company declared regular cash dividends amounting to Php0.10 per share or a total of Php153,132,105.30 on all shares of common stock issued and outstanding to stockholders of record as of 14 September 2018. This amount represents the total cash declared and paid for in 2018.

Last May 8, 2017, the Company declared regular cash dividends in the amount of Php0.10 per share or a total of Php153,132,105.30. This amount represents the total cash declared and paid for in 2017.

There are no outstanding dividends payable as at December 31, 2018 and December 31, 2017.

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

The Company did not issue any stocks to its employees as of December 31, 2018.

Item 6. Management's Discussion and Analysis

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

FY 18 Results of Operations

Key Highlights

- PIZZA delivered a consolidated net income of ₱841 million for the twelve months ending December 31, 2018. This yields a net income margin of 11% and an increase of 10% year-on-year compared to the reported net income of ₱762 million in 2017. This was primarily driven by sustained increase in revenues, successful store network expansion, and maintained profitability despite higher input costs.
- System-wide sales growth surged by 12% to reach ₱9.36 billion, boosted by same-store sales growth of 4% and continued store network expansion.
- PIZZA's total revenues for the year ending 2018, which includes those from the in-house commissary, amounted to ₱7.58 billion, growing by 8% versus reported revenues of ₱7.00 billion for the comparable period in 2017.
- In terms of profitability, the Company saw industry-leading margins of 29% and 20% at the gross profit and earnings before interest, taxes, depreciation, and amortization (EBITDA) level respectively.

Revenues and System-wide Sales

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

In ₱ Millions	2018 Reported	2017 Reported	YOY
System-wide Sales	9,357	8,346	12%
Net Revenues	7,579	7,004	8%

System-wide sales, which comprises sales from both company-owned and franchise stores, increased by 12% from ₱8.35 billion to ₱9.36 billion as of end 2018. This was driven by healthy same-store sales growth of 4% and successful store network expansion of 20 net new stores in 2018. Same-store sales refer to sales generated from stores that have operated for at least 15 months and exclude sales from new stores.

Consolidated net revenues, composed of sales from company-owned stores, franchise and royalty fees from franchisees, and revenues from wholly-owned subsidiaries, reached ₱7.58 billion, surging by 8% from reported revenues of ₱7.00 billion for the twelve months ending December 31, 2017.

Cost of Sales

For the year ending 2018, consolidated cost of sales grew by 9% from ₱4.94 billion in 2017 to ₱5.40 billion, rising slightly faster than the 8% growth in consolidated net revenues.

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

The accelerated increase in cost of goods was due to elevated commodity prices and raw material costs relative to the previous year.

Gross Profit

Consolidated gross profit amounted to ₱2.18 billion for the full year 2018, surging by 5% from ₱2.07 billion. This yielded a gross profit margin of 29% as the Company executed inventory-buying strategies and implemented price increases.

General and Administrative Expenses

For the twelve months ending December 31, 2018, consolidated general and administrative expenses totaled ₱973 million, representing a 13% cost-to-sales ratio. This is similar compared to 13% during the same period in 2017.

Operating Income

Consolidated operating income reached ₱1.21 billion in 2018, rising by 4% from ₱1.16 billion in 2017. The growth is attributed to sustained synergies between the Company and its majority shareholder, CPGL, such as economies of scale in purchasing common materials, media buying, and lowered logistics costs as both companies use the same warehouse and cold storage facility.

Net Interest Expense

Interest expense of ₱189 million was recorded for the twelve months ending December 31, 2018. This amount pertains to interest on the ₱3.9 billion remaining of the acquisition loan used to acquire the wholly-owned subsidiaries.

Other Income

Consolidated other income totaled ₱65 million as of year-end 2018. This is composed mainly of ₱47 million income from service fees and expired loyalty fund points. Service fee is a recurring item composed of freight costs, call center expenses, IT infrastructure, charged to franchisees. Other items included in other income are ₱10 million other income from franchisees, ₱4 million accretion income from deposits, and ₱2 million interest income.

Net Income

For the year ending 2018, consolidated net income after tax reached ₱841 million, yielding a net income margin of 11%. This is an increase of 10% versus the 2017 recorded net income after tax of ₱762 million.

FY18 Financial Condition

PIZZA had consolidated total assets of ₱9.74 billion as of December 31, 2018, an increase versus 2017 total assets. This is primarily attributable to the increase in cash and cash equivalents and property and equipment

Cash and cash equivalents

As of end 2018, cash and cash equivalents totaled ₱434 million. Cash includes cash on hand and in banks while cash equivalents are short-term, highly liquid investments that are easily convertible to cash.

Trade and other receivables

Trade and other receivables was at ₱613 million as of year-end 2018 compared to ₱586 million in 2017, an increase of 5%.

Inventories

As of December 31, 2018, inventories increased from ₱362 million to ₱597 million.

AFS investments

AFS investments classified as current assets pertains to cash investment in Unit Investment Trust Funds (UITF). There has been no changes in AFS investments since its full redemption and usage as payment for the current portion of loans payable in 2017.

Property, plant, and equipment

Consolidated net property, plant, and equipment was ₱1.71 billion as of year-end 2018. Capital expenditures for the year reached ₱434 million, which were invested in the building of new stores and improvements in the corporate office and commissary.

Intangibles and goodwill

Intangibles and goodwill remain unchanged at a combined ₱6.07 billion following the Company's corporate restructuring in 2016, allowing full ownership and control over its subsidiaries by consolidating the independent entities, namely the in-house commissary and the trademark companies, into SPAVI.

Accounts payable and other current liabilities

Accounts payable and other current liabilities decreased by 4% for the full-year 2018 to ₱904 million. The Company had shorter payable days of 69 days against the previous year's 79 days.

Cash conversion cycle

Cash conversion cycle increased to positive 1 day. Inventory days jumped to 40 days and receivable days slightly decreased to 30 days, while payable days was reduced to 69 days.

Loans payable

Prior to the IPO in 2016, a ₱5.0 billion acquisition loan was lodged into the Company as part of the acquisition strategy of CPGI and the sovereign wealth fund of Singapore to acquire the in-house commissary which supplies the raw materials and baked goods to the Company as well as the trademark companies that hold the rights and trademarks of the Shakey's brand. Post-IPO, the Company was able to raise approximately ₱1.1 billion, of which approximately ₱1.0 billion was used to prepay the loan on January 3, 2017.

As of end 2018, total interest-bearing debt stood at ₱3.9 billion.

Capital stock

There are no changes in capital stock for the twelve months ending December 31, 2018.

Additional paid-in capital

As of end 2018, additional paid-in capital remains unchanged compared to 2017.

Financial Ratios

Return on equity for full-year 2018 remained robust at 19.7%. Net debt-to-equity ratio stood at 1.04 times as of end 2018. This is slightly lower versus 1.23 times as of the year before. Considering only interest-bearing liabilities, net gearing ratio is at 0.76 times as of end 2018.

Cash flows

Consolidated net cash provided by operating activities amounted to ₱921 million for the full-year 2018, lower than the previous year's ₱972 million. The decrease is primarily attributable to the increase in working capital.

Consolidated net cash used in investing activities was ₱349 million. This is mainly due to the acquisition of property and equipment.

Consolidated net cash used by financial activities was ₱385 million in 2018 primarily due to interest payments.

All in all, net cash generated for the year totaled ₱189 million, leading to cash and cash equivalents balance of ₱434 million at year-end 2018.

Key Performance Indicators (KPIs)

	Audited Twelve Months Ended December 31, 2017	Audited Twelve Months Ended December 31, 2018
Gross Profit Margin	29.5%	28.8%
Before Tax Return on Sales	14.6%	14.3%
Return on Equity	20.8%	19.7%
Net Gearing Ratio	0.93x	0.76x
Current Ratio	1.13x	1.60x

Notes:

1 Gross Profit margin = Gross Profit / Net Revenue

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

3 Return on Equity = Net Income / Average Equity

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

5 Current Ratio = Total Current Assets / Total Current Liabilities

Item 7. Financial Statements

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

Item 8. Information on Independent Public Accountants

a) External Auditor

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

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

SGV & Co. also audited the Company's financial statements as of December 31, 2018 in accordance with the Philippine Standards on Auditing.

SGV & Co. has reviewed our pro forma adjustments and the application of those adjustments to the historical amounts in the pro forma condensed consolidated financial information as of December 31, 2018 in accordance with the Philippine Standard on Assurance Engagements 3000, *Assurance Engagements Other than Audits or Review of Historical Financial Information*, and the Philippines

Securities and Exchange Commission Memorandum Circular No. 2, Series of 2008, *Guideline on Attestation of Pro Forma Financial Information*. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assumptions, the pro forma adjustments and the application of those adjustments to historical financial information. Accordingly, SGV & Co. does not express such opinion on the pro forma condensed consolidated financial information.

b) Audit Fees

	2017	2018
Audit and Audit-Related fees	PhP2,195,000.00	PhP2,370,000.00

The following table sets out the aggregate fees billed for 2018

Name of Auditor	Regular Fees	
SGV & Co. (member firm of Ernst and Young)	PhP2,370,000.00	

c) Audit Committee and Policies

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

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

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

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

independent director:

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

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

There were no disagreements with Accountants on Accounting and Financial Disclosure or Changes in Accounting Policies for the period ended December 31, 2018.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

a. Directors, Including Independent Directors, and Executive Officers

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

The table below sets forth each member of the board of directors as of December 31, 2018:

Name	Age	Nationality	Position
Ricardo Gabriel T. Po	51	Filipino	Vice Chairman
Teodoro Alexander T. Po	49	Filipino	Vice Chairman
Christopher T. Po	48	Filipino	Chairman
Leonardo Arthur T. Po	41	Filipino	Member
Vicente L. Gregorio	53	Filipino	Member
Fernan Victor P. Lukban	58	Filipino	Independent Director
Paulo L. Campos III	35	Filipino	Independent Director
Frances J. Yu	49	Filipino	Independent Director

- Enrique A. Gomez, Jr. served as Director until he passed away on November 11, 2018.

The table below sets forth the key executive and corporate officers as of December 31, 2018:

Name	Age	Nationality	Position
Vicente L. Gregorio	53	Filipino	President and Chief Executive Officer
Manuel T. Del Barrio	55	Filipino	Vice-President and Chief Financial Officer
Leonardo Arthur T. Po	41	Filipino	Treasurer
Maria Rosario L. Ybanez	43	Filipino	Corporate Secretary
Jorge Maria Q. Concepcion	63	American	General Manager

		and Filipino	
Jennifer V. Lapa	65	Filipino	Chief Human Resource Officer
Armie M. Quintos	48	Filipino	Comptroller and Principal Accounting Officer
Alois Brielbeck	58	German	General Manager (commissary)
Marvin Da Silva	51	Filipino	Vice President_ International Business

Christopher T. Po, 48, was re-elected as the Company's Chairman on August 16, 2018. He is also the Executive Chairman of CNPF and concurrently serves as Chief Executive Officer of Century Pacific Group, Inc. (CPG). Prior to joining CPG, he was Managing Director for Guggenheim Partners, a US financial services firm, where he was in charge of the firm's Hong Kong office.. Previously, he was a Management Consultant at McKinsey and Company working with companies in the Asian region. He also worked as the Head of Corporate Planning for JG Summit Holdings, a Philippine-based conglomerate with interests in food, real estate, telecom, airlines, and retail. He graduated summa cum laude from Wharton School and College of Engineering of the University of Pennsylvania with dual degrees in Economics (finance concentration) and applied science (system engineering) in 1991. He holds a Master degree in Business Administration from the Harvard University Graduate School of Business Administration. Mr. Christopher Po is a member of the board of directors of Arthaland Corporation (ALCO), a company listed on the PSE, and is a member of the board of trustees of WWF-Philippine. He is also the President of the CPG-RSPo Foundation.

Ricardo Gabriel T. Po, 51, was re-elected as the Company's Vice Chairman on August 16, 2018. He is also Vice Chairman of Century Pacific Food, Inc. (CNPF), a company listed on the PSE. He graduated magna cum laude from Boston University with a Bachelor of Science degree in Business Management in 1990. He also took the Executive Program (Owner-President Management Program) at Harvard Business School in 2000. He is also a Vice Chairman of the board of directors and serves on the executive committee of ALCO (a company listed on the PSE).

Teodoro Alexander T. Po, 49, was re-elected as the Company's Vice Chairman on August 16, 2018. He is also the Vice Chairman, CEO and President of CNPF. He is also a Member of the board of directors of CPG. Since 1990, Mr. Teodoro Po has held various positions in CPG. He graduated summa cum laude from Boston University with a Bachelor of Science degree in Manufacturing Engineering in 1990. He also completed the Executive Education Program (Owner/ President Management Program) at Harvard Business School.

Leonardo Arthur T. Po, 41, was re-elected as the Company's director and Treasurer on August 16, 2018. He is concurrently Executive Vice President and Treasurer of ALCO, serves as Executive Director of CPG and the General Manager for its Emerging Business Units. Mr. Leonardo Po graduated magna cum laude from Boston University with a degree in Business Administration and has extensive and solid business development experience in the consumer marketing, finance and operations of fast moving consumer goods, food service, quick-serve restaurants and real estate development.

Vicente L. Gregorio, 53, was re-elected as the Company's director on August 16, 2018. Mr. Vicente Gregorio has also been the Company's President and Chief Executive Officer since March 2013. He has more than 30 of experience in the food business, previously serving as Operations Director in various food service companies prior to assuming the position of Executive Vice President and Chief Operations Officer of the Company in February 2003. He also currently serves as a member of the board of the Philippine Franchise Association, Cavallino, Inc., Don Bosco Technical College, Bosconian International Chamber of Commerce, and Plan Master Insurance and Financial Services, Inc. Mr. Vicente Gregorio graduated from Central Colleges of the Philippines with a degree in Bachelor of Science in Electrical Engineering and has earned units in the Business Administration Master's program of the Graduate School of Business at Ateneo de Manila University.

Paulo L. Campos III, 35, was re-elected as Independent Director of the Company on August 16, 2018. He was first elected an Independent Director of the Company on October 14, 2016. Mr. Campos is the co-founder and Chief Executive Officer of ZALORA Philippines, having founded the company in the late 2011. Prior to ZALORA, he was a management consultant with The Boston Consulting Group in Singapore where he worked with companies across the region on issues related to business development, organizational development, investor communications and strategy. Mr. Campos holds a Master in Business Administration from Harvard Business School and graduated magna cum laude from Princeton University with a degree from its Woodrow Wilson School of Public and International Affairs. After university, he was employed with Ayala Land, Inc. as Special Assistant to the President until 2008.

Fernan Victor P. Lukban, 58, was re-elected as Independent Director of the Company on August 16, 2018. He was first elected an Independent Director of the Company on October 14, 2016. He is a well-recognized consultant in family business, strategy, entrepreneurship and governance. Mr. Lukban holds undergraduate degrees in Engineering (Mechanical and Industrial from De La Salle University, Manila) and graduate degrees in Economics (MSc in Industrial Economics from the Center for Research & Communication, now University of Asia & the Pacific) and the business (MBA from IESE, Barcelona, Spain). He spent much of his early professional years in academia, helping establish the University of Asia & the Pacific where he currently participates as a consultant, mentor and guest lecturer. He is a founding fellow of the Institute of Corporate Directors and International Fellow of the Australian Institute of Company Directors. He served as an Independent Director of ALCO from 2011 to 2016 and is currently serving as an Independent Director of CNPF and is a Director of Central Azucarera de Tarlac, Inc. (a company listed on the PSE).

Frances J. Yu, 49, was elected as the Company's Independent Director on August 16, 2018. She concurrently serves as the Chief Retail Strategist of Mansmith and Fielders, Inc., the largest marketing and sales training company in the Philippines. She was previously the Vice President and Business Unit Head of Rustan's Supermarket and the Vice President and Head of Marketing Operations for Rustan's Supercenters, Inc. Ms. Frances J. Yu founded FJY Consulting, Inc., a corporate marketing and management consulting company which she managed as President. She was also the Vice President and General Manager of a marketing research and consulting firm catering to the top 500 corporations in several sectors. From 2003 to 2005, she served as the Chairperson for the National Retail Conference and Stores Asia Expo (NRCE) Programs Committee of the Philippine Retailers Association. She graduated summa cum laude from Fordham University, New York with a Bachelor of Arts degree in English Literature.

The following table summarizes the directorships held by members of the Company's board of directors in companies listed in the PSE.

Name	Listed Company	Type of Directorship
Christopher T. Po	Century Pacific Food, Inc. Arthaland Corporation	Executive Non-Executive
Ricardo Gabriel T. Po	Century Pacific Food, Inc. Arthaland Corporation IP E-Game Ventures Inc.	Non-Executive Non-Executive Non-Executive
Teodoro Alexander T. Po	Century Pacific Food, Inc.	Executive
Leonardo Arthur T. Po	Century Pacific Food, Inc. Arthaland Corporation	Executive Executive
Vicente L. Gregorio	N/A	N/A

Fernan Victor P. Lukban	Century Pacific Food, Inc. Central Azucarera de Tarlac, Inc.	Independent Director Non-Executive
Paulo L. Campos III	N/A	N/A

Manuel T. Del Barrio, 55, was re-elected Vice-President and Chief Financial Officer on August 16, 2018. He was previously the Assistant Vice-President for Finance of CNPF and The Pacific Meat Company, Inc. He previously worked as an Industrial Accounting Manager in TEMIC Telefunken Semiconductors, Inc. and held accounting positions in Hooven Philippines and Sanara, Inc. He has a degree in Bachelor of Science in Business Administration from the University of the East, and holds a Master in Business Administration (Regis Program) from the School of Business of the Ateneo de Manila University. He is a Certified Public Accountant and a Certified Management Accountant.

Jorge Maria Q. Concepcion, 63, has been the Company's General Manager since his repatriation from the US in 2014. He previously held the position of Executive Vice-President & General Manager in Gallo Giro (a Mexican restaurant chain in California), Red Ribbon Bakeshop, Inc. (US and the Philippines) and Goldilocks Corp. of California. Before entering the foodservice retail industry, Mr. Concepcion started in the Branded Foods FMCG business where he worked for various Unilever Asia affiliates in the Philippines, Malaysia and Singapore in different capacities in marketing, sales, corporate planning and general management. He first repatriated to the Philippines in 1996 with the ConAgra joint-venture company, Hunts-URC. He then subsequently and concurrently headed URC-Dairy Product Division and URC-Food Service Division before eventually migrating to the US in 2006. He has a degree in Bachelor of Arts (Honors) in Mathematics from De La Salle University and has a Master of Science in Industrial Engineering and Operations Research from the University of the Philippines.

Armie M. Quintos, 48, has been the Company's Finance Director since August 2007. She previously held the positions of Finance and Accounting Manager in the Company from January 2003 to July 2007. Prior to joining the Company, Ms. Quintos held various accounting positions in Hudson's Bay Loyalty Management, (Phils.), Inc., Zargo Corporation (formerly Zuellig Agrochem Corporation), the Professional Group Plans, Inc., G.G. Sportswear Manufacturing Group, Kalayaan Arts and Crafts, Inc., Infocom Technologies, Inc., Liberty Telecoms Holdings, Inc. and Prime Telecom Corporation. She was also a Junior Staff Auditor of SyCip Gorres, Velayo and Co., from November 1992 to October of 1994. Ms. Quintos holds a degree in Bachelor in Accountancy and graduated Magna Cum Laude from the Polytechnic University of the Philippines and obtained a Master's degree in Business Administration (Regis Program) from the School of Business of the Ateneo de Manila University. She is a Certified Public Accountant.

Maria Rosario L. Ybanez, 43, was elected as the Company's Corporate Secretary June 1, 2018. She is also currently the Legal Counsel and Compliance Officer of CNPF. Atty. Ybanez graduated with a Bachelor of Arts degree in Legal Management from the Ateneo de Manila University and obtained her J.D. from the Ateneo de Manila School of Law. She has been involved in the practice of Civil, Labor, Criminal, Corporate and Intellectual Property laws since 2001.

Jennifer V. Lapa, 65, served as the Company's Chief Human Resource Officer since August 2013. She graduated with a Bachelor of Arts degree in Foreign Service from St. Theresa's College, Quezon City in 1974. She obtained her Cognate in Organization Development, major in Enterprise Leadership and her PhD in Organization Development from the National University of Singapore. Prior to joining the Company, Ms. Lapa worked as Vice President for Human Resources for The Expressions Company and was President of Enthos, Inc. from 2002-2008. She was Manager, Compensation Systems and Programs of the San Miguel Beer Group from 1988 to 1991 and Assistant Vice President, Organization and Management Development from 1991 to 1995. She was based in Hong Kong as the Vice-President for Human Resources for the Greater China business of San Miguel Brewing Group International, Ltd. from 1995 to 1998.

Alois Brielbeck, 58, has been the General Manager of the Company's in-house commissary since October 2005. He moved to the Philippines in February 2000 as the Chief Operating Officer for Culinary Systems Specialists Inc., a company involved in the production of bakery products to both local and export markets. He has held key positions in pastry kitchens in Hong Kong and Tokyo, Japan before moving to the Philippines. Mr. Alois Brielbeck is a fully-qualified Baker with a Baker Master Diploma from the Master School of Lochham in Munich, Germany.

b. Family Relationships

Mr. Christopher T. Po, Mr. Ricardo Gabriel T. Po, Mr. Teodoro Alexander T. Po and Mr. Leonardo Arthur T. Po are brothers. Aside from the foregoing, there are no family relationships between any Directors and any members of the Company's senior management as of December 31, 2018.

c. Involvement in Certain Legal Proceedings

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

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

Item 10. Executive Compensation

a. General

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

No director should participate in deciding on his remuneration.

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

b. Summary Compensation Table

a. CEO and five other most highly compensated executive officers

Name	Principal Position	Year	Compensation
Vicente L. Gregorio	President & CEO	2018	₱47,327,104.00

Manuel T. Del Barrio	Vice-President & CFO		
Jennifer V. Lapa	Chief Human Resource Officer		
Jose Arnold T. Alvero	Corporate Planning and Business Development Director		
Jorge Maria Q. Concepcion	General Manager		
Alois Brielbeck	General Manager		

b. Compensation of Directors and Officers as a Group

Name	Principal Position	Year	Compensation
Aggregate compensation paid to all executive officers and directors as a group unnamed		2018	₱74,689,912.00

c. Compensation of Directors

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	None		
(b) Variable Remuneration	None		
(c) Per diem Allowance	None		₱117,647.00
(d) Bonuses	None		
(e) Stock Options and/or other financial instruments	None		
(f) Others (Specify)	None		

Other Benefits	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
1) Advances	None		
2) Credit granted			
3) Pension Plans / Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan			
(h) Others (Specify)			

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

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

e. Warrants and Options Outstanding

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

a. Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2018, the following were owners of more than 5% of the Company's outstanding shares:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	% to Total Outstanding
Common	Century Pacific Group, Inc. / 7F Centerpoint Building, Julia Vargas Avenue, Ortigas Center, Pasig City / Stockholder of Record	Ricardo S. Po, Sr., Chairman Emeritus Ricardo Gabriel T. Po, Vice-Chairman Christopher T. Po, Chairman Teodoro Alexander T. Po, Vice-Chairman Leonardo T. Po, Treasurer Angelita T. Ong, Stockholder Daniel Lu, Stockholder	Filipino	812,282,141	53.05%
Common	PCD Nominee Corp. (Non-Filipino) / The Enterprise Center, Ayala Avenue corner Paseo de Roxas, Makati City / Stockholder of Record	Please see BDO Report as December 31, 2018 attached as Annex "B"	Non-Filipino	506,585,649	33.08%
Common	Arran Investment Pte. Ltd. / 168 Robinson Road, #37-01 Capital Tower, Singapore / Stockholder of Record	GIC Private Limited (GIC) – sovereign wealth fund of the Government of Singapore, Parent company of Arran	Singaporean	283,063,432	18.48%
Common	PCD Nominee Corp. (Filipino) / The Enterprise Center, Ayala Avenue corner Paseo de Roxas, Makati City / Stockholder of Record	Please see BDO Report as of December 31, 2018 attached as Annex "B"	Filipino	149,236,186	9.75%

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

The following are the number of shares owned of record by the directors and key officers of the Company as of December 31, 2018

Title of Class	Name of Beneficial Owner	Citizenship	Amount and Beneficial Ownership		% of Capital Stock
			Number of Direct shares	Number of Indirect shares	
Common	Ricardo Gabriel T. Po	Filipino	1	15	-
Common	Teodoro Alexander T. Po	Filipino	1	270,093,656	17.63%
Common	Christopher T. Po	Filipino	1	270,093,656	17.63%
Common	Leonardo Arthur T. Po	Filipino	1	270,093,656	17.63%
Common	Vicente L. Gregorio	Filipino	469,301	-	-
Common	Fernan Victor P. Lukban	Filipino	95,001	-	-
Common	Paulo L. Campos III	Filipino	1	89,000	-
Common	Frances J. Yu	Filipino	1	-	-
Common	Manuel T. Del Barrio	Filipino	90,000	-	-
Common	Maria Rosario L. Ybanez	Filipino	-	-	-
Common	Jorge Maria Q. Concepcion	American	304,500	-	-
Common	Alois Brielbeck	German	300,000	-	-
Common	Jennifer V. Lapa	Filipino	30,000	-	-
Common	Marvin Q. Da Silva	Filipino	-	-	-
TOTAL			1,377,808	810,369,983	-

c. Voting Trust Holder of 5% or more

As of December 31, 2018, there are no persons holding more than 5.0% of a class of shares under a voting trust or similar agreement.

d. Changes in Control

There are no arrangements which may result in a change in control of the Registrant as of December 31, 2018.

Item 12. Certain Relationships and Related Transactions

The Company is a subsidiary of Century Pacific Group, Inc. (CPGI) and is a member of Century Pacific Group, Inc.'s Group of Companies (the Group). As of December 31, 2018, CPGI holds 53.05% of the outstanding shares of the Company.

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

The most significant of these transactions would include:

- 25-year lease agreement with CPGI on a property in Paranaque City, Metro Manila where the Company's new corporate headquarters and commissary plant will be constructed
- Purchase of inventory such as corned beef and tuna from CNPF

- c) The sale of inventory such as cheese, chicken, and dining supplies to DBE Project, Inc., also a subsidiary of CPGI

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

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

PART IV - EXHIBITS AND SCHEDULES

Shakey's Pizza Asia Ventures Inc. has five (5) subsidiaries as of December 31, 2018:

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

Reports on SEC Form 17-C:

Date	Subject of Report
March 8, 2018	Notice of Annual or Special Stockholder's Meeting
March 9, 2018	Amended Notice of Annual or Special Stockholder's Meeting
April 24, 2018	Second Amended Notice of Annual or Special Stockholder's Meeting
May 7, 2018	Third Amended Notice of Annual or Special Stockholder's Meeting
July 17, 2018	Press Release: Shakey's Opens First Store in Dubai
August 1, 2018	Resignation of VP for International Operations, Carlo L. Fajrado, Jr. and the appointment of Marvin Q. Da Silva to replace him.
August 7, 2018	Press Release: Shakey's sales growth rises to plus 13%; Earnings up 7% as cost pressures persist, but Company affirms double-digit growth target for the year
August 16, 2018	Results of Annual or Special Stockholders' Meeting
August 16, 2018	Results of Organizational Meeting of Board of Directors
November 12, 2018	Press Release: Shakey's sales growth holds steady at 13%; Earnings up 6% amidst a more challenging environment
December 7, 2018	The demise of Shakey's Pizza Asia Ventures, Inc.'s Board of Director, Enrique A. Gomez, Jr.

Reports on SEC Form 17-Q:

Date	Subject of Report
May 11, 2018	Quarterly Report for period ending March 31, 2018
August 7, 2018	Quarterly Report for period ending June 30, 2018
November 12, 2018	Quarterly Report for period ending September 30, 2018

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

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in

PASIG CITY on APR 11 2019.

By:



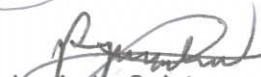
Vicente L. Gregorio
Principal Executive Officer




Jorge Q. Concepcion
Principal Operating Officer



Manuel T. del Barrio
Principal Financial Officer



Armie M. Quintos
Comptroller/Principal Accounting Officer



Maria Rosario L. Ybanez
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 11 2019 day of _____ affiant(s)
exhibiting to me his/their valid IDs as follows:

NAMES	IDENTIFICATION
Vicente L. Gregorio	TIN No. 115-733-046
Jorge Q. Concepcion	TIN No. 192-328-793
Manuel T. del Barrio	TIN No. 120-616-990
Armie M. Quintos	TIN No. 152-884-887
Maria Rosario L. Ybanez	TIN No. 216-466-794

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Page No.: 5 ;
Book No.: 40 ;
Series of 2019 .

ANNEX A

FINANCIAL STATEMENTS

**Shakey's Pizza Asia Ventures Inc.
and Subsidiaries**

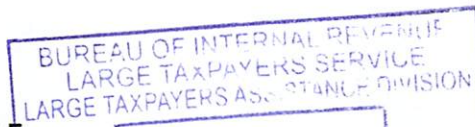
Consolidated Financial Statements
December 31, 2018 and 2017
and Years Ended December 31, 2018, 2017
and 2016

and

Independent Auditor's Report

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS



SEC Registration Number

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COMPANY NAME

S	H	A	K	E	Y	S	P	A	Z	Z	A	A	S	I	A	V	E	N	T	U	R	E	S	I
N	C	.	A	N	D	S	U	B	S	I	D	I	A	R	I	E	S							

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

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

A	C	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	A		
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COMPANY INFORMATION

Company's Email Address

NA

Company's Telephone Number

(02)839-0011

Mobile Number

NA

No. of Stockholders

31

Annual Meeting (Month / Day)

May 3

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Manuel Del Barrio

Email Address

mtdelbarrio@shakeys.biz

Telephone Number/s

(02)839-0011

Mobile Number

NA

CONTACT PERSON'S ADDRESS

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

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

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





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

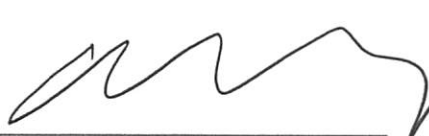
The management of Shakey's Pizza Asia Ventures Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein as at December 31, 2018 and 2017, and each of the three years in the period ended December 31, 2018, in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

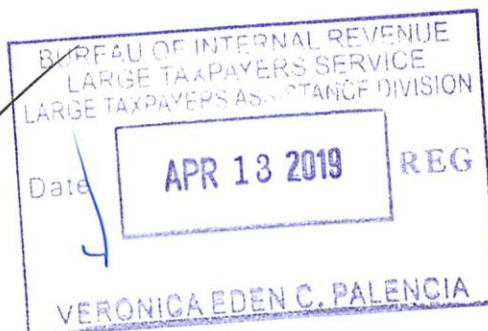
The Board of Directors is responsible for overseeing the Group's financial reporting process.


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

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




Christopher T. Po
Chairman of the Board





Vicente L. Gregorio
President and Chief Executive Officer



Manuel T. Del Barrio
Vice President & Chief Financial Officer

Signed this 10th day of April, 2019.

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



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

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY) S.S.

SUBSCRIBED AND SWORN to before me this APR 12 2013 affiant(s) exhibiting to me
the Passport Numbers, as follows:

Name	Passport No.	Date of Issue	Place of Issue
Christopher T. Po	EC3438983	Feb. 11, 2015	DFA NCR East
Vicente L. Gregorio	EC5496727	Sept. 26, 2015	DFA NCR South
Manuel T. Del Barrio	EC2774494	Nov. 19, 2014	DFA NCR East

S. Godinez
Notary Public

ATTY. LEONARDO S. GODINEZ
Notary Public for Taguig City Until Dec. 31, 2020
IBP No. 055240 / 11-21-2018 Rizal
PTR No. A-42559470 / 01-03-2019 Taguig City
MCLE VI-001108; Appt. No. 13 (2019-2020)
San Juan St. Central Bicutan, Taguig City

Doc. No. 152
Page No. 32
Book No. V
Series of 2019.

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

INDEPENDENT AUDITOR'S REPORT^p

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



Opinion

We have audited the consolidated financial statements of Shakey's Pizza Asia Ventures Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Impairment Assessment of Goodwill and Trademarks

Under PFRS, the Group is required to annually test the amount of goodwill and trademarks for impairment. As at December 31, 2018, the Group's goodwill, mainly arising from its acquisition of the dough manufacturing business in the Philippines, amounting to ₱1,078.6 million and trademarks amounting to ₱4,987.1 million, are considered significant to the consolidated financial statements since these account for 63% of the Group's total assets. In addition, management's assessment requires significant judgment and is based on assumptions, specifically forecasted long-term revenue growth rate, operating expenses, gross margin and discount rate, which are affected by expected future market or economic conditions. The Group's disclosures about goodwill and trademarks are included in Notes 5 and 6 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's impairment assessment process and related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include forecasted long-term revenue growth rate, operating expenses, gross margin and discount rate. We compared the key assumptions used, such as forecasted long-term revenue growth rate, operating expenses and gross margin against the historical performance of the cash generating units (CGU) and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosure about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and trademarks with indefinite life.

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 resulted in significant changes in the Group's revenue recognition policies, processes, and procedures. The Group recorded transition adjustments that decreased the retained earnings as of January 1, 2018 by ₱115.3 million. The adoption of PFRS 15 is significant to our audit because this involves application of significant management judgment and estimation in the: (1) assessment whether all promises in the franchise contracts meet the definition of distinct performance obligations; (2) determination of the transaction price and significant financing component of the franchise contracts; (3) determination of the stand-alone selling price of the sale of goods and service; and (4) assessment of the timing of revenue recognition.

The disclosures related to the adoption of PFRS 15 are included in Note 3 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's process in implementing the new revenue recognition standard, including revenue streams identification and scoping. We reviewed the memorandum of PFRS 15 adoption and accounting policies prepared by management.

For significant revenue streams, we obtained sample contracts and reviewed whether the accounting policies appropriately complied with the five-step model and cost requirements of PFRS 15.



In relation to initial franchise fees, we reviewed sample franchise contracts focusing on the identification of the performance obligations, determination of the transaction price, allocation of the transaction price to the performance obligations and the timing of revenue recognition. We reviewed management's assessment on whether the activities being performed prior to franchise store opening are distinct performance obligations. For the transaction price, we checked the calculation of the significant financing component and compared the interest rates used in the calculation against published reference rates of the Bankers Association of the Philippines, adjusted using the Group's credit spread.

For each revenue stream, we checked whether the Group's timing of revenue recognition is based on when the performance occurs and control of the related goods or services is transferred to the customer. We also reviewed the transition adjustment calculation of the management and the related disclosures.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to date of this auditor's report, and the SEC Form 20 IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2018 which are expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

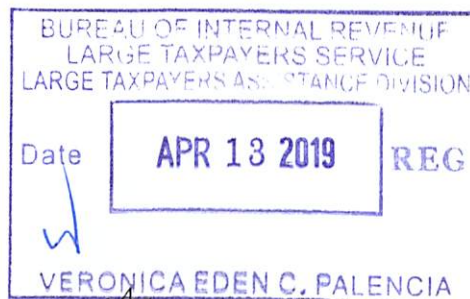
Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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





Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



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

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

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

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

SYCIP GORRES VELAYO & CO.



Maria Pilar B. Hernandez

Partner

CPA Certificate No. 105007

SEC Accreditation No. 1558-AR-1 (Group A),

February 26, 2019, valid until February 25, 2022

Tax Identification No. 214-318-972

BIR Accreditation No. 08-001998-116-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 7332559, January 3, 2019, Makati City

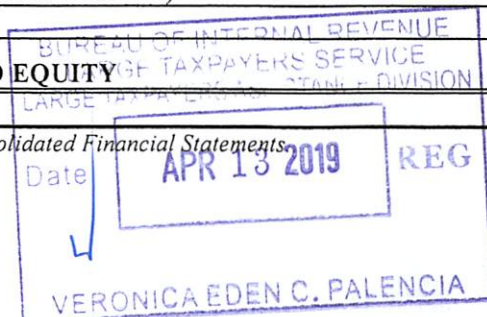
April 10, 2019



SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 8 and 25)	P433,777,621	P244,994,340
Trade and other receivables (Notes 9, 16 and 25)	508,494,649	586,496,825
Inventories (Note 10)	597,145,719	362,206,579
Prepaid expenses and other current assets (Notes 11 and 14)	70,903,767	61,438,393
Total Current Assets	1,610,321,756	1,255,136,137
Noncurrent Assets		
Property and equipment (Note 13)	1,711,899,346	1,538,385,394
Goodwill (Note 6)	1,078,606,020	1,078,606,020
Trademarks (Note 6)	4,987,109,602	4,987,109,602
Pension asset (Note 22)	13,666,188	—
Deferred input value-added tax	63,451,832	95,666,175
Deferred tax assets (Note 24)	31,044,664	25,100,727
Rental and other noncurrent assets (Notes 14, 25 and 26)	137,079,814	128,843,614
Total Noncurrent Assets	8,022,857,466	7,853,711,532
TOTAL ASSETS	P9,633,179,222	P9,108,847,669
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 15, 16 and 25)	P799,504,485	P1,005,167,485
Current portion of loans payable (Note 17)	48,449,757	48,411,689
Current portion of contract liabilities (Notes 3 and 19)	19,285,813	—
Income tax payable	100,558,936	59,139,697
Total Current Liabilities	967,798,991	1,112,718,871
Noncurrent Liabilities		
Loans payable - net of current portion (Note 17)	3,836,966,162	3,885,420,461
Accrued pension costs (Note 22)	—	25,134,979
Accrued rent (Note 27)	101,853,055	76,181,330
Contract liabilities - net of current portion (Notes 3 and 19)	93,314,414	—
Dealers' deposits and other noncurrent liabilities	63,425,467	35,150,922
Total Noncurrent Liabilities	4,095,559,098	4,021,887,692
Total Liabilities	5,063,358,089	5,134,606,563
Equity		
Capital stock (Note 18)	1,531,321,053	1,531,321,053
Additional paid-in capital (Note 18)	1,353,554,797	1,353,554,797
Retained earnings (Note 18)	1,668,017,627	1,095,525,015
Other components of equity (Notes 12 and 22)	16,927,656	(6,159,759)
Total Equity	4,569,821,133	3,974,241,106
TOTAL LIABILITIES AND EQUITY	P9,633,179,222	P9,108,847,669

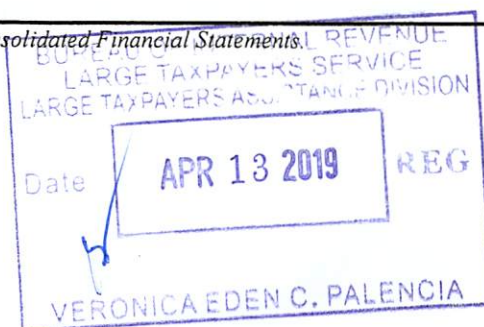
See accompanying Notes to Consolidated Financial Statements.



SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
REVENUES			
Revenue from contract with customers (Notes 3, 16 and 19)	₱7,578,718,618	₱—	₱—
Net sales (Notes 16 and 19)	—	6,750,949,174	5,738,977,478
Royalty and franchise fees	—	252,863,907	206,631,050
	7,578,718,618	7,003,813,081	5,945,608,528
COSTS OF SALES (Notes 16 and 20)	(5,399,319,411)	(4,937,716,670)	(4,158,600,507)
GROSS INCOME	2,179,399,207	2,066,096,411	1,787,008,021
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	(973,225,277)	(905,415,529)	(984,652,184)
INTEREST EXPENSE (Notes 17 and 19)	(188,515,123)	(177,304,646)	(128,490,292)
OTHER INCOME - Net (Note 23)	64,578,557	38,807,186	262,353,688
INCOME BEFORE INCOME TAX	1,082,237,364	1,022,183,422	936,219,233
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	257,160,480	258,100,841	184,883,829
Deferred	(15,838,544)	1,939,257	(7,849,801)
	241,321,936	260,040,098	177,034,028
NET INCOME	840,915,428	762,143,324	759,185,205
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Disposal of AFS investments (Note 12)	—	(534,464)	2,888,071
Unrealized gain on changes in fair value of AFS investments (Note 12)	—	—	534,464
	—	(534,464)	3,422,535
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods (net of tax) -			
Actuarial gain on defined benefit obligation (Note 22)	32,982,022	9,553,179	4,878,542
Tax effect (Note 22)	(9,894,607)	(2,865,953)	(996,977)
	23,087,415	6,687,226	3,881,565
TOTAL OTHER COMPREHENSIVE INCOME	23,087,415	6,152,762	7,304,100
TOTAL COMPREHENSIVE INCOME	₱864,002,843	₱768,296,086	₱766,489,305
Basic/Diluted Earnings Per Share (Note 29)	₱0.55	₱0.50	₱0.88

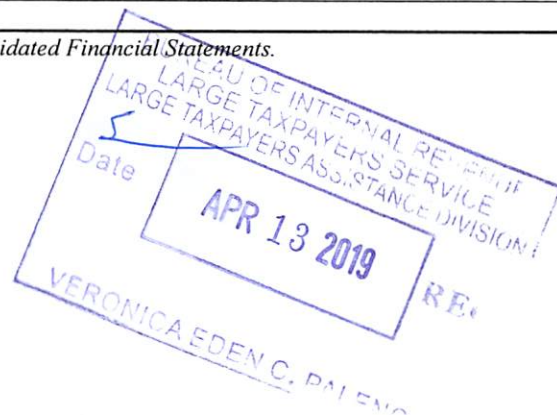
See accompanying Notes to Consolidated Financial Statements.



SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Capital Stock	Additional Paid-in Capital	Retained Earnings (Notes 3, 18 and 19)	Other Components of Equity Unrealized Gain (Loss) on Changes in Fair Value of AFS Investments	Cumulative Actuarial Loss - Net of Tax	Total
Balances at January 1, 2018	P1,531,321,053	P1,353,554,797	P1,095,525,015	P—	(P6,159,759)	P3,974,241,106
Effect of adoption of new accounting standards (Notes 3 and 19)	—	—	(115,290,711)	—	—	(115,290,711)
Balances at January 1, 2018, as restated	1,531,321,053	1,353,554,797	980,234,304	—	(6,159,759)	3,858,950,395
Total comprehensive income	—	—	840,915,428	—	23,087,415	864,002,843
Cash dividends (Note 18)	—	—	(153,132,105)	—	—	(153,132,105)
Balances at December 31, 2018	P1,531,321,053	P1,353,554,797	P1,668,017,627	P—	P16,927,656	P4,569,821,133
Balances at January 1, 2017	P1,531,321,053	P1,353,554,797	P486,513,796	P534,464	(P12,846,985)	P3,359,077,125
Total comprehensive income (loss)	—	—	762,143,324	(534,464)	6,687,226	768,296,086
Cash dividends (Note 18)	—	—	(153,132,105)	—	—	(153,132,105)
Balances at December 31, 2017	P1,531,321,053	P1,353,554,797	P1,095,525,015	P—	(P6,159,759)	P3,974,241,106
Balances at January 1, 2016	P768,614,050	P—	P829,245,434	(P2,888,071)	(P16,728,550)	P1,578,242,863
Proceeds from issuance of capital stock (Note 18)	762,707,003	1,353,554,797	—	—	—	2,116,261,800
Total comprehensive income	—	—	759,185,205	3,422,535	3,881,565	766,489,305
Cash dividends (Note 18)	—	—	(1,101,916,843)	—	—	(1,101,916,843)
Balances at December 31, 2016	P1,531,321,053	P1,353,554,797	P486,513,796	P534,464	(P12,846,985)	P3,359,077,125

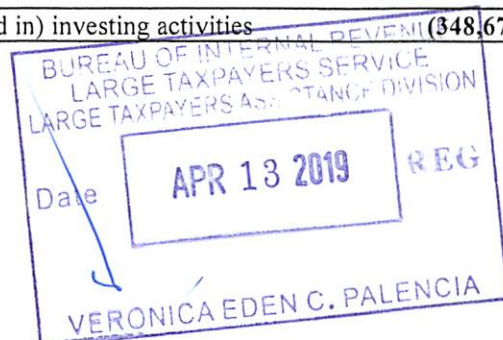
See accompanying Notes to Consolidated Financial Statements.



SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,082,237,364	₱1,022,183,422	₱936,219,233
Adjustments for:			
Depreciation and amortization (Notes 13, 20 and 21)	230,752,920	208,930,640	137,985,368
Interest expense	188,515,123	177,304,646	128,490,292
Movements in:			
Accrued rent	25,671,725	12,010,268	21,452,132
Accrued pension costs	(5,819,145)	353,647	(1,642,783)
Accretion income (Notes 14 and 23)	(3,981,670)	(2,731,459)	(4,149,485)
Interest income (Note 23)	(1,706,189)	(1,186,755)	(3,291,346)
Unrealized foreign exchange gain	(1,256,949)	(97,122)	(194,819)
Loss (gain) on disposal of property and equipment (Note 23)	118,201	(1,734,824)	(238,591)
Loss (gain) on disposal of AFS (Note 23)	—	(1,436,223)	4,056,548
Gain on reversal of advances (Note 23)	—	—	(222,502,148)
Dividend income	—	—	(486,897)
Income before working capital changes	1,514,531,380	1,413,596,240	995,697,504
Decrease (increase) in:			
Trade and other receivables	78,002,176	(165,671,908)	167,663,201
Inventories	(234,939,140)	(105,921,355)	855,740
Prepaid expenses and other current assets	(8,063,520)	(48,128,437)	(3,758,892)
Increase (decrease) in:			
Accounts payable and other current liabilities	(205,782,576)	140,713,580	(51,211,514)
Contract liabilities (Notes 3, 19 and 30)	(7,036,891)	—	—
Net cash generated from operations	1,136,711,429	1,234,588,120	1,109,246,039
Income taxes paid (including creditable withholding taxes)	(217,143,095)	(263,399,287)	(178,442,725)
Interest received	1,706,189	1,186,755	3,291,346
Net cash provided by operating activities	921,274,523	972,375,588	934,094,660
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Property and equipment (Note 13)	(434,122,382)	(768,164,192)	(417,637,547)
Subsidiaries - net of cash acquired	—	—	(6,010,636,947)
AFS investments (Note 12)	—	—	(1,124,639,257)
Proceeds from disposal of:			
Proceeds from disposals of property and equipment	29,737,309	21,588,901	5,264,498
AFS investments (Note 12)	—	1,126,609,944	681,365,595
Financial assets at FVPL	—	—	36,084,300
Increase (decrease) in dealers' deposits and other noncurrent liabilities	32,256,215	21,362,038	(25,623,290)
Increase in:			
Deferred input value added tax	32,214,343	(55,408,492)	(8,082,285)
Rental and other deposits (Note 10)	(8,757,317)	(23,394,756)	(5,572,608)
Dividends received	—	—	486,897
Net cash provided by (used in) investing activities	(348,671,832)	322,593,443	(6,868,990,644)

(Forward)



	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Interest	(P182,073,515)	(P175,813,487)	(P114,984,533)
Dividends (Note 18)	(153,132,105)	(153,132,105)	(1,101,916,843)
Loan (Note 30)	(50,109,891)	(1,050,000,000)	-
Proceeds from:			
Loan	-	-	4,975,000,000
Issuance of capital stock (Note 18)	-	-	2,116,261,800
Net cash provided by (used in) financing activities	(385,315,511)	(1,378,945,592)	5,874,360,424
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	1,496,101	439,250	194,819
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS			
	188,783,281	(83,537,311)	(60,340,741)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 8)			
	244,994,340	328,531,651	388,872,392
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)			
	P433,777,621	P244,994,340	P328,531,651

See accompanying Notes to Consolidated Financial Statements.



SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

Shakey's Pizza Asia Ventures Inc. (SPAVI or the Parent Company), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) 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), 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 a company owned by the 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), 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 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 Arturo Drive, Brgy. 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 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".

On July 28, 2017, SSI entered into an asset purchase agreement with GGL to acquire from GGL, free from any encumbrances, all of GGL's rights, title and interest in and to the Shakey's System (trademark) on an "as-is and where-is" basis for a total consideration of ₱1,260.5 million, on account. On August 4, 2017, the BOD of the Group approved the assignment of SSI's liability to GGL amounting to ₱1,260.5 million to SPAVI, the Parent Company. These transactions have been eliminated in the consolidated financial statements.

On August 18, 2017, SPAVI applied the assigned liability as additional investment to SSI amounting to ₱75.0 million with the excess recognized as additional paid-in capital. Simultaneously, the BOD approved GGL's application for deregistration in the Hong Kong registry. On April 13, 2018, the Group received the approval from the Hong Kong registry for the deregistration of GGL.

On November 22, 2017, the Parent Company acquired 100% interest in Shakey's Pizza Commerce, Inc. (SPCI), a newly incorporated company in the Philippines. SPCI is engaged in the business of buying, selling, distributing and marketing, at wholesale or retail, goods, commodities and merchandise of every kind and description, and to carry on and undertake business transaction or operation which is necessary, incidental or ancillary to the objectives of the business, trader, importer, exporter, distributor, manufacturer's representative or commercial and general agents. The Company has started commercial operations on December 1, 2017. SPCI's registered office address is 15 KM East Service Road, corner Marian Road 2, Brgy. San Martin de Porres, Parañaque City.

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

Approval and Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements were approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on April 10, 2019.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) investments which are carried at fair value in 2017. The 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 consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its wholly-owned subsidiaries as at December 31. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events with similar circumstances.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee,
- Rights arising from other contractual arrangements, and
- The Group's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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

		Place of incorporation	2018 Percentage of Ownership (%)	2017
Bakemasters, Inc. (BMI) ^a	Manufacturer of pizza dough and pastries	Philippines	100%	100%
Shakey's International Limited (SIL) ^a	Trademark	Hong Kong	100%	100%
Golden Gourmet Limited (GGL) ^a	Trademark	Hong Kong	—%	100%
Shakey's Seacrest Incorporated (SSI) ^b	Trademark	Philippines	100%	100%
Shakey's Pizza Regional Foods Limited (SPRFL) ^c	Trademark	Hong Kong	100%	100%
Shakey's Pizza Commerce Inc. (SPCI) ^d	Trading of goods	Philippines	100%	100%

^aAcquired on October 5, 2016 from SAFHI. GGL was derecognized in Hong Kong's registry on April 13, 2018.

^bIncorporated on June 29, 2016.

^cIncorporated on November 25, 2016

^dIncorporated on November 25, 2017

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these new standards and amendments did not have any significant impact on the Group's financial position or performance, except for the adoption of PFRS 9, *Financial Instruments*, and PFRS 15, *Revenue from Contracts with Customers*.

- PFRS 9, *Financial Instruments*

PFRS 9 replaces Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement*, for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied PFRS 9 using modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other components of equity as at January 1, 2018.

The adoption of PFRS 9 did not have a material impact on the Group's consolidated financial statements as at January 1, 2018.

(a) *Classification and measurement*

Under PFRS 9, debt instruments are subsequently measured at fair value through profit (FVPL) or loss, amortized cost, or fair value through OCI (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

Cash and cash equivalents, trade and other receivables and rental and other deposits previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI are now classified and measured as financial assets at amortized cost.

The Group has not designated any financial liabilities as FVTPL. There are no changes in classification and measurement for the Group's financial liabilities.

The Group does not have financial assets and financial liabilities which had previously been designated at FVTPL to reduce an accounting mismatch in accordance with PAS 39 which had been reclassified to amortized cost or FVOCI upon transition to PFRS 9.

The consolidated statement of financial position and the consolidated statement of comprehensive income as at and for the year ended December 31, 2017 was not restated.

The accounting for the Group's financial liabilities remains largely the same as it was under PAS 39. Hence, there are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of PFRS 9, the Group had the following required or elected reclassifications of the Group's financial assets:

	Amount	Category	
		PAS 9	PFRS 9
Cash and cash equivalents	₱244,994,340	Loans and receivables	At amortized cost
Trade and other receivables			
Trade	317,945,267	Loans and receivables	At amortized cost
Receivables from franchisees	63,181,608	Loans and receivables	At amortized cost
Receivables from employees	20,580,270	Loans and receivables	At amortized cost
Royalty receivables	27,302,977	Loans and receivables	At amortized cost
Others	26,626,194	Loans and receivables	At amortized cost
Rental and other deposits	120,272,609	Loans and receivables	At amortized cost
	₱820,903,265		

(b) *Impairment*

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to record an allowance for ECLs for debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

As at January 1, 2018 and December 31, 2018, the Group's financial assets subjected for impairment assessment are cash and cash equivalents, trade and other receivables and rental and other deposits.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects short-term maturities of the exposures. The Group considers that its high-grade cash and cash equivalents have low credit risk based on external credit ratings of the banks. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. The identified impairment loss was immaterial.

For trade receivables, the Group has applied the standard's simplified approach. Therefore, the Group will not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The identified impairment loss was immaterial.

For due from related parties, the ECL is based on the 12-month ECL. However, being due and demandable, the intercompany receivables, will attract a negligible ECL, since ECLs are only measured over the period in which the entity is exposed to credit risk. The Group did not note anything that would indicate that the advances is incapable of being repaid on demand, such that the borrower would default if the advances were called wherein the probability of default would need to be set to 100%.

For advances to officers and employees and other receivables and rental and other deposits, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. The identified impairment loss was immaterial.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of ECL requirements under PFRS 9, however, did not materially impact any recognized impairment on the Group's financial assets such as cash and cash equivalents, trade and other receivables and rental and other deposits.

(c) *Hedge accounting*

Under PFRS 9, all gains and losses arising from the cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under PFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of PFRS 9 and has no impact on the presentation of comparative figures. This pronouncement is not expected to have any significant impact on the Group since it has no hedging instrument.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, Construction Contracts, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The five-step model is as follows:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations.
- Step 5: Recognize revenue when (or as) each performance obligation is satisfied.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Revenue is recognized upon satisfaction of a performance obligation by transferring control of a good or service to a customer. Control transfers over time if one of three criteria is met, otherwise control transfers at a point in time:

- Customer simultaneously receives and consumes benefits provided by entity's performance as the entity performs;
- Entity's performance creates or enhances an asset the customer controls as the asset is created or enhanced; and
- Entity's performance does not create an asset with alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The Group adopted PFRS 15 using the modified retrospective approach with an initial application date of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard only to contracts that are not yet completed as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 18, and related interpretations.

The effect of adopting PFRS 15 as at January 1, 2018 was as follows:

Consolidated Statement of Financial Position	Increase (Decrease)
Contract liabilities (a)	P115,290,711
Retained earnings (b)	(115,290,711)
	P-

Set out below are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on other comprehensive income or the Group's operating, investing, and financing cash flows. The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted:

Consolidated Statement of Financial Position	Under PFRS 15	Under Previous PFRS	Increase (Decrease)
Deferred tax assets (b)	P31,044,664	P29,029,664	P2,015,000
TOTAL ASSETS	P9,633,179,222	P9,631,164,222	P2,015,000
Contract liabilities (a)	P112,600,227	P-	P112,600,227
Retained earnings (b)	1,668,017,627	1,778,602,854	(110,585,227)
TOTAL LIABILITIES AND EQUITY	P9,633,179,222	P9,631,164,222	P2,015,000

Consolidated Statement of Comprehensive Income

	Under PFRS 15	Under Previous PFRS	Increase (Decrease)
Royalty and franchise fees (a)	₱302,614,112	₱295,577,221	₱7,036,891
TOTAL REVENUE	7,643,297,175	7,636,260,284	7,036,891
Interest expense (a)	188,515,123	184,168,716	4,346,407
TOTAL REVENUE	6,561,059,811	6,556,713,404	4,346,407
INCOME BEFORE INCOME TAX	1,082,237,364	1,079,546,880	2,690,484
PROVISION FOR INCOME TAX	241,321,936	243,336,936	(2,015,000)
NET INCOME	₱840,915,428	₱836,209,944	₱4,705,484
BASIC/DILUTED EARNINGS PER SHARE	₱0.55	₱0.55	(₱0.00)

The nature of the adjustments as at January 1, 2018 and the reasons for the significant changes in the consolidated statement of financial position as at December 31, 2018 and the consolidated statement of comprehensive income for the year ended December 31, 2018 are described below:

(a) Initial franchise fees

Prior to adoption of PFRS 15, the Group recognizes revenue from initial franchise fees upon performance of initial services required in the franchise agreement.

Under PFRS 15, initial franchise fees are deferred (included as part of “Current portion of contract liabilities” account and “Contract liabilities – net of current portion” account in the consolidated statement of financial position) and recognized as revenue (included as part of “Revenue from contracts with customers” account in the consolidated statements of comprehensive income) over the term of the franchise agreement, with consideration for the time value of money. Accretion on contract liabilities due to timing difference between the payment of the franchise fee and transfer of control of the performance obligation is recorded as part of “Interest expense” account in the consolidated statements of comprehensive income over the term of franchise agreement.

As at January 1, 2018, the Group recognized contract liabilities amounting to ₱115.3 million of which ₱22.3 million royalty and franchise fees and ₱4.3 million interest expense were recognized for the year ended December 31, 2018.

As at December 31, 2018, PFRS 15 increased “Current portion of contract liabilities” account and “Contract liabilities – net of current portion” account by ₱19.3 million and ₱93.3 million, respectively. For the year ended December 31, 2018, PFRS 15 increased “Royalty and franchise fees” account and “Interest expense” account by ₱7.0 million and ₱4.3 million, respectively.

(b) Customer loyalty program

The Group operates “Shakey's Supercard” through which customers may accumulate points upon purchase of certain goods and services. The “Shakey’s Supercard” points may be redeemed in the form of rebates. The promise to provide rebates to the customers give rise to the performance obligation that is distinct and separately identifiable. However, management assessed that the impact of the adoption of PFRS 15 to their “Shakey’s Supercard” is not material.

(c) Other adjustments

In addition to the adjustments described above, deferred tax assets and retained earnings were adjusted as necessary.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4, Insurance Contracts*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC)-22, *Foreign Currency Transactions and Advance Consideration*

4. **Summary of Significant Accounting and Financial Reporting Policies**

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

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of comprehensive income. It is then considered in the determination of goodwill or gain on bargain purchase.

Acquisitions that do not constitute businesses are recognized as asset acquisitions. In such cases, the acquirer shall identify and recognize the individual identifiable assets acquired and liabilities assumed. The costs shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. Such a transaction or event does not give rise to goodwill.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, is measured at fair value with the changes in fair value recognized in the consolidated statement of comprehensive income in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions in PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or the amount initially recognized less (when appropriate) cumulative amortization recognized in accordance with the requirements for revenue recognition.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs), to which the goodwill relates. When the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognized. When goodwill forms part of a CGU (group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;

- Expected to be realized within twelve months after the reporting date, or;
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Financial Instruments (effective January 1, 2018)

Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

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

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

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

Subsequent Measurement

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

The Group has no financial assets measured at fair value upon adoption of PFRS 9

Financial Assets at Amortized Cost (Debt Instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

As at December 31, 2018, the Group's financial assets at amortized cost consist of cash and cash equivalents, trade and other receivables and rental and other deposits (see Notes 8, 9 and 14).

Impairment

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

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

For receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Financial liabilities

Initial Recognition and Measurement

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

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

The Group's financial liabilities include loan payable, accounts payable and other current liabilities (excluding statutory liabilities), and dealers' deposit and other noncurrent payables (see Notes 15 and 17).

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

Financial Instruments (effective prior to January 1, 2018)

Financial Assets

Date of Recognition. The Group recognizes a financial asset in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial assets and financial liabilities are recognized initially at fair value plus, except for financial assets and financial liabilities at fair value through profit or loss (FVPL), any cost directly attributable to the acquisition or issuance. The Group categorizes financial assets as: financial assets at FVPL, differentiating those that are held for trading and those designated as such, loans and receivables, held-to-maturity (HTM) investments and AFS investments. Financial liabilities are categorized into financial liabilities at FVPL and other financial liabilities carried at cost or amortized cost. The Group determines the classification of investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, the date that the Group commits to purchase or sell the asset.

Subsequent Measurement. The subsequent measurement of financial assets depends on their classification.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. Such financial assets are carried at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate (EIR).

Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loan and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

This category includes the Group's cash and cash equivalents, trade and other receivables and rental and other deposits (see Notes 8, 9 and 14).

AFS Investments. AFS investments are those which are designated as such or are not classified in any of the three preceding categories. The Group designates financial assets as AFS investments if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gain and loss recognized as other comprehensive income in the consolidated statement of comprehensive income and in the consolidated statement of changes in equity until the investment is derecognized or determined to be impaired, at which the cumulative gain or loss previously recognized in equity is recognized in net income in the consolidated statement of comprehensive income (see Note 12).

Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned on holding AFS investments are reported as interest income using the EIR. Dividends earned on holding AFS investments are recognized in net income in the consolidated statement of comprehensive income when the right of the payment has been established. The losses arising from impairment of such financial assets are recognized in net income in the consolidated statement of comprehensive income. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within twelve months from the reporting date.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

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

Impairment of Financial Assets. The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence (such as the probability of insolvency or significant difficulties of the debtor) that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in net income in consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in net income in consolidated statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in net income in the consolidated statement of comprehensive income.

For AFS investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investment is impaired. Objective evidence of impairment for equity investments classified as AFS would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in net income in the consolidated statement of comprehensive income, is removed from equity and recognized in net income in the consolidated statement of comprehensive income. Impairment loss on equity investments is not reversed through the net income in the consolidated statement of comprehensive income; however, increases in their fair value after impairment are recognized in other comprehensive income in the consolidated statement of comprehensive income.

Financial Liabilities

Date of Recognition. The Group recognizes a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition. Financial liabilities are classified as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable costs.

The Group does not have any financial liabilities at FVPL as at December 31, 2018 and 2017.

Subsequent Measurement. The subsequent measurement of financial liabilities depends on their classification.

Loans and Borrowings. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the EIR. Gains and losses are recognized in net income in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Loans and borrowings are included in current liabilities if maturity is within twelve months from the reporting date or the Group does not have an unconditional right to defer payment for at least twelve months from the reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Group's accounts payable and other current liabilities (excluding statutory liabilities) and loans payable (see Notes 15 and 17).

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net income in the consolidated statement of comprehensive income.

Classification of Financial Instruments Between Liability and Equity

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

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

"Day 1" Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit

or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

Debt Issue Costs

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

Prepayment Option

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

Fair Value Measurement

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value information is presented in Note 26.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to set-off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is

not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- | | | |
|-------------------------------|---|---|
| Finished goods | - | determined using the moving average method, cost includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs. |
| Raw materials and merchandise | - | determined using the moving average method. |

NRV of finished goods is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. NRV of raw materials is the current replacement cost.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the property and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to net income in the consolidated statement of comprehensive income in the year such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

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

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

Depreciation and amortization commences once the assets are available for use. Depreciation and amortization are computed using the straight-line basis over the following estimated useful lives of the property and equipment:

Category	Number of year(s)
Building	15-20
Leasehold improvements	2-10
Furniture, fixtures and equipment	1-10
Machinery and equipment	1-3
Transportation equipment	2-7
Cost of shops and maintenance tools	3-10
Glasswares and utensils	1

Construction in-progress represents properties under construction and is stated at cost, net of accumulated impairment losses. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time as the relevant assets are completed and available for use.

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

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

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

Intangible Assets

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

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if an indication of impairment exists either individually or at the CGU level. Such intangibles are not amortized. Intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Impairment of Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that property and equipment, goodwill and trademarks. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value, less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments

of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income. After such a reversal, the depreciation and amortization are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

Intangible Assets with Indefinite Life and Goodwill. Goodwill and trademarks are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill and trademarks by assessing the recoverable amount of the CGU, to which the goodwill and trademarks relates. Where the recoverable amount of the cash-generating unit (or group of CGUs) is less than the carrying amount of the cash-generating unit (or group of CGUs) to which the goodwill and trademarks has been allocated, an impairment loss is recognized in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill and trademarks on December 31 of each year.

Dealers' Deposits

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

Equity

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

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

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

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

Dividends on Capital Stock

The Group may pay dividends in cash, property, or by the issuance of shares of stock. All dividends are subject to the approvals of the BOD; however, property dividends need approval from SEC and stock dividends require approval of at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the SEC. The Group may declare dividends only out of its unrestricted retained earnings.

Cash and property dividends on common stock are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital.

Revenue from Contracts with Customers (effective January 1, 2018)

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

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

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

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

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

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

Contract Balances

Contract Assets. A contract asset is a conditional right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Group has no contract assets as at December 31, 2018.

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

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Revenue (effective prior to January 1, 2018)

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates and sales taxes. The Group assesses its revenue against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific revenue criteria must also be met before revenue is recognized:

Sales. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery. The amount is recorded net of discount and sales taxes.

Royalty and Franchise Fees. Revenue is recognized as earned under the accrual basis in accordance with the terms of the agreements with the dealers.

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

Costs and Expenses Recognition

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

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date or whether the fulfillment of the arrangement is dependent on the use of a specific asset or arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized in net income in the consolidated statement of comprehensive income on a straight line basis over the lease term.

Pension Costs

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

Defined Benefit Plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

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

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

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

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

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

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

Foreign Currency-denominated Transactions

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

Income Tax

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

Deferred Tax. Deferred tax is provided, using the liability method, on all temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets, if any, are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

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

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

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

Value-added Tax (VAT).

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

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

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

Deferred Input VAT

In accordance with the Revenue Regulations No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of input VAT) in each of the calendar months exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods whichever is shorter.

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

Earnings Per Share (EPS)

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 7 to the consolidated financial statements.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as interest expense.

Contingencies

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

Events After the Reporting Period

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

Acquisition of Investments Qualified as a Business Combination. In applying the requirements of PFRS 3, Business Combinations, an entity or an asset being acquired has to be assessed whether it constitutes a business. The assessment requires identification of inputs and processes applied to these inputs to generate outputs or economic benefits. As discussed in Note 6, BMI was considered a business and was accounted for as a business combination while SIL and GGL do not constitute businesses and were accounted for as asset acquisitions.

The fair values of the identifiable net assets acquired from BMI in 2016 amounted to ₱191.4 million. The acquisition of BMI has resulted in the recognition of goodwill. The carrying value of goodwill as at December 31, 2018 and 2017 amounted to ₱1,078.6 million (see Note 6).

Since SIL and GGL do not constitute businesses, the Group accounted for the acquisition as acquisition of assets. The purchase price consideration has been allocated to the identifiable assets and liabilities on the basis of their fair values at acquisition date. The fair values of the identifiable net assets acquired from acquisition of the assets amounted to ₱226.6 million. No goodwill was recognized. The carrying values of the trademarks acquired amounted to ₱4,987.1 million as at December 31, 2018 and 2017 (see Note 6).

Purchase Price Allocation in Business Combinations. The Company accounts for the acquired business using the acquisition method which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill, a separate account in the consolidated statement of financial position (or subsumed in the investment for acquisition of an associate), or gain on bargain purchase in profit or loss. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial position and performance.

The Group's acquisition of BMI has resulted in the recognition of goodwill. The carrying value of goodwill amounted to ₱1,078.6 million as at December 31, 2018 and 2017 (see Note 6).

Right to Access - Performance Obligation Satisfied Over Time (Upon Adoption of PFRS 15). The Group determines whether it provides a dealer/franchisee with either:

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

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

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

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

Evaluation of Operating Lease Commitments-Group as Lessee. The Group has entered into long-term leases of store spaces. Management has determined that all the significant risks and rewards of ownership of the property which the Group leases, remain with the lessor because of the following

factors; (a) the Group will not acquire ownership of the leased property upon termination of the lease; (b) at the inception of the lease, the present value of the minimum lease payments by the Group is substantially lower than the fair value of the leased asset; and, (c) the Group was not given an option to purchase the asset at a price that is sufficiently lower than the fair value at the date the option becomes exercisable. Accordingly, the said leases are accounted for as operating leases.

Rent expense amounted to ₱440.0 million, ₱382.0 million and ₱341.6 million in 2018, 2017 and 2016, respectively (see Notes 20, 21 and 27).

Estimates and Assumptions

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

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

The fair values of financial assets and financial liabilities are disclosed in Note 26.

Impairment of Trade and Other Receivables and Rental and Other Deposits

Effective January 1, 2018

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

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

The assessment of the correlation between historical observed default rates, forward-looking information, and ECLs is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's receivables is disclosed in Note 9.

The carrying value of trade and other receivables amounted to ₱508.5 million and ₱586.5 million as at December 31, 2018 and January 1, 2018, respectively (see Note 9). Allowance for impairment of receivables amounted to ₱6.5 million and ₱7.5 million as at December 31, 2018 and January 1, 2018, respectively. There was no provision for impairment of receivables in 2018.

The carrying value of rental and other deposits amounted to ₱140.4 million and ₱133.3 million as at December 31, 2018 and January 1, 2018, respectively (see Notes 11 and 14). Allowance for unrecoverable deposits of rental and other deposits amounted to ₱3.3 million and ₱2.1 million as at December 31, 2018 and January 1, 2018, respectively. Provision for unrecoverable deposits amounted to ₱1.2 million in 2018 (see Note 14).

Effective Prior to January 1, 2018

Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the aging of receivables, past collection experience and other factors that may affect collectability. An evaluation of the receivables, designed to identify potential charges to the allowance, is performed on a continuous basis throughout the year. The amount of recorded expenses and the timing of recording such expenses for any period would therefore differ based on the judgments or estimates made.

The Group recognized reversal of allowance for doubtful accounts amounting to ₱0.4 million in 2016 and recorded provision for doubtful accounts amounting to ₱1.2 million in 2017. The carrying values of trade and other receivables (net of allowance for doubtful accounts amounting to ₱7.5 million as at December 31, 2017) amounted to ₱586.5 million as at December 31, 2017 (see Note 9).

Provision for unrecoverable deposits amounted to nil in 2017 and ₱1.9 million in 2016 (see Note 21). Allowance for unrecoverable deposits amounted to ₱2.1 million as at December 31, 2017. The carrying value of rental and other noncurrent assets amounted to ₱128.8 million as at December 31, 2017 (see Note 14).

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

There was no provision nor reversal for inventory obsolescence recognized in 2018 while provision for inventory obsolescence amounting to ₱2.6 million was recognized in 2017 and reversal of provision for inventory obsolescence amounting ₱3.2 million was recognized in 2016 (see Note 23). The carrying values of inventories amounted to ₱597.1 million and ₱362.2 million, net of allowance for inventory obsolescence of ₱4.3 million as at December 31, 2018 and 2017, respectively (see Note 10).

Estimation of Useful Lives of Property and Equipment. The useful lives of property and equipment are estimated based on the economic lives of the property and equipment and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of the property and equipment are reviewed at reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

On January 1, 2016, the management revised the estimated useful lives of its property and equipment based on their experience in renewal of lease term and current practice of their related parties in the restaurant business. The change resulted in a decrease in depreciation of ₱123.4 million for the year ended December 31, 2016. The carrying value of property and equipment amounted to ₱1,711.9 million and ₱1,538.4 million as at December 31, 2018 and 2017, respectively (see Note 13).

The effect of the change in useful lives in the future periods cannot be determined and is impracticable to estimate.

Impairment of Property and Equipment. Impairment review is performed when certain impairment indicators are present. Property and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Determining the value in use of property and equipment, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements.

Based on the assessment of management, the Group's property and equipment do not have any indication of impairment as at December 31, 2018 and December 31, 2017. No impairment loss was recognized in 2018, 2017 and 2016. The carrying value of property and equipment amounted to ₱1,711.9 million and ₱1,538.4 million as at December 31, 2018 and 2017, respectively (see Note 13).

Recoverability of Goodwill and Trademarks. The Group performs recoverability testing annually or more frequently when there are indications of impairment for goodwill and trademarks with indefinite lives. Goodwill acquired through business combination has been allocated to one CGU which is also the operating entity acquired through business combination and to which the goodwill relates. The Group has identified that trademarks have indefinite lives. Recoverability testing requires an estimation of the value in use or fair value less cost of disposal of the CGU to which goodwill and trademarks are allocated. Estimating the recoverable amount of the CGU involves significant assumptions about the future results of the business such as revenue growth and gross margins in its manufacturing business, and discount rates which were applied to cash flow forecasts. The cash flow forecasts were based on financial budgets approved by the BOD covering a five-year period.

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

The key assumptions used in the impairment test of goodwill and trademarks are as follows:

a. Gross Revenue

On the average, gross revenue of the CGU over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, the business growth had a direct correlation with economic growth. A 6.3% perpetuity growth rate was assumed at the end of the five-year forecast period.

b. Operating Expenses

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

c. Gross Margins

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

d. Discount Rate

The discount rate used to arrive at the present value of future cash flows was the Group's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity. The discount rates applied to the cash flow projections range from 12.2% to 14.2% and 11.7% to 13.8% in 2018 and 2017, respectively.

The carrying amount of goodwill and trademarks amounted to ₱1,078.6 million and ₱4,987.1 million, respectively, as at December 31, 2018 and 2017. The recoverable amount of the CGUs to which the goodwill and trademarks with indefinite lives are allocated is greater than its carrying amount. No impairment loss was recognized on goodwill and trademark for the year ended December 31, 2018 and 2017.

Determination of Pension Costs. The cost of defined benefit pension plans and present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Pension asset and accrued pension costs amounted to ₱13.7 million and ₱25.1 million as at December 31, 2018 and 2017, respectively (see Note 22).

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

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

Further details about the assumptions used are provided in Note 22.

Recoverability of Deferred Tax Assets. The Group performs an annual evaluation of the realizability of deferred tax assets in determining the portion of deferred tax assets which should be recognized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the following period. This forecast is based on the Group's past results and future expectations on revenue and expenses.

Deferred tax assets recognized amounted to ₱52.8 million and ₱41.3 million as at December 31, 2018 and December 31, 2017, respectively (see Note 24).

Evaluation of Claims Under Legal Contingencies. The Group is involved in certain legal actions and claims. The Group's estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside legal counsel handling the Group's defense in these matters and is based upon thorough analysis of potential results. Upon such consultation with outside legal counsel, management believes that the ultimate liability or loss, if any, with respect to such obligations, claims and disputes is not material to affect the Group's financial position and financial performance.

6. Business Combination

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 based on relative fair values at date of acquisition as follows:

	Carrying Values	Fair Values Recognized
Current Assets:		
Cash	P13,620,583	P13,620,583
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
Identifiable Net Assets Acquired	P165,399,770	P191,429,430
Identifiable Net Assets Acquired		P191,429,430
Goodwill from the acquisition		1,078,606,020
Purchase consideration transferred		P1,270,035,450
Cash flows from an investing activity:		
Cash payment		P1,270,035,450
Net cash acquired from subsidiary		(13,620,583)
Net cash outflow		P1,256,414,867

The goodwill of P1,078.6 million reflects the expected growth in the Company's restaurant business. The goodwill is not deductible for tax purposes.

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 P4,987.1million. 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
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
Identifiable Net Liabilities Acquired	(P226,609,602)	(P226,609,602)
Identifiable Net Liabilities Acquired	(P226,609,602)	(P226,609,602)
Trademark from the acquisition		4,987,109,602
Purchase consideration transferred		P4,760,500,000
Cash payment		P4,760,500,000
Net cash acquired from subsidiary		(6,277,921)
Net cash outflow		P4,754,222,079

On July 17, 2017, SSI entered into a share purchase agreement with GGL to acquire from GGL, free from any encumbrances, all of GGL's rights, title and interest in and to the Shakey's System (trademark) on an "as-is and where is" basis for a total consideration at P1,260.5 million on account.

On August 4, 2017, the BOD of SSI approved the assignment of SSI's liability to GGL amounting to P1,260.5 million to its Shakey's Pizza Asia Ventures, Inc., Parent Company.

On August 18, 2017, the Company applied the assigned liability as additional investment to SSI amounting to P1,260.5 million. Simultaneously, the BOD of GGL approved GGL's deregistration in the Hong Kong registry. On April 13, 2018, the Group received approval of the application of GGL's deregistration. These transactions were eliminated in the consolidated financial statements.

Impact on consolidated financial statements had the acquisition actually taken place on January 1, 2016

The consolidated revenues, consolidated net income and consolidated net comprehensive income of the Group would have increased by P68.7 million, P25.8 million and P24.0 million, respectively, for the year ended December 31, 2016 had the acquisition of BMI, SIL and GGL actually taken place on January 1, 2016. As such, the consolidated revenues, consolidated net income and consolidated net comprehensive income of the Group would have been P6,014.3 million, P785.8 million and P791.0 million, respectively, for the year ended December 31, 2016.

The following table presents a summary of the reported financial information for the Group, as well as financial information had the acquisition of BMI, SIL, and GGL actually taken place on January 1, 2016:

	Audited consolidated financial information	Consolidated financial information had the acquisitions taken place as at January 1, 2016
Revenues	₱5,945,608,528	₱6,014,346,214
Cost of sales	4,158,600,507	4,164,557,243
Gross profit	1,787,008,021	1,849,788,971
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1,199,403,547	1,256,378,125
Net income before income tax	936,219,233	973,594,729
Provision for income tax	177,034,028	188,585,707
Net income after income tax	759,185,205	785,009,022
Net comprehensive income	766,489,305	790,463,945

7. Segment Information

Segment information is prepared on the following bases:

Business Segments

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

- Restaurant sales comprise revenues from restaurant activities and sale of merchandise and equipment to franchisees.
- Franchise and royalty fees represents payment of subdealers for use of the Shakey's brand.
- Commissary sales comprise third party sales other than aforementioned activities.

Inter-segment Transactions

Segment revenue, segment expenses and operating results include transfers among business segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

The Group's chief operating decision maker, monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on consolidated net income for the year, EBITDA and EBITDA margin. EBITDA margin pertains to EBITDA divided by gross revenues.

EBITDA and EBITDA margin are non-PFRS measures.

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

	Years Ended December 31		
	2018	2017	2016
Consolidated EBITDA	₱1,499,799,218	₱1,407,231,953	₱1,199,403,547
Depreciation and amortization	(230,752,920)	(208,930,640)	(137,985,368)
Provision for income tax	(241,321,936)	(260,040,098)	(177,034,028)
Interest expense	(188,515,123)	(177,304,646)	(128,490,292)
Interest income	1,706,189	1,186,755	3,291,346
Consolidated net income	₱840,915,428	₱762,143,324	₱759,185,205

Business Segment Data

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

	Restaurant			Franchise and Royalty Fees			Commissary and Others			Eliminations			Consolidated		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
Revenue	P8,789,271,213	P6,780,352,195	P5,738,457,815	P441,725,390	P252,863,907	P206,880,100	P511,290,978	P458,932,054	P110,657,643	(P2,163,568,963)	(P488,335,075)	(P110,387,030)	P7,578,718,618	P7,003,813,081	P5,945,608,528
Net income	P634,646,258	P548,579,503	P346,369,585	P412,612,256	P269,883,943	P165,587,010	P87,961,189	P78,357,172	P247,625,596	(P294,304,275)	(P134,677,294)	(P396,986)	P840,915,428	P762,143,324	P759,185,205
Interest expense	187,504,411	177,304,646	128,487,008	1,010,712	—	—	—	—	8,451	—	—	(5,167)	188,515,123	177,304,646	128,490,292
Interest income	(1,645,757)	(1,132,280)	(3,284,307)	(27,407)	—	—	(33,025)	(54,475)	(12,206)	—	—	5,167	(1,706,189)	(1,186,755)	(3,291,346)
Income tax	198,857,562	173,322,181	130,706,941	25,040,030	66,963,718	40,703,179	20,409,255	19,754,199	5,623,908	(2,984,911)	—	—	241,321,936	260,040,098	177,034,028
Depreciation and amortization	195,756,829	181,928,304	131,457,611	—	—	—	32,361,764	27,002,336	6,130,771	2,634,327	—	396,986	230,752,920	208,930,640	137,985,368
EBITDA	P1,215,119,303	P1,080,002,354	P733,736,838	P438,635,591	P336,847,661	P206,290,189	P140,699,183	P125,059,232	P259,376,520	(P294,654,859)	(P134,677,294)	P—	P1,499,799,218	P1,407,231,953	P1,199,403,547
EBITDA Margin													19.79%	20.09%	20.17%
Assets and Liabilities															
Operating assets	P11,246,793,548	P9,020,828,315	P9,104,296,697	P1,395,553,680	P1,396,519,678	P41,111,330	P430,753,630	P408,880,337	P331,453,446	(P3,470,966,300)	(P1,742,481,388)	(P122,307,922)	P9,602,134,558	P9,083,746,942	P9,354,553,551
Deferred tax assets	35,400,241	22,720,135	28,974,195	—	—	—	3,815,079	2,380,592	931,742	(8,170,656)	—	—	31,044,664	25,100,727	29,905,937
Total assets	P11,282,193,789	P9,043,548,450	P9,133,270,892	P1,395,553,680	P1,396,519,678	P41,111,330	P434,568,709	P411,260,929	P332,385,188	(P3,479,136,956)	(P1,742,481,388)	(P122,307,922)	P9,633,179,222	P9,108,847,669	P9,384,459,488
Operating liabilities	P2,937,858,969	P1,386,543,805	P1,041,399,890	P138,487,842	P62,007,197	P19,550,096	P191,050,056	P242,121,714	P140,945,814	(P2,089,454,697)	(P489,898,302)	(P158,120,760)	P1,177,942,170	P1,200,774,413	P1,043,775,040
Interest-bearing loans and borrowings	3,884,935,066	3,933,241,406	4,981,607,323	—	—	—	480,853	590,744	—	—	—	—	3,885,415,919	3,933,832,150	4,981,607,323
Total liabilities	P6,822,794,035	P5,319,785,211	P6,023,007,213	P138,487,842	P62,007,197	P19,550,096	P191,530,909	P242,712,458	P140,945,814	(P2,089,454,697)	(P489,898,302)	(P158,120,760)	P5,063,358,089	P5,134,606,563	P6,025,382,363

8. Cash and Cash Equivalents

	2018	2017
Cash on hand	P169,324,822	P59,599,583
Cash in banks	264,452,799	185,387,896
Short-term deposits	–	6,861
	P433,777,621	P244,994,340

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% in 2017. Interest income on cash and cash equivalents amounted to P1.7 million, P1.2 million and P3.3 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 23).

9. Trade and Other Receivables

	2018	2017
Trade:		
Franchisee	P165,424,339	P290,025,924
Related parties (see Note 16)	3,448,612	401,622
Third parties	25,047,784	32,010,246
Advances to suppliers		
Third parties	148,950,530	130,860,509
Related parties (see Note 16)	7,883,112	–
Royalty receivable	43,131,150	27,302,977
Receivable from National Advertising Fund (NAF) (see Note 15)	38,938,469	–
Receivable from franchisees	38,358,086	63,181,608
Receivables from employees	20,301,429	23,147,936
Others	23,484,055	27,107,109
	514,967,566	594,037,931
Less allowance for doubtful accounts	(6,472,917)	(7,541,106)
	P508,494,649	P586,496,825

Below are the terms and conditions of the financial assets:

- Trade receivables are non-interest 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.
- Receivable from NAF pertains to reimbursable advertising and promotion expenses from dealers which will be applied on future dealer remittances.
- Receivable from franchisees pertains to receivables for transactions other than sale of goods such as management fees, freight and gas expenses, are non-interest bearing and generally have 30 to 45 days' term.
- Receivables from employees, which represent mainly salary loan, are interest-free and are being collected through salary deduction for a period ranging from 6 months to 1 year.
- Other receivables consist mainly of receivables from online and credit card transaction which are non-interest bearing and generally have 30 to 45 days' term
- For terms and conditions of related party receivables, refer to Note 16.

The movements of allowance for doubtful accounts are as follows:

	2018			2017		
	Trade and Others	Receivables from Employees	Total	Trade and Others	Receivables from Employees	Total
Balance at beginning of year	₱4,973,440	₱2,567,666	₱7,541,106	₱5,094,700	₱1,371,151	₱6,465,851
Provision for doubtful accounts (see Note 21)	–	–	–	–	1,196,515	1,196,515
Accounts written-off	–	(1,068,189)	(1,068,189)	(121,260)	–	(121,260)
Balance at year-end	₱4,973,440	₱1,499,477	₱6,472,917	₱4,973,440	₱2,567,666	₱7,541,106

For the year ended December 31, 2017, trade and other receivables were subjected for impairment assessment using specific identification approach. For the year ended December 31, 2018, the Company used the simplified provision matrix approach in estimating the expected credit losses on trade and other receivables. Based on the assessments made, the Company recognized doubtful accounts expense amounting to nil and ₱1.2 million in 2018 and 2017, respectively (see Note 21).

10. Inventories

	2018	2017
At cost -		
Finished goods	₱7,613,788	₱4,194,378
At net realizable value (NRV):		
Merchandise	563,351,323	336,899,146
Raw materials:		
Food	15,209,139	15,665,613
Packaging	10,971,469	5,447,442
	₱597,145,719	₱362,206,579

The cost of the inventories carried at NRV follows:

	2018	2017
Merchandise	₱577,557,632	₱341,155,747
Raw materials:		
Food	15,249,980	15,706,454
Packaging	1,056,112	5,481,793
	₱593,863,724	₱362,343,994

The cost of merchandise and materials charged to cost of sales in the consolidated statements of comprehensive income amounted to ₱2,765.9 million in 2018, ₱2,565.8 million in 2017 and ₱2,267.3 million in 2016 (see Note 20).

Allowance for inventory obsolescence amounted to ₱4.3 million as at December 31, 2018 and 2017, respectively.

No reversal and provision for inventory obsolescence was recognized in 2018. Provision for inventory obsolescence amounting ₱2.6 million net of write off amounting to ₱1.8 million was recognized in 2017 while reversal of provision for inventory obsolescence amounting to ₱3.2 million in 2016 (see Note 23).

11. Prepaid Expenses and Other Current Assets

	2018	2017
Input value-added tax (VAT)	P36,010,648	P31,777,174
Prepaid expenses	27,918,271	24,253,437
Prepaid taxes	4,488,184	3,086,330
Current portion of prepaid rent (see Note 14)	2,486,664	2,321,452
	P70,903,767	P61,438,393

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

12. AFS Investments

Movements of this account in 2017 is as follows:

Acquisition cost:	
Balance at beginning of year	P1,129,344,022
Disposal	(1,129,344,022)
Balance at end of year	—
Unrealized gain (loss) on changes in fair value of	
AFS investments:	
Balance at beginning of year	534,464
Disposal	(534,464)
Balance at end of year	—
	P—

The Group's AFS investments consist of investment in unit investment trust fund (UITF), which have no holding period and are callable any time and investment in mutual funds and golf club shares. The AFS investment in UITF amounting to P1,100.0 million were subsequently redeemed in January 2017. Interest earned from the AFS investments amounted to P0.1 million in 2016.

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

13. Property and Equipment

	Building	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, 2016	P-	P949,227,014	P1,006,699,587	P99,906,221	P54,203,111	P594,178	P56,679,499	P39,276,782	P2,206,586,392
Additions	109,378,908	197,231,175	360,575,565	73,437,758	5,052,743	4,464	22,483,579	-	768,164,192
Disposals	-	(68,934,734)	(20,198,781)	(474,767)	(1,023,832)	(3,196)	(4,535,732)	-	(95,171,042)
Reclassification	-	39,276,782	-	-	-	-	-	(39,276,782)	-
Balance at December 31, 2017	109,378,908	1,116,800,237	1,347,076,371	172,869,212	58,232,022	595,446	74,627,346	-	2,879,579,542
Additions	134,016,928	133,506,295	115,539,479	26,109,530	3,251,095	50,207	21,648,848	-	434,122,382
Disposals	-	(32,787,986)	(45,690,839)	-	(20,602,427)	(595,446)	(58,816,915)	-	(158,493,613)
Balance at December 31, 2018	P243,395,836	P1,217,518,546	P1,416,925,011	P198,978,742	P40,880,690	P50,207	P37,459,279	P-	P3,155,208,311
Accumulated Depreciation and Amortization									
At December 31, 2016	P-	P504,964,022	P602,436,382	P5,054,369	P41,322,569	P570,397	P53,232,734	P-	P1,207,580,473
Depreciation and amortization (see Notes 20 and 21)	1,611,806	71,181,118	100,639,770	21,444,966	5,441,073	20,982	8,590,925	-	208,930,640
Disposals	-	(58,726,414)	(13,249,016)	(474,767)	(913,357)	-	(1,953,411)	-	(75,316,965)
At December 31, 2017	1,611,806	517,418,726	689,827,136	26,024,568	45,850,285	591,379	59,870,248	-	1,341,194,148
Depreciation and amortization (see Notes 20 and 21)	13,250,033	81,013,629	105,047,437	25,655,296	2,123,527	12,418	3,650,580	-	230,752,920
Disposals	-	(14,741,107)	(34,504,460)	-	(19,980,175)	(595,446)	(58,816,915)	-	(128,638,103)
Balance at December 31, 2018	P14,861,839	P583,691,248	P760,370,113	P51,679,864	P27,993,637	P8,351	P4,703,913	P-	P1,443,308,965
Net Book Value									
Balance at December 31, 2018	P228,533,997	P633,827,298	P656,554,898	P147,298,878	P12,887,053	P41,856	P32,755,366	P-	P1,711,899,346
Balance at December 31, 2017	107,767,102	599,381,513	657,249,235	146,844,644	12,381,737	4,067	14,757,098	-	1,538,385,394

The Group has fully depreciated property and equipment still used in the operations with cost of P753.9 million and P700.9 million as at December 31, 2018 and 2017, respectively. There are no idle assets as at December 31, 2018 and 2017.

14. Rental and Other Noncurrent Assets - Net

	2018	2017
Rental deposits	₱133,272,610	₱122,367,899
Prepaid rent - net of current portion	7,129,497	8,571,005
	140,402,107	130,938,904
Allowance for unrecoverable deposits (see Note 21)	3,322,293	2,095,290
	₱137,079,814	₱128,843,614

The Group's rental deposits are refundable at the end of the lease term which ranges from 5 years to 15 years. Accordingly, rental deposits are discounted based on comparable rates for similar financial instruments with rates ranging from 3.19% to 5.70% for the years ended December 31, 2018 and 2017. The excess of the principal amount of the deposit over its fair value is accounted for as prepaid rent and amortized over the lease term on a straight-line basis while interest on the deposit is accounted for using the EIR method.

Provisions for unrecoverable deposits amounted to ₱1.2 million and ₱1.9 million in 2018 and 2016, respectively, while no provision for unrecoverable deposits was recognized in 2017 (see Note 21). Unrecoverable deposits amounting to ₱0.9 million was written off in 2016. The Group uses a provision matrix to calculate ECLs for rental and other deposits beginning January 1, 2018.

Outstanding rental deposits and unamortized prepaid rent are shown below:

	2018		2017	
	Rental deposits	Prepaid Rent	Rental deposits	Prepaid Rent
Beginning fair value of rental deposits/prepaid rent	₱122,367,899	₱10,892,457	₱100,994,919	₱6,549,229
Additional rental deposits during the year:				
Principal amounts of rental deposits	10,050,067	–	24,921,447	–
Excess of principal amount over fair value recorded as prepaid rent	(2,583,141)	2,583,141	(5,630,094)	5,630,094
Fair value of rental deposits/prepaid rent at initial recognition	129,834,825	13,475,598	120,286,272	12,179,323
Accretion income	3,437,785	–	2,081,627	–
Amortization of prepaid rent (see Notes 20 and 21)	–	(3,859,437)	–	(1,286,866)
Total fair value of rental deposits/prepaid rent	133,272,610	9,616,161	122,367,899	10,892,457
Current portion of prepaid rent (see Note 11)	–	(2,486,664)	–	(2,321,452)
Ending fair value of rental deposits/noncurrent portion of prepaid rent	₱133,272,610	₱7,129,497	₱122,367,899	₱8,571,005

15. Accounts Payable and Other Current Liabilities

	2018	2017
Trade:		
Suppliers	₱392,103,291	₱459,009,799
Related parties (see Note 16)	13,922,815	1,917,368
Nontrade	123,277,661	263,568,524
Accrued expenses:		
Utilities	30,239,481	40,005,047
Salaries and wages	27,223,810	28,261,873
Suppliers	21,490,436	20,562,494
Interest	5,362,500	5,482,076
Customers loyalty	5,076,989	4,502,508
Payable to NAF (see Note 9)	–	29,188,897
Others	180,807,502	152,668,899
	₱799,504,485	₱1,005,167,485

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.
- For terms and conditions of related party payables, refer to Note 16.

Other payables consist of the following:

	2018	2017
Output VAT	₱92,061,793	₱77,445,224
Salaries payable	33,083,869	25,598,542
Withholding tax payable	14,606,496	22,809,817
Fun certificates payable	10,995,797	6,382,806
Due to cooperative	10,044,439	8,580,016
SSS, Philhealth and Pag-ibig payable	5,639,221	5,676,466
Customers' deposits	3,796,884	4,389,079
Others	10,579,002	1,786,948
	₱180,807,501	₱152,668,898

16. 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 years ended December 31, 2018, 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		Terms	Conditions
				Receivable	Payable		
Century Pacific Group Inc. (CPGI, Ultimate Parent Company)							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2018	₱9,246,240	₱–	₱–	30-day; non-interest bearing	Unsecured
		2017	–	–	–		
Advances to related parties	Pertains to security deposit mutually agreed upon by both parties	2018	3,082,080	3,082,080	–	30-day; non-interest bearing	Unsecured; not impaired
		2017	–	–	–		
Companies with common members of BOD and stockholders as the Group							
The Pacific Meat Company Inc. (PMCI)							
Sales	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2018	1,131,401	141,472	–	30-day; non-interest bearing	Unsecured; not impaired
		2017	–	–	–		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2018	31,166,343	–	4,482,804	30-day; non-interest bearing	Unsecured
		2017	3,985,720	–	1,310,479		
DBE Project Inc. (DBE)							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2018	1,632,117	334,825	–	30-day; non-interest bearing	Unsecured; not impaired
		2017	713,360	401,622	–		

(Forward)

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance		Terms	Conditions
				Receivable	Payable		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2018 2017	₱1,245,631 —	₱— —	₱5,243,481 —	30-day; non-interest bearing	Unsecured
Advances to related parties	Pertains to cash advances for working capital purposes.	2018 2017	4,801,032 —	4,801,032 —	— —	30-day; non-interest bearing, due and demandable	Unsecured; not impaired
Century Pacific Agricultural Ventures, Inc. (CPAVI)							
Sales	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2018 2017	200,000 —	200,000 —	— —	30-day; non-interest bearing	Unsecured; not impaired
Snow Mountain Dairy Corporation (SMDC)							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2018 2017	1,435,688 —	— —	987,000 —	30-day; non-interest bearing	Unsecured
Century Pacific Food Inc. (CPFI)							
Sales	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2018 2017	26,498,032 —	2,772,315 —	— —	30-day; non-interest bearing	Unsecured; not impaired
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2018 2017	12,738,284 2,293,359	— —	3,209,530 606,889	30-day; non-interest bearing	Unsecured
		2018		₱11,331,724	₱13,922,815		
		2017		401,622	1,917,368		

Compensation of Key Management Personnel

The salaries and pension costs of key management personnel in 2018 and 2017 are as follows:

	2018	2017
Salaries	₱263,438,933	₱230,730,181
Pension costs	27,758,945	23,211,225
	₱291,197,878	₱253,941,406

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

17. Loans Payable

	2018	2017
Long-term facility loan	₱3,884,935,066	₱3,933,241,406
Loan mortgage payable	480,853	590,744
	3,885,415,919	3,933,832,150
Less current portion of loans payable	48,449,757	48,411,689
	₱3,836,966,162	₱3,885,420,461

Long-term facility loan

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

	2018	2017
Principal	₱3,900,000,000	₱3,950,000,000
Less unamortized debt issue costs	15,064,934	16,758,594
	3,884,935,066	3,933,241,406
Less current portion of loan payable	48,306,339	48,291,305
Noncurrent portion	₱3,836,628,727	₱3,884,950,101

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 ₱183.8 million, ₱177.3 million and ₱128.3 million were recognized for the years ended December 31, 2018, 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. On January 3, 2017, the Group prepaid portion of the loan amounting to ₱1,000.0 million and the corresponding breakfunding fee and prepayment penalty amounting to ₱21.4 million (see Note 21).

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 paripassu in priority of payment and in all other respects with all its unsecured obligations, save for such obligations in respect of which a statutory preference is established solely by operation of law.
- b. The net proceeds from the loan shall be used for the purpose of refinancing the bridge loan.
- c. Financial covenant during the term of the Term Loan:
 - i. its Debt Service Coverage Ratio is at least 1.2x. Debt Service Coverage Ratio is as of the date of determination, the ratio of EBITDA less regular dividends and advances to shareholders over Debt Service. For purposes hereof, "EBITDA" means operating profit before interest, taxes, depreciation and amortization, each item determined in accordance with 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. On January 27, 2017, the OLSA was amended to include June 30, 2017 as the commencement date for the testing for the financial covenant ratios.

- d. Within the period required, open and establish the Debt Service Reserve Account (DSRA); and ensure that the funds deposited in the DSRA is at all times maintained in accordance with the agreement. As at December 31, 2018 and 2017, the balances of DSRA has been applied to the loan balance.
- e. Prior to the assignment or transfer of any trade names, copyrights, trademarks, patents and other intellectual property rights or licenses currently held by the Group or any wholly-owned subsidiary of the Group, the Group shall pledge in favor of the Lender, under the terms and conditions of the Pledge under the Omnibus loan and security Agreement, all the outstanding shares of the Group in such wholly-owned subsidiary.

As at December 31, 2018 and 2017, the Group is in compliance with the aforementioned affirmative covenants.

18. 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 capital stock is as follows:

	Number of shares	Amount
Authorized capital stock - ₱1 par value:	2,000,000,000	₱2,000,000,000
Issued and outstanding capital stock - ₱1 par value	1,531,321,053	1,531,321,053

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

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

The issued and outstanding shares as at December 31, 2018 and 2017 are held by 31 equity holders.

Retained Earnings

Details of cash dividends declared in 2018, 2017 and 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
May 8, 2017	0.10	153,132,105	June 6, 2017
August 16, 2018	0.10	153,132,105	October 10, 2018

There are no outstanding dividends payable as at December 31, 2018 and December 31, 2017. Cash declared and paid for 2018 and 2017 to ₱153.1 million.

Undistributed earnings of the subsidiaries included in the Group's retained earnings amounting to ₱467.0 million and ₱427.8 million as at December 31, 2018 and 2017, respectively, are not currently available for dividend distribution.

APIC

Amount received in excess of the par values of the shares issued amounting to ₱1,353.6 million were recognized as "APIC".

19. Revenues

Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers for the year ended December 31, 2018:

Revenue source:

Restaurant sales	₱5,773,153,864
Sale of goods	1,502,533,237
Royalty and franchise fees	302,614,112
Other income	417,405
	<u>₱7,578,718,618</u>

Timing of recognition

Goods transferred at a point in time	₱7,558,966,013
Services transferred over time	19,752,605
	<u>₱7,578,718,618</u>

Contract liabilities

Below are the details of contract liabilities as of December 31, 2018:

Initial franchise fee	₱112,600,227
Less current portion	19,285,813
Noncurrent portion	<u>₱93,314,414</u>

Movements of contract liabilities arising from initial franchise fees as at and for the year ended December 31, 2018 are as follows:

	2018
Effect of adoption of PFRS 15 (Note 3)	₱115,290,711
Amortization of initial franchise fees	(19,752,605)
Initial franchise fees received	12,715,714
Accretion of interest expense	4,346,407
Ending balance	<u>₱112,600,227</u>

As at December 31, 2018, the amount of initial franchise fees allocated to remaining performance obligations, the amount of accretion of interest expense in the succeeding years, and the amount of contract liability arising from initial franchise fees are as follows:

	Unamortized initial franchise fees	Accretion of interest expense	Contract liabilities from initial franchise fees
Within one year	₱20,153,675	₱867,862	₱19,285,813
More than one year	97,513,563	4,199,149	93,314,414
	<u>₱117,667,238</u>	<u>₱5,067,011</u>	<u>₱112,600,227</u>

Net sales

Details of net sales are as follows:

	2017	2016
Gross sales	P6,993,471,626	P5,962,159,794
Less:		
Sales discount	241,320,695	217,620,529
Sales returns	1,201,757	5,561,787
	242,522,452	223,182,316
	P6,750,949,174	P5,738,977,478

20. Costs of Sales

	2018	2017	2016
Inventory costs (see Note 10)	P2,765,923,322	P2,565,816,752	P2,267,285,026
Salaries, wages and benefits	964,973,530	906,260,804	710,437,976
Rent (see Notes 14 and 27)	433,875,896	375,608,509	327,017,640
Utilities	342,052,802	303,409,425	242,626,829
Depreciation and amortization (see Note 13)	213,610,981	165,624,469	78,002,315
Outside services	172,205,678	157,869,503	160,453,191
Supplies	145,971,183	141,003,071	120,947,735
Gas expenses	103,865,307	90,153,963	71,311,165
Delivery call fees	67,165,629	68,015,525	60,786,862
Repairs and maintenance	54,785,733	60,689,428	39,627,593
Card charges	31,706,197	28,784,202	22,520,656
Commissary costs	12,300,823	10,266,889	13,520,764
Pension costs (see Note 22)	11,019,772	13,411,548	8,913,977
Linen and uniform	6,670,071	5,613,647	4,612,335
Dues and subscription	6,492,710	4,811,845	4,491,709
Seminar and training	3,771,217	3,413,531	4,127,122
Others	62,928,560	36,963,559	21,917,612
	P5,399,319,411	P4,937,716,670	P4,158,600,507

21. General and Administrative Expenses

	2018	2017	2016
Salaries, wages and benefits	P258,120,276	P235,698,574	P162,093,307
Advertising and promotions	243,827,143	213,374,382	213,284,979
Outside services	163,501,221	144,883,834	164,737,392
Taxes and licenses	111,822,988	85,685,050	95,299,806
Transportation and travel	44,310,379	39,355,763	38,577,866
Supplies	42,842,090	49,474,014	57,301,237
Pension costs (see Note 22)	17,221,775	10,942,099	13,443,240
Depreciation and amortization (see Note 13)	17,141,938	43,306,171	59,983,053
Utilities	14,714,296	15,300,540	13,475,890

(Forward)

	2018	2017	2016
Gas expenses	P7,776,569	P5,424,854	P297,506
Insurance	6,252,088	3,225,143	4,742,013
Rent (see Notes 14 and 27)	6,078,072	6,430,138	14,592,382
Provision for unrecoverable deposits (see Note 14)	1,227,003	—	1,857,819
Directors' fees	608,176	764,706	154,767
Breakfunding fee and prepayment penalty (see Note 17)	—	21,416,667	—
Provision for doubtful accounts (see Note 9)	—	1,196,515	—
Management fees	—	—	114,682,675
License fees	—	—	693,950
Others	37,781,263	28,937,079	29,434,302
	P973,225,277	P905,415,529	P984,652,184

22. Pension Costs

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

The following tables summarize the components of net pension costs in the consolidated statements of comprehensive income in 2018, 2017 and 2016 and accrued pension costs (pension asset) in the consolidated statements of financial position as at December 31, 2018 and 2017. The latest actuarial valuation is as at December 31, 2018.

	2018	2017	2016
Pension costs:			
Current service cost	P26,823,934	P22,571,686	P20,416,249
Net interest cost	1,417,613	1,781,961	1,940,968
	P28,241,547	P24,353,647	P22,357,217
Accrued pension costs (Pension asset):			
Present value of benefit obligation (PVBO)	P147,846,134	P157,252,229	P143,782,350
Fair value of plan assets (FVPA)	(161,512,322)	(132,117,250)	(109,447,839)
	(P13,666,188)	P25,134,979	P34,334,511

Movements in the PVBO are as follows:

	2018	2017
Balance at beginning of year	P157,252,230	P143,782,350
Current service cost	26,823,934	22,571,686
Interest cost	8,869,026	7,462,304
Net actuarial gain	(41,895,134)	(12,086,577)
Benefits paid	(3,203,922)	(4,477,534)
Balance at end of year	P147,846,134	P157,252,229

Movements in the FVPA are as follows:

	2018	2017
Balance at beginning of year	₱132,117,251	₱109,447,839
Interest income	7,451,413	5,680,343
Contributions	34,060,692	24,000,000
Net actuarial loss	(8,913,112)	(2,533,398)
Benefits paid	(3,203,922)	(4,477,534)
Balance at end of year	₱161,512,322	₱132,117,250

Movements in the accrued pension costs (pension asset) are as follows:

	2018	2017
Balance at beginning of year	₱25,134,979	₱34,334,511
Pension costs	28,241,547	24,353,647
Contributions	(34,060,692)	(24,000,000)
Actuarial gain	(32,982,022)	(9,553,179)
Balance at end of period of year	(₱13,666,188)	₱25,134,979

Amount recognized in OCI are as follows:

	2018	2017	2016
Actuarial gain - PVBO	₱41,895,134	₱12,086,577	₱7,870,939
Actuarial loss - FVPA	(8,913,112)	(2,533,398)	(2,992,397)
Deferred income tax	(9,894,607)	(2,865,953)	(996,977)
	₱23,087,415	₱6,687,226	₱3,881,565

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

	2018	2017
Investments:		
Government securities	₱83,520,769	₱44,737,820
Stocks	9,439,600	14,169,024
Other securities	64,028,064	72,978,671
Deposit in banks	3,382,184	269,885
Total investments	160,370,617	132,155,400
Other assets:		
Due from broker	25,400	36,495
Interest receivables	1,178,395	116,997
Other receivables	46,980	42,266
Total other assets	1,250,775	195,758
Total assets	161,621,392	132,351,158
Less		
Due to broker	87,322	187,930
Portfolio fees payable	21,748	45,978
Net asset value	₱161,512,322	₱132,117,250

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

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

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

	2018	2017
Discount rates at beginning of year	5.64%	5.70%
Rate of compensation increase	5.00%	5.00%
Average future working years of service	23	23

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

	2018		2017	
	Increase (decrease)	Amount	Increase (decrease)	Amount
Discount rates	0.50% (0.50%)	(P4,084,741) 5,113,429	6.14% (5.14%)	(P8,608,266) 12,005,798
Salary increase rate	1.00% (1.00%)	11,415,574 (7,561,002)	6.00% (4.00%)	25,531,879 (14,940,770)

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

23. Other Income (Expenses)

	2018	2017	2016
Service fee and expired loyalty fund points	P47,378,911	P26,614,452	P15,557,935
Other income from franchisees - net	10,373,039	7,802,581	5,681,153
Accretion income from dealers' deposits	3,981,670	2,731,459	4,149,485
Interest income (see Note 8)	1,706,189	1,186,755	3,291,346
Unrealized foreign exchange gain (loss)	1,256,949	(97,122)	194,819
Gain (loss) on disposal of property and equipment	(118,201)	1,734,824	238,591
Reversal of allowance (provision for) inventory obsolescence (see Note 10)	—	(2,601,986)	3,167,359
(Forward)			

	2018	2017	2016
Gain (loss) on disposal of AFS	P—	P1,436,223	(P4,056,548)
Gain on reversal of liabilities	—	—	222,502,148
Trading securities gain - net	—	—	11,234,376
Reversal of allowance for doubtful accounts	—	—	393,024
	P64,578,557	P38,807,186	P262,353,688

Gain on reversal of liabilities pertains to write-off of advances of SIL and GGL from previous stockholders.

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

24. Income Taxes

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

	2018	2017
Deferred tax assets:		
Accrued rent	P30,555,916	P22,854,399
Accrued bonus and other expense	5,645,619	—
Unamortized past service cost	4,737,850	5,130,595
Unrealized profit	2,984,910	—
Contract liabilities	2,015,000	—
Allowance for doubtful accounts	1,579,530	1,899,987
Loyalty points	1,523,097	1,952,830
Accrued pension costs	1,444,898	7,540,495
Allowance for inventory obsolescence	1,276,980	1,276,980
Allowance for unrecoverable deposits	996,688	628,587
Interest from contingencies	32,174	—
	52,792,662	41,283,873
Deferred tax liabilities:		
Excess of fair value over cost of net identifiable assets acquired in business combination	11,155,568	11,155,568
Pension asset	5,544,753	—
Debt issuance cost	4,519,480	5,027,578
Unrealized foreign exchange gain	528,197	—
	21,747,998	16,183,146
	P31,044,664	P25,100,727

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

The provision for current income tax represents regular corporate income tax (RCIT) and final withholding taxes on royalty and franchise fees which are as follows:

	2018	2017	2016
RCIT	₱210,360,646	₱211,301,007	₱144,554,399
Final withholding taxes	46,799,834	46,799,834	40,329,430
	₱257,160,480	₱258,100,841	₱184,883,829

The reconciliation between the provision for income tax computed at statutory income tax rate and the provision for income tax as shown in net income in the consolidated statements of comprehensive income is as follows:

	2018	2017	2016
Provision for income tax computed at statutory income tax rate of 30%	₱324,671,209	₱306,655,027	₱280,865,770
Final tax on royalty and franchise fees	28,579,300	46,799,834	40,329,430
Tax effects of:			
Application of Optional Standard Deduction	(80,904,315)	(25,826,283)	(3,839,380)
Income subject to final tax			
Royalty and franchise fees	(37,378,950)	(70,201,824)	(60,494,144)
Interest income	(512,308)	(106,177)	(986,647)
Nontaxable			
Income recognized due to adoption of PFRS 15	(7,825,990)	—	—
Interest accretion	(1,194,501)	(819,438)	(3,227,043)
Gain on reversal of liabilities	—	—	(66,750,644)
Expired loyalty fund points	—	—	(8,164,794)
Others	—	—	(2,111,282)
Other nondeductible expenses	15,887,491	3,538,959	1,412,762
	₱241,321,936	₱260,040,098	₱177,034,028

25. Financial Risks Management Objectives and Policies

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

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

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

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

	2018	2017
Cash and cash equivalents*	P264,452,799	P185,394,757
Trade and other receivables:		
Trade receivables	189,428,210	317,945,267
Royalty receivable	43,131,150	27,302,977
Receivable from NAF	38,938,469	—
Receivable from franchisees	38,358,086	63,181,608
Receivables from employees	18,801,952	20,580,270
Other receivables	20,627,511	26,626,194
Rental deposits	129,950,317	120,272,609
Total credit risk exposure	P743,688,494	P761,303,682

*Excluding cash on hand.

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

	2018					
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1–180 Days	181–360 Days	Subtotal		
Cash and cash equivalents*	P264,452,799	P—	P—	P—	P—	P264,452,799
Trade and other receivables:						
Trade receivables	137,911,315	30,113,703	21,403,192	51,516,895	4,492,525	193,920,735
Receivable from NAF	38,938,469	—	—	—	—	38,938,469
Receivable from franchisees	38,358,086	—	—	—	—	38,358,086
Receivables from employees	1,284,709	9,029,361	8,487,882	17,517,243	1,499,477	20,301,429
Royalty receivable	43,131,150	—	—	—	—	43,131,150
Other receivables	10,722,547	4,212,439	5,692,525	9,904,964	480,915	21,108,426
Rental deposits	129,950,317	—	—	—	3,322,293	133,272,610
	P664,749,392	P43,355,503	P35,583,599	P78,939,102	P9,795,210	P753,483,704

*Excluding cash on hand.

	2017					
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1–180 Days	181–360 Days	Subtotal		
Cash and cash equivalents*	P185,394,757	P—	P—	P—	P—	P185,394,757
Trade and other receivables:						
Trade receivables	237,277,705	47,153,444	33,514,118	80,667,562	4,492,525	322,437,792
Receivable from franchisees	63,181,608	—	—	—	—	63,181,608
Receivables from employees	1,406,219	9,883,372	9,290,679	19,174,051	2,567,666	23,147,936
Royalty receivable	27,302,977	—	—	—	—	27,302,977
Other receivables	15,155,485	4,878,328	6,592,381	11,470,709	480,915	27,107,109
Rental deposits	120,272,609	—	—	—	2,095,290	122,367,899
	P649,991,360	P61,915,144	P49,397,178	P111,312,322	P9,636,396	P770,940,078

*Excluding cash on hand.

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

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

	2018			
	High grade	Medium grade	Standard grade	Total
Cash and cash equivalents*	P264,452,799	P–	P–	P264,452,799
Trade and other receivables:				
Trade receivables	98,648,386	12,336,186	26,926,743	137,911,315
Royalty receivable	43,131,150	–	–	43,131,150
Receivable from franchisee	–	–	38,358,086	38,358,086
Receivable from NAF	–	–	38,938,469	38,938,469
Receivables from employees	–	–	1,284,709	1,284,709
Other receivables	2,606,868	8,115,679	–	10,722,547
Rental deposits	–	–	129,950,317	129,950,317
	P408,839,203	P20,451,865	P235,458,324	P664,749,392

*Excluding cash on hand.

	2017			
	High grade	Medium grade	Standard grade	Total
Cash and cash equivalents*	P185,394,757	P–	P–	P185,394,757
Trade and other receivables:				
Trade receivables	168,213,739	21,699,501	47,364,465	237,277,705
Receivable from franchisee	–	–	63,181,608	63,181,608
Receivables from employees	–	–	1,406,219	1,406,219
Royalty receivable	27,302,977	–	–	27,302,977
Other receivables	3,005,743	12,149,742	–	15,155,485
Rental deposits	–	–	120,272,609	120,272,609
	P383,917,216	P33,849,243	P232,224,901	P649,991,360

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

2018						
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	Total
Cash and cash equivalents	P433,777,621	P–	P–	P–	P–	P433,777,621
Trade and other receivables						
Trade	137,911,315	30,113,704	21,403,191	–	4,492,525	193,920,735
Royalty receivables	–	43,131,150	–	–	–	43,131,150
Receivable from NAF	38,938,469	–	–	–	–	38,938,469
Receivable from franchisees	38,358,086	–	–	–	–	38,358,086
Receivables from employees	1,284,709	13,333,012	4,184,231	–	1,499,477	20,301,429
Other receivables	10,722,547	3,691,428	6,213,536	–	480,915	21,108,426
Rental deposits	129,950,317	–	–	–	3,322,293	133,272,610
	790,943,064	90,269,294	31,800,958	–	9,795,210	922,808,526
Accounts payable and other current liabilities:						
Trade payables	–	406,026,106	–	–	–	406,026,106
Nontrade payables	–	123,277,661	–	–	–	123,277,661
Accrued expenses	–	89,393,216	–	–	–	89,393,216
Other payables*	–	68,499,992	–	–	–	68,499,992
Dealers' deposit and other noncurrent payables	–	–	–	–	63,425,467	63,425,467
Loan payable**	–	43,440,174	68,404,134	111,731,829	5,357,448,202	5,581,024,339
	–	730,637,149	68,404,134	111,731,829	5,420,873,669	6,331,646,781
Liquidity gap	P790,943,064	(P640,367,855)	(P36,603,176)	(P111,731,829)	(P5,411,078,459)	(P5,408,838,255)

*Excluding statutory payables.

**Including future interest payments.

2017						
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	Total
Cash and cash equivalents	P244,994,340	P–	P–	P–	P–	P244,994,340
Trade and other receivables						
Trade	237,277,705	47,153,445	33,514,118	–	4,492,525	322,437,793
Receivable from franchisees	63,181,608	–	–	–	–	63,181,608
Receivables from employees	1,406,219	9,883,372	9,290,679	–	2,567,666	23,147,936
Royalty receivables	–	27,302,977	–	–	–	27,302,977
Other receivables	15,155,485	3,916,498	6,592,381	–	480,915	26,145,279
Rental deposits	120,272,609	–	–	–	2,095,290	122,367,899
	682,287,966	88,256,292	49,397,178	–	9,636,396	829,577,832
Accounts payable and other current liabilities:						
Trade payables	–	460,754,987	172,180	–	–	460,927,167
Nontrade payables	–	261,561,598	–	–	–	261,561,598
Accrued expenses	–	100,820,925	–	–	–	100,820,925
Other payables*	–	46,737,391	–	–	–	46,737,391
Payable to NAF	–	29,188,897	–	–	–	29,188,897
Dealers' deposit and other noncurrent payables	–	–	–	–	35,150,922	35,150,922
Loan payable**	–	44,480,943	70,089,982	113,768,750	5,596,089,274	5,824,428,949
	–	943,544,741	70,262,162	113,768,750	5,631,240,196	6,758,815,849
Liquidity gap	P682,287,966	(P855,288,449)	(P20,864,984)	(P113,768,750)	(P5,621,603,800)	(P5,929,238,017)

*Excluding statutory payables.

**Including future interest payments.

Capital Management

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

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

	2018	2017
Total liabilities	₱5,063,358,089	₱5,134,606,563
Total equity	4,569,821,133	3,974,241,106
	1.11:1	1.29:1

26. 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 and accounts payable and other current liabilities, based on their notional amounts, reasonably approximates their fair values because these are mostly short-term in nature or are repriced frequently.

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

As at December 31, 2018				
			Fair Value	
	Date of Valuation	Carrying Value	Level 1 Quoted	Level 2 Significant Observable Input
Asset for which fair value are disclosed -				
Rental deposits	December 31, 2018	₱133,272,610	₱-	₱101,836,900
Liabilities for which fair value are disclosed:				
Loans payable	December 31, 2018	₱3,885,415,919	₱-	₱3,692,415,813
Dealers' deposits	December 31, 2018	13,532,615	-	11,008,789
		₱3,898,948,534	₱-	₱3,703,424,602

As at December 31, 2017				
			Fair Value	
	Date of Valuation	Carrying Value	Level 1 Quoted	Level 2 Significant Observable Input
Asset for which fair value are disclosed -				
Rental deposits	December 31, 2017	₱122,367,899	₱-	₱93,504,340
Liabilities for which fair value are disclosed:				
Loans payable	December 31, 2017	₱3,933,832,150	₱-	₱4,095,888,645
Dealers' deposits	December 31, 2017	11,541,207	-	9,388,778
		₱3,945,373,357	₱-	₱4,105,277,423

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 5.41% to 7.07% as at December 31, 2018 and of 3.19% to 5.71% as at December 31, 2017.

Loans Payable. The fair value of loan payable which was discounted using prevailing market rate of 7.06% and 5.70% as at December 31, 2018 and 2017, respectively, approximates the carrying value since these bear interest at current market rates. Fair value category is Level 2, significant observable inputs.

Dealers' Deposits. The fair values were obtained by discounting the instruments' expected cash flows using interest rates of 7.05% and 4.88% as at December 31, 2018 and 2017, respectively.

As at December 31, 2018 and December 31, 2017, there were no transfers between Level 1 and 2 fair value measurements.

27. Commitments

Lease Commitments

The Group has several lease contracts for its office buildings and manufacturing facility ranging from 10 to 30 years up to 2042 and store facilities with varying periods ranging from 5 to 15 years up to 2030. Future minimum lease payments under these operating leases are as follows:

Within one year	₱258,041,958
After one year but not more than five years	686,914,742
More than five years	964,517,352
	<u>₱1,909,474,052</u>

In a number of lease contracts for its stores, the Group is also committed to pay an amount equivalent to a certain percentage of its sales as additional rental and pay rental deposits.

Rental deposits as at December 31, 2018 and 2017 amounted to ₱137.1 million and ₱128.8 million, respectively (see Note 14). Accrued rental arising from recording rent expense using the straight-line method of amortization amounted to ₱101.9 million and ₱76.2 million as at December 31, 2018 and 2017, respectively.

Rental expense charged against net income in the consolidated statements of comprehensive income amounted ₱440.0 million, ₱382.0 million and ₱341.6 million in 2018, 2017 and 2016, respectively (see Notes 20 and 21).

Trademark Licensing and Franchise Agreements

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

The franchisees also pay management fees for various services, including maintenance services, rendered by the Group.

28. Standards Issued but Not Yet Effective

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

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

These amendments have no impact on the consolidated financial statements of the Group.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today’s accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

▪ Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

▪ Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

▪ Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as at December 31, 2018 and 2017.

■ *Annual Improvements to PFRSs 2015-2017 Cycle*

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.
These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

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

29. 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 December 31, 2018, 2017 and 2016, hence, diluted EPS is the same as the basic EPS.

The Group's EPS were computed as follows:

	2018	2017	2016
(a) Net income	P840,915,428	P762,143,324	P759,185,205
(b) Weighted average number of shares outstanding	1,531,321,053	1,531,321,053	861,602,113
Basic/ diluted EPS (a/b)	P0.55	P0.50	P0.88

30. Notes to Consolidated Statements of Cash Flows

The following are the noncash activities for the years ended December 31, 2018 and 2017:

	2018			
	January 1	Net cash flows	Noncash changes	December 31
Rental and other noncurrent assets (a)	₱128,843,614	₱8,757,317	(₱521,117)	₱137,079,814
Loans payable (b)	3,933,832,150	(50,109,891)	1,693,660	3,885,415,919
Contract liability (c)	–	(7,036,891)	119,637,118	112,600,227

	2017			
	January 1	Net cash flows	Noncash changes	December 31
Loans payable (b)	₱4,981,607,323	(₱1,050,000,000)	₱2,224,827	₱3,933,832,150

Details of the noncash changes are as follows

- (a) Pertains to accretion of interest expense on long term rental and other deposits.
- (b) Pertains to amortization of debt issue costs
- (c) The breakdown of the change is as follows:

(i). Recognition of unearned franchise fee at the beginning of the year	₱115,290,711
(ii) Accretion of interest expense	4,346,407
	₱119,637,118

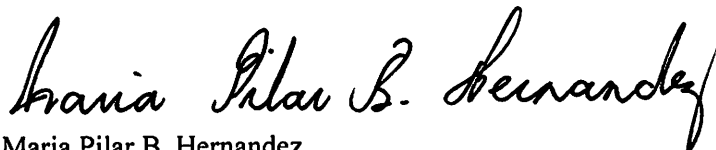
- (i) The amount pertains to the set up of the contract liabilities to account for the cash considerations received for royalty and franchise fees in prior years that have been allocated to the remaining performance obligations beginning January 1, 2018 due to the adoption of PFRS 15, *Revenue from contracts with customers*, using the modified retrospective approach.
- (ii) Pertains to the accretion of the significant financing component of the contract liabilities.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Shakey's Pizza Asia Ventures Inc. and Subsidiaries (the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 included in this Form 17-A and have issued our report thereon dated April 10, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Maria Pilar B. Hernandez
Partner

CPA Certificate No. 105007

SEC Accreditation No. 1558-AR-1 (Group A),
February 26, 2019, valid until February 25, 2022

Tax Identification No. 214-318-972

BIR Accreditation No. 08-001998-116-2019,
January 28, 2019, valid until January 27, 2022

PTR No. 7332559, January 3, 2019, Makati City

April 10, 2019



SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7

	<u>Page No.</u>
Consolidated Financial Statements	
Statement of Management's Responsibility for Financial Statements	Exhibit
Report of Independent Public Accountants	
Consolidated Statements of Financial Position as of December 31, 2018 and 2017	
Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016	
Consolidated Statements of Changes in Equity for the years ended December 31, 2018, 2017 and 2016	
Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016	
Notes to Consolidated Financial Statements	
Supplementary Schedules	
Report of Independent Public Accountants on Supplementary Schedules	
A. Financial Assets	1
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	2
C. Accounts Receivable from Related Parties which are eliminated during the consolidation of financial statements	3
D. Intangible Assets - Other Assets	4
E. Long-Term Debt	5
F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)	6
G. Guarantees of Securities of Other Issuers	7
H. Capital Stock	8
Schedule of Retained Earnings Available for Dividend Declaration	
Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2018	
Financial soundness indicators - financial ratios	
Map of Relationships of the Companies within the Group	

SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS

AND INTERPRETATIONS

DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies	✓		
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives	✓		
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders	✓		
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES

Schedule A. Financial Assets
December 31, 2018

Name of Issuing Entity and Association of each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
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Not applicable: The Company has no Financial Assets as at December 31, 2018

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2018

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Current	Non Current	Balance at End of Period
			Amount Collected	Amount Reclassified	Amount Written-Off			
DBE Project Inc. (DBE)	401,622	1,632,117	1,698,914	-	-	334,825	-	334,825
The Pacific Meat Company Inc. (PMCI)	-	1,131,401	989,929	-	-	141,472	-	141,472
Century Pacific Agricultural Ventures, Inc. (CPAVI)	-	200,000	-	-	-	200,000	-	200,000
Century Pacific Food Inc. (CPFI)	-	26,498,032	23,725,717	-	-	2,772,315	-	2,772,315
ABAD, CAYETANO O	4,529	16,064	19,707	-	-	885	-	885
ALVAREZ, EMILY M	22,103	145,500	24,758	-	-	142,845	-	142,845
ANCHORES, MANOLITO JUAN M	-	-	-	-	-	-	-	-
ARELLANO, SARAH MEI	-	-	-	-	-	-	-	-
BELGICA, EDWIN R	98,125	71,834	101,939	-	-	68,021	-	68,021
BERNARTE, MICHAEL JOHN G	30,555	5,402	35,957	-	-	-	-	-
BONIFACIO, ROLANDO H	7,450	28,000	27,098	-	-	8,352	-	8,352
CANIZARES, ROWENA R	49,411	9,000	44,443	-	-	13,968	-	13,968
CASTILLO, MARK ANTHONY M	-	-	-	-	-	-	-	-
CRUZ, CARLOUS REYNALDO C	-	-	-	-	-	-	-	-
CRUZ, CLARINDA	115,752	-	-	-	-	115,752	-	115,752
CUNANAN, JIGSAW G	305,843	279,556	309,043	-	-	276,357	-	276,357
DALISAY, DONATO M	-	-	-	-	-	-	-	-
DAVID, JEROME	249,272	83,218	275,826	-	-	56,663	-	56,663
DE MESA, LIXLES	187,401	203,148	314,793	-	-	75,756	-	75,756
DEL ROSARIO, JONAS	349,393	406,621	407,736	-	-	348,277	-	348,277
DIVINAGRACIA, ELMER S	14,583	3,983	15,690	-	-	2,876	-	2,876
FERNANDEZ, WILFREDO	-	-	-	-	-	-	-	-
ISAGUIRRE, MELODINA	-	-	-	-	-	-	-	-
KAMIYAMA, JOSEPHINE B	96,067	9,271	34,109	-	-	71,229	-	71,229
LEBRILLO, ANA LIZA	(4,622)	-	-	-	-	(4,622)	-	(4,622)
LORESCO, JULIUS M	1,459	12,132	10,410	-	-	3,181	-	3,181
LOSANDE, JOSE ROY	-	-	-	-	-	-	-	-
MADALANSACAY, JANE	410,053	297,528	444,171	-	-	263,411	-	263,411
MALAGAYO, ROLAND F.	127,453	143,664	66,751	-	-	204,366	-	204,366
MANABAT, NOEL	-	-	-	-	-	-	-	-
MANGUBAT, IMELDA S	(85,542)	85,542	(0)	-	-	-	-	-
MARQUESES, NOEL S	-	-	-	-	-	-	-	-
MENOR, ELENA S	25,000	-	24,820	-	-	181	-	181
MERCADO, MA VERONICA P	269,026	150,493	169,965	-	-	249,554	-	249,554
MANABAT, NOEL	-	-	-	-	-	-	-	-
NAPIZA, NOMER M	110,812	-	110,812	-	110,812	-	-	-
NG, ROMUALDO Y	-	-	-	-	-	-	-	-
NOVELLES, EVANGELINE	210,573	188,914	313,992	-	-	85,495	-	85,495
OLIVAREZ, ARMINDA B.	-	-	-	-	-	-	-	-
PARAISO, MICHAEL ANGELO M	10,417	9,556	8,556	-	-	11,416	-	11,416
QUERUBIN, ERIC M	67,627	743,429	757,032	-	-	54,024	-	54,024
QUINTOS, ARMIE M	37,560	29,410	16,758	-	-	50,213	-	50,213

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2018

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Current	Non Current	Balance at End of Period
			Amount Collected	Amount Reclassified	Amount Written-Off			
RAMOSO, CHERYL ANN D	138,542	-	138,542	-	-	-	-	-
REODIQUE, RYAN R	-	-	-	-	-	-	-	-
ROBLES, CARLOS S	7,681	10,179	7,681	-	-	10,179	-	10,179
ROXAS, VICTOR	244,666	338,484	409,274	-	-	173,875	-	173,875
SANTOS, MARIA ELMA C	39,531	-	40,000	-	-	(469)	-	(469)
SAULOG, SHERWIN	(0)	-	-	-	-	(0)	-	(0)
SILVESTRE, FLODELIZA Z.	101,584	40,924	55,489	-	-	87,019	-	87,019
TUBU, CELESTE	451,260	325,656	584,594	-	-	192,321	-	192,321
VASQUEZ, KAREN	231,626	335,008	435,314	-	-	131,320	-	131,320
VILLANUEVA, MARIA CORAZON P	28,143	-	23,143	-	-	5,000	-	5,000
VISPERAS, JONATHAN	108,476	46,024	87,033	-	-	67,467	-	67,467
	₱ 4,463,428	₱ 33,480,090	₱ 31,729,996	-	₱ 110,812	₱ 6,213,522	₱ -	₱ 6,213,522

*This consists of various small amount of receivable per employee.

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES

Schedule C. Accounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

December 31, 2018

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amount Collected	Amount Written-Off			
Shakey's Seacrest Inc. (SSI)	P 1,216,224	P 4,712,504	P 4,437,072	P -	P 1,491,656	P -	P 1,491,656
Shakey's International Ltd. (SIL)	25,682,412	17,170,733	-	-	42,853,145	-	42,853,145
Shakeys Pizza Commerce Inc (SPCI)	149,002,170	610,818,002	155,825,876	-	603,994,296	-	603,994,296
Bakemasters, Inc. (BMI)	120,336,999	49,048,848	77,289,110	-	92,096,737	-	92,096,737
	P 296,237,805	P 681,750,087	P 237,552,058	P -	P 740,435,834	P -	P 740,435,834

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES
Schedule D. Intangible Assets - Other Assets
December 31, 2018

Description	Beginning Balance	Additions At Cost	Deductions		Other Changes- Additions (Deductions)	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts		
Trademark	P 4,987,109,602	P -	P -	P -	P -	4,987,109,602
Goodwill	1,078,606,020					1,078,606,020
	P 6,065,715,622	P -	P -	P -	P -	6,065,715,622

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES

Schedule E. Long-Term Debt
December 31, 2018

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current Portion of Long-Term Debt" in related Balance Sheet	Amount shown under Caption "Long-Term Debt" in related Balance Sheet
Omnibus Loan and Security Agreement- BDO Unibank Inc.	₱ 3,900,000,000	₱ 50,000,000	₱ 3,850,000,000
Unamortized debt issue costs	(15,064,934)	(1,693,661)	(13,371,273)
Loan mortgage payable	480,853	143,418	337,435
	₱ 3,885,415,919	₱ 48,449,757	₱ 3,836,966,162

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES
Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2018

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Not applicable: The Company has no indebtedness to related parties as at December 31, 2018.		
P	-	P -

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES

Schedule G. Guarantees of Securities of Other Issuers

December 31, 2018

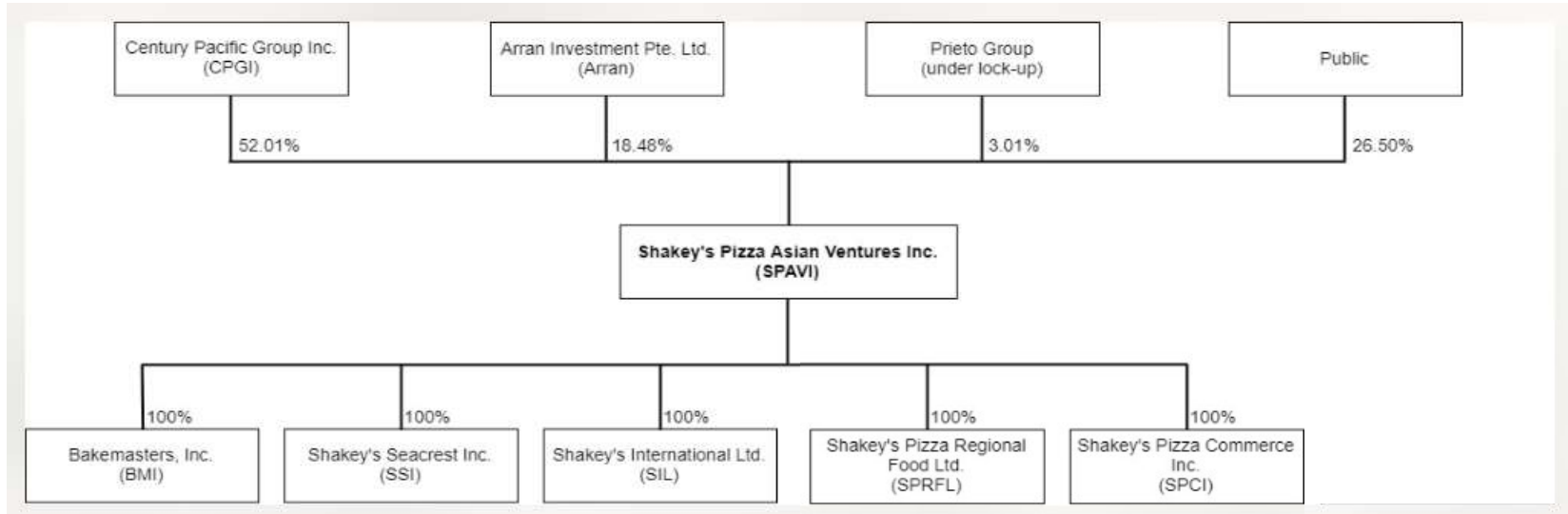
Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
Not applicable: The Company has no guarantees of securities of other issuers as at December 31, 2018.				
		P	-	P
			-	

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES

Schedule H. Capital Stock
December 31, 2018

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	1,531,321,053	-	1,186,294,469	1,325,308	343,701,276

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES
Map of Relationships of the Companies within the Group



SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS-FINANCIAL RATIOS

	As at December 31, 2018	As at December 31, 2017
Net income	840,915,428	762,143,324
Total Assets	9,633,179,222	9,108,847,669
Return on Assets (Net income / Total Assets)	8.7%	8.4%
Net income	840,915,428	762,143,324
Average stockholders' equity	4,272,031,120	3,608,590,667
Return on Equity (Net Income / Stockholders' Equity)	19.7%	21.1%
Net income	840,915,428	762,143,324
No. of Shares	1,531,321,053	1,531,321,053
Earnings per share (Net income / Total no. of shares outstanding)	0.55	0.50
Total current assets	1,610,321,756	1,255,136,137
Total current liabilities	967,798,991	1,112,718,871
Current Ratio (Total Current assets / Total Current Liabilities)	1.66	1.13
Total current assets	1,610,321,756	1,255,136,137
Total current liabilities	967,798,991	1,112,718,871
Net working capital (Total Current Assets - Total Current Liabilities)	642,522,765	142,417,266
Total liabilities	5,063,358,089	5,134,606,563
Total Equity	4,569,821,133	3,974,241,106
Debt to equity ratio (Total Liabilities / Stockholders' Equity)	1.11	1.29
Depreciation	230,752,919	208,930,640
Net income	840,915,428	762,143,324
Net Income + depreciation expense	1,071,668,347	971,073,964
Short Term + long term liabilities	5,063,358,089	5,134,606,563
Solvency ratio (Net Income + Depreciation Expense / Short and Long Term Liabilities)	0.21	0.19
Total assets	9,633,179,222	9,108,847,669
Total Equity	4,569,821,133	3,974,241,106

Asset to equity ratio (Total assets / total equity)	2.11	2.29
Earnings before interest expense and income taxes (EBIT)	1,269,046,298	1,198,301,313
Interest expense	188,515,123	177,304,646
Interest coverage ratio (EBIT / Interest Expense)	6.73	6.76

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES
Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2018

Retained earnings as at December 31, 2017, as restated		705,670,618
Less:		
Deferred Tax Assets		41,319,010
Unappropriated retained earnings, as adjusted, as at December 31, 2017		664,351,608
Add (less):		
Net Income	618,449,126	
Changes in deferred tax assets	(4,673,662)	613,775,464
		1,278,127,072
Dividends declared during the year		(153,132,105)
Retained earnings available for dividend distribution as at December 31, 2018		1,124,994,967

ANNEX B

LIST OF STOCKHOLDERS

LIST OF TOP 100 STOCKHOLDERS
As Of December 31, 2018

STOCKHOLDER'S NAME	OUTSTANDING & ISSUED SHARES (FULLY PAID)	OUTSTANDING & ISSUED SHARES (PARTIALLY PAID)	TOTAL HOLDINGS (SUBSCRIBED)	PERCENTAGE TO TOTAL	NATIONALITY
CENTURY PACIFIC GROUP, INC.	796,445,141	0	796,445,141	52.010	FILIPINO
PCD NOMINEE CORP. (NON-FILIPINO)	506,585,649	0	506,585,649	33.082	NON-FILIPINO
PCD NOMINEE CORP. (FILIPINO)	149,236,186	0	149,236,186	9.746	FILIPINO
MA. LUISA P. LOVINA	13,766,511	0	13,766,511	0.899	FILIPINO
KARINA P. MORENO / MA. CARMEN M. PRIETO	7,413,282	0	7,413,282	0.484	FILIPINO
LEOPOLDO M. PRIETO III	6,882,542	0	6,882,542	0.449	FILIPINO
KARINA P. MORENO / CARMEN M. PRIETO	6,353,229	0	6,353,229	0.415	FILIPINO
MA. CRISTINA P. MORAZA	5,429,529	0	5,429,529	0.355	FILIPINO
CARLOS M. PRIETO	5,429,529	0	5,429,529	0.355	FILIPINO
JAMILLE P. TORRES	3,706,257	0	3,706,257	0.242	FILIPINO
MA. INES P. BORROMEIO	3,608,268	0	3,608,268	0.236	FILIPINO
PANDA DEVELOPMENT CORPORATION	3,314,264	0	3,314,264	0.216	FILIPINO
JAMILLE M. P. TORRES	3,176,285	0	3,176,285	0.207	FILIPINO
MA. CONSUELO P. GUERRERO	2,923,808	0	2,923,808	0.191	FILIPINO
MA. PILAR P. LORENZO	2,923,808	0	2,923,808	0.191	FILIPINO
EDUARDO M. PRIETO	2,923,808	0	2,923,808	0.191	FILIPINO
ROSARIO ANNE R. PRIETO	2,811,823	0	2,811,823	0.184	FILIPINO
L.L.P. ENTERPRISES, INC.	2,808,968	0	2,808,968	0.183	FILIPINO
RAMON M. PRIETO	2,760,093	0	2,760,093	0.180	FILIPINO
MA. TERESA P. RUFINO	1,514,170	0	1,514,170	0.099	FILIPINO
MA. TERESA R. PRIETO	1,297,653	0	1,297,653	0.085	FILIPINO
ALMA BELLA PIL ALBERASTINE	2,000	0	2,000	0.000	FILIPINO
VERONICA AGUILAR PEDRASA	2,000	0	2,000	0.000	FILIPINO
LEOPOLDO H. PRIETO, JR.	1,427	0	1,427	0.000	FILIPINO
DONDI RON R. LIMGENCO	1,111	0	1,111	0.000	FILIPINO
CHRISTINE F. HERRERA	1,000	0	1,000	0.000	FILIPINO
JOHN T. LAO	1,000	0	1,000	0.000	FILIPINO
TERESA P. MARCELINO	1,000	0	1,000	0.000	FILIPINO
CELINA F. LUCERO	200	0	200	0.000	FILIPINO
ROY EDUARDO T. LUCERO	200	0	200	0.000	FILIPINO
OWEN NATHANIEL S AU ITF: LI MARCUS AU	110	0	110	0.000	FILIPINO
SHAREHOLDERS` ASSOCIATION OF THE PHILIPPINES, INC.	100	0	100	0.000	FILIPINO
JESUS SAN LUIS VALENCIA	100	0	100	0.000	FILIPINO
PAULO L. CAMPOS III	1	0	1	0.000	FILIPINO
FERNAN VICTOR P. LUKBAN	1	0	1	0.000	FILIPINO
GRAND TOTAL (35)	1,531,321,053	0	1,531,321,053		