

SECURITIES AND EXCHANGE COMMISSION

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

1. For the quarterly period ended **June 30, 2022**
2. Commission identification number **54666**
3. BIR Tax Identification No. **000-163-396**
4. **SHAKEY'S PIZZA ASIA VENTURES INC.**
Exact name of issuer as specified in its charter
5. **MANILA, PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **15KM EAST SERVICE ROAD CORNER MARIAN ROAD 2,**
BARANGAY SAN MARTIN DE PORRES, PARANAQUE CITY **1700**
Address of issuer's principal office Postal Code
8. **(632) 8472-5397**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	<u>COMMON SHARES</u>
Number of shares of common stock outstanding	<u>1,683,760,178</u>
11. Are any or all of the securities listed on a Stock Exchange?

Yes ☐ No ☐

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
PHILIPPINE STOCK EXCHANGE; COMMON SHARES
12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes ☐ No ☐
 - (b) has been subject to such filing requirements for the past Sixty (90) days.
Yes ☐ No ☐

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited interim consolidated financial statements of Shakey's Pizza Asia Ventures Inc., and its wholly owned subsidiaries Bakemasters, Inc., Shakey's International Limited, Shakey's Seacrest Incorporated, Shakey's Pizza Regional Foods Limited, Shakey's Pizza Commerce, Inc., and Wow Brand Holdings Inc. (collectively, the 'Company' or 'PIZZA') as of and for the period ended June 30, 2022 and the comparative period in 2021 is attached to this 17-Q report, comprising of the following:

- 1.1 Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021
- 1.2 Consolidated Statement of Income for the period ended June 30, 2022 and June 30, 2021
- 1.3 Consolidated Statement of Cash Flows for the period ended June 30, 2022 and June 30, 2021
- 1.4 Consolidated Statement of Changes in Shareholder's Equity for the period ended June 30, 2022 and June 30, 2021
- 1.5 Notes to Consolidated Financial Statements for the period ended June 30, 2022

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations (Based on the unaudited consolidated financial statements for the period ended June 30, 2022)

Business Overview

Shakey's Pizza Asia Ventures Inc. (SPAVI) or PIZZA, is the market leader in both chained pizza full service restaurant and chained full service restaurant with 67.1% and 28.9% market share as cited by Euromonitor.

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

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

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

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

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

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

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

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

On June 1, 2019, PIZZA acquired Peri-Peri Charcoal Chicken, an emerging fast casual and full service restaurant brand in the Philippines. The acquisition includes assets and intellectual property relating to the Peri business, including its brand, trade name, and the various proprietary recipes used by the chain to make its trademark peri-peri chicken.

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

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

Results of Operations

The following table summarizes the reported key financial information for PIZZA for the Six months ending June 30, 2022 and 2021, respectively:

In ₱ Mill	Six months ending June 30, 2022	Six months ending June 30, 2021	Change YoY
Systemwide sales	5,829	3,302	77%
Net Revenue	4,080	2,551	60%
Cost of Sales	(3,088)	(1,984)	56%
Gross Profit	992	566	75%
Operating Expense	(528)	(387)	36%

Operating Income	465	180	159%
EBITDA	728	347	80%
Net income before tax	332	18	1792%
Net income after tax	250	14	1685%
<u>Margins</u>			
Gross profit margin	24.3%	22.2%	+210 bps
EBITDA margin	17.8%	15.9%	+190 bps
Net income margin	6.1%	0.5%	+560 bps

Results of Operation

- Shakey's Pizza Asia Ventures Inc, the Philippines' leading fast casual restaurant chain and food service group, finished the first half of 2022 strong, with strong systemwide sales growth and net income increasing by 18x versus the same period last year.
- PIZZA reports year-to-date systemwide sales of ₱5.83 billion, up 77% compared to the ₱3.30 billion reported during the same period in 2021. This was mainly driven by dine-in recovery due to a strong Philippine economic reopening, coupled with the integration of Potato Corner's operations starting March. Same-store sales growth (SSSG) registers at 23% for the period.
- Earnings before interest, tax, depreciation, and amortization (EBITDA) lands at ₱728 million for the first half of 2022, up 80% versus last year's comparable period of ₱404 million. EBITDA margins improved from 15.9% to 17.8% over the same period, primarily driven by the expansion in gross margins due to a stronger topline, PIZZA's favorable mix, as well as menu optimization initiatives.
- Overall, the robust topline, combined with efficient operations, led to a net income of ₱250 million, 18x higher than the same period the year before. PIZZA's net profit margin likewise expanded by 560 bps to 6.1%.

Financial Condition

The Company's financial stability and financial position as of June 30, 2022, is as follows:

- Cash and cash equivalents stood at ₱752 million. Operating activities generated a net inflow of ₱624 million, with operating cash more than enough to cover changes in working capital. Net cash used in investing activities totaled ₱2.2 billion, while net cash generated by financing activities amounted to ₱1.9 billion.
- Current ratio decreased to 1.3x as of June 30, 2022, relative to 2021's 1.9x. The cash conversion cycle decreased to -1 day from 2 days as of end 2021. Receivable and inventory days stood at 46 and 34 respectively, while accounts payable came in at 81 days.
- Net property, plant and equipment, amounted to ₱1.5 billion as of June 30, 2022. Capital expenditures for the first six months of the year totaled ₱288 million.

- As of June 30, 2022, the Company had ₱5.8 billion in interest-bearing debt, with the increase from year-end primarily due to loans entered into to cover investment requirements for the year, including funding of the Potato Corner acquisition.
- Net debt-to-equity ratio is measured at 1.2x as of June 30, 2022, increasing from 1.0x as of year-end 2020. Considering only interest-bearing liabilities, the Company's net gearing ratio and net interest-bearing debt-to-EBITDA stood at 0.8x and 3.8x, respectively, as of June 30, 2022.

Key Performance Indicators (KPIs)

	Unaudited 1 st Six Months 2022	Unaudited 1 st Six Months 2021
Gross Profit Margin	24%	22%
Before Tax Return on Sales	8%	1%
Return on Sales	6%	1%
Interest-Bearing Debt-to-Equity	0.9x	0.8x
Current Ratio	1.3x	1.7x

Notes:

1 Gross Profit margin = Gross Profit / Net Revenue

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

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

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

5 Current Ratio = Total Current Assets / Total Current Liabilities

SIGNATURES

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

SHAKEY'S PIZZA ASIA VENTURES INC.

A handwritten signature in black ink, appearing to be 'Vicente L. Gregorio', written over a horizontal line.

VICENTE L. GREGORIO
President and Chief Executive Officer
Date: August 1, 2022

A handwritten signature in black ink, appearing to be 'Manuel T. Del Barrio', written over a horizontal line.

MANUEL T. DEL BARRIO
Vice President and Chief Finance Officer
Date: August 1, 2022

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash	₱751,815,914	₱485,414,521
Trade and other receivables	900,666,268	723,983,367
Financial assets at fair value through profit and loss	—	300,000,000
Inventories	506,866,896	432,876,226
Prepaid expenses and other current assets	247,052,836	187,556,789
Total Current Assets	2,406,401,914	2,129,830,903
Noncurrent Assets		
Property and equipment	1,507,861,178	1,373,563,312
Intangible assets	7,027,817,625	7,034,324,209
Right-of-use assets	1,126,176,404	1,231,516,139
Deferred input value-added tax	23,649,290	28,234,552
Deferred tax assets- net	147,901,257	247,956,292
Other noncurrent assets	2,832,644,407	589,287,521
Total Noncurrent Assets	12,666,050,161	10,504,882,025
TOTAL ASSETS	₱15,072,452,076	₱12,634,712,928
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	₱1,200,339,897	₱968,634,979
Short-term loans payable	500,000,000	—
Current portion of:		
Lease Liabilities	92,010,032	92,010,032
Long-term loans payable	47,986,963	47,986,963
Contract liabilities	18,965,155	18,965,155
Income tax payable	11,350,297	1,557,290
Total Current Liabilities	1,870,652,344	1,129,154,419
Noncurrent Liabilities		
Noncurrent current portion of:		
Lease liabilities	1,286,436,844	1,388,726,488
Long-term loans payable	5,267,570,991	3,692,570,991
Contract liabilities	61,596,092	63,232,658
Accrued pension costs	124,221,561	96,260,947
Dealers' deposits and other noncurrent liabilities	81,586,694	83,979,903
Total Noncurrent Liabilities	6,821,412,183	5,324,770,987
Total Liabilities	8,692,064,527	6,453,925,406
Equity		
Capital stock	1,683,760,178	1,683,760,178
Additional paid-in capital	2,451,116,470	2,451,116,470
Retained earnings	2,253,073,245	2,053,473,219
Other components of equity	(7,562,345)	(7,562,345)
Total Equity	6,380,387,549	6,180,787,522
TOTAL LIABILITIES AND EQUITY	₱15,072,452,076	₱12,634,712,928

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

SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

	2022 (Unaudited)	2021 (Unaudited)
REVENUES		
Net sales	₱3,904,703,696	₱2,434,532,209
Royalty and franchise fees	175,153,263	116,248,986
	4,079,856,959	2,550,781,195
COSTS OF SALES	(3,087,580,052)	(1,984,387,767)
GROSS INCOME	992,276,907	566,393,427
GENERAL AND ADMINISTRATIVE EXPENSES	(527,695,609)	(386,725,932)
INTEREST EXPENSE	(140,885,230)	(160,874,268)
OTHER INCOME (EXPENSES)	8,188,798	(1,256,142)
INCOME BEFORE INCOME TAX	331,884,866	17,537,085
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	14,845,606	10,263,542
Deferred	66,926,429	(6,739,703)
	81,772,035	3,523,839
TOTAL COMPREHENSIVE INCOME	₱250,112,831	₱14,013,246
Basic/Diluted Earnings Per Share	₱0.15	₱0.01

SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**
FOR THE THREE MONTHS ENDED JUNE 30, 2022 AND 2021

	2022 (Unaudited)	2021 (Unaudited)
REVENUES		
Net sales	₱2,363,945,192	₱1,207,429,122
Royalty and franchise fees	105,820,348	61,890,503
	2,469,765,540	1,269,319,625
COSTS OF SALES	(1,867,883,031)	(1,019,673,478)
GROSS INCOME	601,882,509	249,646,147
GENERAL AND ADMINISTRATIVE EXPENSES	(298,617,986)	(191,541,770)
INTEREST EXPENSE	(78,172,994)	(78,346,031)
OTHER INCOME (EXPENSES)	4,355,167	(1,752,755)
INCOME (LOSS) BEFORE INCOME TAX	229,446,696	(21,994,409)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	8,878,591	6,740,770
Deferred	46,686,035	(14,023,691)
	55,564,626	(7,282,921)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱173,882,070	(₱14,711,488)
Basic/Diluted Earnings Per Share	₱0.10	(₱0.01)

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021**

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Deposits for Future Stocks Subscription	Other Components of Equity	Total
Balances at January 1, 2022	₱1,683,760,178	₱2,451,116,470	₱2,053,473,219	–	(₱7,562,345)	₱6,180,787,522
Total comprehensive income	–	–	250,112,831	–	–	250,112,831
Cash Dividends	–	–	(50,512,805)	–	–	(50,512,805)
Balances at June 30, 2022	₱1,683,760,178	₱2,451,116,470	₱2,253,073,245	–	(₱7,562,345)	₱6,380,387,548
Balances at January 1, 2021	₱1,531,321,053	₱1,353,554,797	₱1,964,168,269	–	(₱64,680,132)	₱4,784,363,987
Deposits for future stocks subscription	–	–	–	1,250,000,798	–	1,250,000,798
Total comprehensive income	–	–	14,013,246	–	–	14,013,246
Balances at June 30, 2021	₱1,531,321,053	₱1,353,554,797	₱1,978,181,515	1,250,000,798	(₱64,680,132)	₱6,048,378,032

**SHAKEY'S PIZZA ASIA VENTURES INC.
AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021**

	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P331,884,866	P17,537,085
Adjustments for:		
Depreciation and amortization	255,166,200	226,296,718
Interest expense	140,885,230	160,874,268
Increase (decrease) in accrued pension costs	29,379,422	25,309,988
Interest income	(161,556)	(312,282)
Loss on disposal of property and equipment	–	82,696
Unrealized foreign exchange loss (gain)	(200,278)	(29,355)
Income before working capital changes	756,953,885	429,759,119
Decrease (increase) in:		
Trade and other receivables	(123,584,215)	138,930,331
Inventories	(71,023,588)	66,610,991
Prepaid expenses and other current assets	(67,113,244)	(50,201,647)
Decrease in:		
Accounts payable and other current liabilities	130,061,507	(195,348,309)
Contract liabilities	(1,479,463)	(3,345,391)
Net cash generated from operations	623,814,882	386,405,093
Income tax paid	–	(4,623,547)
Interest received	161,556	312,282
Net cash provided by operating activities	623,976,438	382,093,828
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Other noncurrent assets	(2,243,356,886)	21,784,669
Deferred input value added tax	15,501,683	(15,034,862)
Increase (decrease) in:		
Dealer's deposits and other noncurrent liabilities	(10,802,873)	1,752,583
Acquisition of property and equipment	(287,565,386)	(90,511,940)
Acquisition of softwares	–	(8,877,363)
Proceeds from redemption of financial assets at FVPL	300,000,000	120,000,000
Net cash used in investing activities	(2,226,223,462)	29,113,086
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of long- term loan	500,000,000	500,000,000
Proceeds from availment of short- term loan	1,600,000,000	–
Payment of short- term loans	–	(800,000,000)
Payment of long- term loans	(25,000,000)	(25,000,000)
Payment of interest	(100,141,373)	(107,115,222)
Payment of lease liability	(106,410,487)	(97,405,508)
Deposits for future stocks subscription	–	1,250,000,798
Net cash provided by financing activities	1,868,448,140	720,480,068
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	200,278	29,355
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	266,401,394	1,131,716,337
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	485,414,521	607,674,132
CASH AND CASH EQUIVALENTS AT END OF YEAR	P751,815,915	P1,739,390,469

SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

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

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

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

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

The unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on August 1, 2022.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

The unaudited interim condensed consolidated financial statements comprise the unaudited interim condensed financial statements of the Parent Company and its wholly-owned subsidiaries and are prepared for the same reporting year as the Parent Company, using consistent accounting policies 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 Six elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the unaudited interim condensed consolidated statement of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

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

	Principal Activities	Place of Incorporation	Percentage of Ownership (%)
Bakemasters, Inc. (BMI) ^a	Manufacturer of pizza dough and pastries	Philippines	100%
Shakey's International Limited (SIL) ^a	Trademark	Hong Kong	100%
Shakey's Seacrest Incorporated (SSI) ^b	Trademark	Philippines	100%
Shakey's Pizza Regional Foods Limited (SPRFL) ^c	Trademark	Hong Kong	100%
Shakey's Pizza Commerce Inc. (SPCI) ^d	Trading of goods	Philippines	100%
Wow Brand Holdings, Inc. (WBHI) ^e	Restaurant business	Philippines	100%

^a Acquired on October 5, 2016 from SAFHI

^b Incorporated on June 29, 2016

^c Incorporated on November 25, 2016

^d Incorporated on November 25, 2017

^e Incorporated on April 25, 2019

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Company's financial statements are consistent with those of the previous financial year except for the following new accounting pronouncements. Unless otherwise indicated, the Group does not expect that the adoption of the said pronouncements to have a significant impact on its consolidated financial statements.

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

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic.

A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

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

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

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

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

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

The Group shall also disclose information about:

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

Effective beginning on or after January 1, 2022

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

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by

management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

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

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

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

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

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

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

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

Standards Issued but Not Yet Effective

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

Effective beginning on or after January 1, 2023

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

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2024

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

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

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period

- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

▪ PFRS 17, *Insurance Contracts*

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

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

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

4. Business Combinations

Acquisition of Peri-Peri Business

On April 2, 2019, SPAVI and I-Foods Group, Inc. (IFGI) entered into a purchase agreement (the “Agreement”) for the rights, title and interest to the Peri-Peri (P2) Business, including the properties, assets, and rights which are related to or are used in the P2 Business.

P2 Business is a casual and full-service restaurant brand in the Philippines. The restaurant offers variety of food and sauces such as peri-peri chicken, pizza and pasta.

On June 1, 2019 (the acquisition date), SPAVI and WBHI, a newly-incorporated subsidiary, executed a deed of assignment, wherein SPAVI, assigned, transferred and conveyed all its rights under the Agreement, except with respect to SPAVI’s rights under the Agreement pertaining to Trademarks, Know-How and Confidential Information, and Intellectual Properties (collectively, the “Intangible Assets”) of the P2 Business, to WBHI. Subsequently, WBHI and IFI executed a deed of absolute sale of assets wherein I-Foods sold, transferred and conveyed to WBHI the title, rights, material and physical possession of, and interest in, the assets related to the P2 Business for ₱212.3 million. On the same date, as part of the acquisition of the P2 business, SPAVI acquired 100% ownership of AWIL, which is the owner of the intangible assets relevant to the P2 Business for ₱562.2 million.

Total consideration for the acquisition of the P2 business amounted to ₱774.5 million.

The purchase price consideration has been allocated based on relative fair values at date of acquisition as follows:

	Carrying Values	Fair Values Recognized
Current Assets -		
Inventories	₱4,000,000	₱4,000,000
Noncurrent Assets		
Property and equipment	13,390,023	13,390,023
Trademark	562,197,552	562,197,552
Rental deposits	9,456,662	9,456,662
Total Noncurrent Assets	585,044,237	585,044,237
Identifiable Net Assets Acquired	₱589,044,237	₱589,044,237

(Forward)

Identifiable Net Assets Acquired	₱589,044,237
Goodwill from the acquisition	185,476,929
Purchase consideration transferred	₱774,521,166
Cash flow from an investing activity:	
Cash payment	₱774,521,166
Net cash acquired from subsidiary	—
Net cash outflow	₱774,521,166

5. Segment Information

Segment information is prepared on the following bases:

Business Segments

For management purposes, the Group is organized into Six 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 for the six months ended June 30, 2022 and 2021:

	June 30, 2022	June 30, 2021
Consolidated EBITDA	₱727,774,740	₱404,395,790
Depreciation and amortization	(255,166,200)	(226,296,718)
Provision for income tax	(81,772,035)	(3,523,839)
Interest expense	(140,885,230)	(160,874,268)
Interest income	161,556	312,282
Consolidated net income	₱250,112,831	₱14,013,246

6. Cash and Cash Equivalents

	June 30, 2022	December 31, 2021
Cash on hand	₱30,228,269	₱153,112,015
Cash in banks	671,587,645	332,302,506
Short-term deposits	50,000,000	—
	₱751,815,914	₱485,414,521

Cash in banks earn interest at the respective bank deposit rates. Interest income on cash and cash equivalents amounted to ₱0.2 million and ₱0.3 million for the six months ended June 30, 2022 and 2021, respectively.

7. Trade and Other Receivables

	June 30, 2022	December 31, 2021
Trade:		
Franchisee	P363,924,568	P234,363,067
Third parties	213,273,442	203,929,298
Related parties	20,128,395	25,928,331
Royalty receivable	121,292,246	85,992,882
Receivable from:		
Franchisees	46,758,118	52,442,190
National Advertising Fund (NAF)	46,253,302	35,583,471
Employees	23,097,857	18,854,882
Others	72,057,348	73,008,253
	906,785,275	730,102,374
Less allowance for doubtful account	6,119,007	6,119,007
	P900,666,268	P723,983,367

Below are the terms and conditions of the financial assets:

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

The movements of allowance for doubtful accounts are as follows:

	June 30, 2022			December 31, 2021		
	Receivables			Receivables		
	Trade and Others	from Employees	Total	Trade and Others	from Employees	Total
Balance at beginning of year	P4,873,440	P1,245,567	P6,119,007	P4,873,440	P1,245,567	P6,119,007
Reversal of doubtful accounts	–	–	–	–	–	–
Balance at reporting date	P4,873,440	P1,245,567	P6,119,007	P4,873,440	P1,245,567	P6,119,007

8. Inventories

	June 30, 2022	December 31, 2021
At cost -		
Finished goods	P6,002,205	P6,345,557
At NRV:		
Merchandise	468,361,430	371,955,904
Raw materials - food	23,701,315	47,225,394
Raw materials - packaging	8,801,946	7,349,371
	P506,866,896	P432,876,226

Allowance for inventory obsolescence amounted to P4.3 million as at June 30, 2022 and December 31, 2021.

9. Prepaid Expenses and Other Current Assets

	June 30, 2022	December 31, 2021
Advances to suppliers	₱82,464,503	₱79,635,553
Prepaid taxes	79,818,757	64,963,443
Prepaid expenses	68,117,199	23,905,166
Input VAT	16,652,377	19,052,627
	₱247,052,836	₱187,556,789

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

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

10. Financial Assets at FVPL

Movements of this account are as follows:

	June 30, 2022	December 31, 2021
Cost:		
Balance at beginning of year	₱300,000,000	₱120,000,000
Additions	–	300,000,000
Redemption	(300,000,000)	(120,000,000)
Balance at end of year	–	300,000,000
Accumulated Unrealized Fair Value Change		
Balance at beginning of year	–	–
Fair value gain	404,374	1,949,288
Redemption	(404,374)	(1,949,288)
Balance at end of year	–	–
Net carrying value	₱–	₱300,000,000

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

11. Property and Equipment

	Building	Leasehold Improvements	Furniture, Fixtures and Equipment	Machinery and Equipment	Transportation Equipment	Cost of Shops and Maintenance Tools	Glassware and Utensils	Construction in-progress	Total
Cost									
Balance at December 31, 2020	P257,100,633	P1,203,501,707	P1,151,895,613	P225,782,037	P25,584,990	P17,189,945	P18,329,085	P47,518,417	P2,946,902,427
Additions	–	89,510,308	71,510,977	1,550,560	850,000	8,848,206	3,185,493	104,682,278	280,137,822
Disposals	–	(8,578,070)	(168,393)	(6,521,954)	–	–	–	–	(15,268,417)
Reclassification	–	13,877,556	–	–	–	–	–	(21,717,942)	–
Balance at December 31, 2021	264,941,019	1,298,311,501	1,223,238,197	220,810,643	26,434,990	26,038,151	21,514,578	130,482,753	3,211,771,832
Additions	–	47,379,507	84,438,582	3,976,983	8,706,907	4,764,122	1,035,495	137,263,789	287,565,386
Disposals	–	–	(420,000)	–	–	–	–	–	(420,000)
Reclassification	–	103,785,846	–	–	–	–	–	(103,785,846)	–
Balance at June 30, 2022	P264,941,019	P1,449,476,854	P1,307,256,779	P224,787,626	P35,141,897	P30,802,273	P22,550,073	P163,960,696	P3,498,917,218
Accumulated Depreciation									
Balance at December 31, 2020	P47,879,657	P686,340,678	P643,780,347	P105,247,302	P16,218,412	P10,594,280	P17,207,528	–	P1,527,268,204
Depreciation	18,442,868	116,310,445	151,076,002	26,958,119	168,791	10,826,163	2,181,659	–	325,964,047
Disposals	–	(8,348,288)	(146,240)	(6,529,203)	–	–	–	–	(15,023,731)
Balance at December 31, 2021	66,322,525	794,302,835	794,710,109	125,676,218	16,387,203	21,420,443	19,389,187	–	1,838,208,520
Depreciation	8,560,685	55,008,718	73,381,921	9,333,182	1,956,367	4,208,725	608,156	–	153,057,754
Disposals	–	–	(210,234)	–	–	–	–	–	(210,234)
Balance at June 30, 2022	74,883,210	849,311,553	867,881,796	135,009,400	18,343,570	25,629,168	19,997,343	–	1,991,056,040
Net Book Value									
Balance at December 31, 2021	P198,618,494	P504,008,666	P428,528,088	P95,134,425	P10,047,787	P4,617,708	P2,125,391	P130,482,753	P1,373,563,312
Balance at June 30, 2022	P190,057,809	P600,165,301	P439,374,983	P89,778,226	P16,798,327	P5,173,106	P2,552,730	P163,960,696	P1,507,861,178

There are no idle assets as at June 30, 2022 and December 31, 2021. The Group has no property and equipment that are used as collateral for existing loans payable.

12. Intangible Assets

The Group's intangible assets consist of:

	June 30, 2022	December 31, 2021
Goodwill	₱1,264,082,949	₱1,264,082,949
Trademarks with indefinite life	5,550,550,340	5,550,550,340
Software costs	209,453,844	215,612,546
Franchise right	3,730,492	4,078,374
	₱7,027,817,625	₱7,034,324,209

In 2016, goodwill amounting to ₱1,078.6 million was recognized in connection with its acquisition of BMI while trademarks amounting to ₱4,987.1 million was recognized and treated as acquisition of assets based on relevant accounting standards since such transaction did not qualify as an acquisition of a business.

In 2019, the Group acquired the Peri-Peri business from IFGI including the properties, assets and rights which are related to or are used in the said business. Such transaction was accounted for as an acquisition of a business and additional goodwill and trademarks amounting to ₱185.5 million and ₱562.2 million were recorded as at the date of acquisition.

On August 24, 2020, the Group entered into a master franchise agreement for a consideration of ₱5.0 million (\$0.1 million) with Supertea (Int) Pte. Ltd. (Supertea), whereby Supertea granted the Group the following:

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

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

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

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

13. Right-of-Use Assets and Lease Liabilities

Group as a lessee

The Group has lease contracts for its office spaces and stores. Lease contracts office spaces usually has terms of 20 to 25 years while leases of stores usually has terms of 3 to 15 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

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

The rollforward analysis of this account follows:

	June 30, 2022	December 31, 2021
Cost		
Balance at beginning of year	P1,979,902,936	P1,808,953,814
Additions	32,185,413	221,482,193
Pre-terminations	(13,730,321)	(50,533,071)
Balance at end of year	1,998,358,028	1,979,902,936
Accumulated Amortization		
Balance at beginning of year	748,386,797	497,489,754
Amortization	109,922,108	155,831,173
Lease concessions	17,285,431	117,008,801
Pre-terminations	(3,412,712)	(21,942,931)
Balance at end of year	872,181,624	748,386,797
Net Book Value	P1,126,176,404	P1,231,516,139

The rollforward analysis of lease liabilities follows:

	June 30, 2022	December 31, 2021
Balance at beginning of year	P1,480,736,520	P1,530,603,019
Additions	32,185,413	221,482,193
Interest expense	40,251,345	89,082,753
Payments	(143,527,838)	(204,302,941)
Pre-terminations	(13,913,133)	(39,119,704)
Lease concessions	(17,285,431)	(117,008,801)
Balance at end of year	1,378,446,876	1,480,736,520
Current portion of lease liabilities	92,010,032	92,010,032
Lease liabilities -net of current portion	P1,286,436,844	P1,388,726,488

The Group has lease contracts for stores that contains variable payments based on the gross sales. The following provides information on the Group’s variable lease payments, including the magnitude in relation to fixed payments:

	Fixed Payments	Variable Payments	Total
Fixed	P76,354,980	P–	P76,354,980
Variable rent with minimum payment	72,237,301	49,216,563	121,453,864
Variable rent only	–	845,539	845,539
As at June 30, 2022	P148,592,281	P50,062,102	P198,654,383
	Fixed Payments	Variable Payments	Total
Fixed	P72,543,693	P–	P72,543,693
Variable rent with minimum payment	28,828,076	25,488,462	54,316,538
Variable rent only	–	595,200	595,200
As of June 30, 2021	P101,371,769	P26,083,662	P127,455,431

14. Other Noncurrent Assets

	June 30, 2022	December 31, 2021
Advances to suppliers	P2,596,263,920	P400,000,000
Rental deposits- net	236,380,487	189,287,521
	P2,832,644,407	P589,287,521

Advances to suppliers are the Group's payment for future investments such as acquisition of assets.

The Group's rental deposits are refundable at the end of the lease term which range from 3 years to 15 years. Accordingly, rental deposits are discounted based on comparable rates for similar financial instruments with rates ranging from 1.08% to 4.95% for the years ended June 30, 2022 and December 31, 2021. The excess of the principal amount of the deposit over its fair value is accounted for as right-of-use asset and amortized over the lease term on a straight-line basis while interest on the deposit is accounted for using the effective interest rate method.

15. Accounts Payable and Other Current Liabilities

	June 30, 2022	December 31, 2021
Trade:		
Suppliers	P604,640,520	P483,151,890
Related parties	62,552,175	61,264,356
Nontrade	115,143,081	106,073,835
Accrued expenses:		
Suppliers	141,130,346	127,941,624
Utilities	47,068,868	29,544,774
Salaries and wages	40,809,521	24,646,206
Customers loyalty	20,079,488	20,994,474
Interest	—	7,656,566
Others	3,850,680	5,569,866
Other payables	165,065,218	101,791,388
	P1,200,339,897	P968,634,979

Below are the terms and conditions of the financial liabilities:

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

Other payables consist of the following:

	June 30, 2022	December 31, 2021
Dividends payables	₱50,512,805	₱–
Output VAT	34,310,691	30,589,527
Provision	33,285,225	35,679,548
Withholding tax payable	19,431,094	9,386,172
Customers' deposits	10,010,000	10,492,490
Fun certificates payable	6,486,326	6,452,560
Due to cooperative	2,483,268	3,146,619
Others	8,545,807	6,044,472
	₱165,065,218	₱101,791,388

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 six months ended June 30, 2022 and 2021, 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	2022	4,605,932	2,103,289	–	30-day; non-interest bearing	Unsecured
		2021	1,941,956	2,389,536	–		
					–		
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	2022	12,886,468	10,188,513	–	30-day; non-interest bearing	Unsecured; not impaired
		2021	45,387,252	14,349,478	–		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2022	99,955,729	–	49,749,992	30-day; non-interest bearing	Unsecured
		2021	46,509,371	–	51,919,361		
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	2022	–	2,778,786	–	30-day; non-interest bearing	Unsecured; not impaired
		2021	2,906,405	2,778,786	–		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	2022	–	–	–	30-day; non-interest bearing	Unsecured; not impaired
		2021	–	–	293,488		
Century Pacific Food Inc. (CPFI)							
Sales	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2022	8,643,341	5,057,807	–	30-day; non-interest bearing	Unsecured; not impaired
		2021	6,096,726	6,410,531	–		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2022	12,543,356	–	12,802,182	30-day; non-interest bearing	Unsecured
		2021	5,062,537	–	9,051,507		
		2022		20,128,395	62,552,175		
		2021		25,928,331	61,264,356		

Compensation of Key Management Personnel

The salaries and pension costs of key management personnel in 2022 and 2021 are as follows:

	For the six months ended June 30,	
	2022	2021
Salaries	₱169,983,354	₱137,728,025
Pension costs	27,192,689	25,270,520
	₱197,176,043	₱162,998,545

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

17. Short-term Loans Payable

	June 30, 2022	December 31, 2021
Balance at beginning of year	₱–	₱1,050,000,000
Additions	500,000,000	–
Payments	–	(1,050,000,000)
Balance at end of year	₱500,000,000	₱–

As at June 30, 2022, the loan has outstanding amount of ₱500.0 million with interest rate of 2.30% per annum. Interest expense pertaining to short-term loans amounting to ₱2.9 and ₱11.9 million was recognized for the periods ended June 30, 2022 and 2021, respectively.

18. Long-term Loan PayableLong-term facility loan

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

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

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

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

On December 22, 2016, the Group notified BDO of its intention to prepay the loan amounting to ₱1,000.0 million. The exercise of the prepayment option resulted in the revision of estimated future payments and change in the carrying amount of the financial liability as at December 31, 2016.

As at June 30, 2022 and December 31, 2021, the Group is in compliance with the covenants.

On March 2, 2022, the Group entered into another long-term borrowing arrangement with the Bank of the Philippine Islands (the Lender) in the principal amount of P1.6 billion and with interest rate of 4.12% per annum, payable within 10 years. The principal purpose of the loan is to fund the acquisition of Potato Corner business.

The breakdown of the loan is as follows:

	June 30, 2022	December 31, 2021
Principal	₱5,325,000,000	₱3,750,000,000
Less unamortized debt issue costs	9,442,046	9,442,046
	5,315,557,954	3,740,557,954
Less current portion of long-term loan	47,986,963	47,986,963
Noncurrent portion	₱5,267,570,991	₱3,692,570,991

Interest expense amounting to ₱97.2 million and ₱94.3 million was recognized for the six months ended June 30, 2022 and 2021, respectively.

14. Equity

Capital Stock

	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	1,683,760,178	1,683,760,178

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

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

The issued and outstanding shares as at June 30, 2022 and December 31, 2021 are held by 41 and 43 equity holders, respectively.

Retained Earnings

Details of cash dividends declared in 2022, 2021 and 2020 are as follows:

Date of Declaration	Dividend		Record Date
	Rate (per share)	Amount	
July 15, 2020	0.01	15,313,211	August 14, 2020
July 15, 2021	0.02	33,675,204	August 17, 2021
June 20, 2022	0.03	50,512,805	July 4, 2022

Outstanding dividends payable is at ₱50.5 million as of June 30, 2022 and nil as of December 31, 2021.

Undistributed earnings of the subsidiaries included in the Group's retained earnings amounting to P236.7 million as at June 30, 2022 and P231.2 million as at December 31, 2021 are not currently available for dividend distribution.

APIC

Amount received in excess of the par values of the shares issued amounting to P2,451.1 million were recognized as "APIC".

15. Earnings per Share (EPS)

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

There are no dilutive financial instruments as of June 30, 2022 and December 31, 2021, hence, diluted EPS is the same as the basic EPS.

The Group's EPS were computed as follows:

	For the six months ended June 30,	
	2022	2021
(a) Net income (loss)	250,112,831	14,013,246
(b) Weighted average number of shares outstanding	1,683,760,178	1,531,321,053
Basic/ diluted EPS (a/b)	0.15	0.01

16. Financial Risks Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, AFS investments and loan to a related party. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, rental deposit, accounts payable and other current liabilities arising directly from operations and dividends payable.

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

Credit Risk. Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by trading only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and equity price risk on AFS investment. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

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

	June 30, 2022	December 31, 2021
Cash*	₱721,587,645	₱332,302,506
Financial assets at FVPL	–	300,000,000
Trade and other receivables:		
Trade receivables	592,933,878	459,828,170
Royalty receivable	121,292,246	85,992,882
Receivable from franchisees	46,758,118	52,442,190
Receivable from NAF	46,253,302	35,583,471
Receivable from employees	21,852,290	17,609,315
Other receivables	71,576,434	72,527,339
Rental and other deposits	244,469,977	189,287,521
Total credit risk exposure	₱1,866,723,890	₱1,545,573,394

*Excluding cash on hand.

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

June 30, 2022						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1–180 Days	Over 181 days	Subtotal		
Cash*	₱721,587,645	₱–	₱–	₱–	₱–	₱721,587,645
Trade and other receivables:	–	–	–	–	–	–
Trade receivables	491,388,389	83,625,697	17,919,792	101,545,489	4,392,526	597,326,404
Royalty receivable	121,292,246	–	–	–	–	121,292,246
Receivable from franchisees	46,758,118	–	–	–	–	46,758,118
Receivable from NAF	46,253,302	–	–	–	–	46,253,302
Receivable from employees	11,872,299	9,070,898	909,094	9,979,992	1,245,567	23,097,857
Other receivables	70,477,851	792,631	305,952	1,098,583	480,914	72,057,348
Rental and other deposits	244,469,977	–	–	–	3,297,293	247,767,271
	₱1,754,099,827	₱93,489,225	₱19,134,838	₱112,624,063	₱9,416,300	₱1,876,140,190

*Excluding cash on hand.

December 31, 2021						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1–180 Days	Over 181 days	Subtotal		
Cash*	₱332,302,506	₱–	₱–	₱–	₱–	₱332,302,506
Financial assets at FVPL	300,000,000	–	–	–	–	300,000,000
Trade and other receivables:	–	–	–	–	–	–
Trade receivables	348,263,898	97,449,797	14,114,475	111,564,272	4,392,526	464,220,696
Receivable from NAF	35,583,471	–	–	–	–	35,583,471
Royalty receivable	85,992,882	–	–	–	–	85,992,882
Receivable from franchisees	52,442,190	–	–	–	–	52,442,190
Receivable from employees	8,587,856	9,021,459	–	9,021,459	1,245,567	18,854,882
Other receivables	70,843,566	1,570,073	113,700	1,683,773	480,914	73,008,253
Rental and other deposits	–	–	189,287,521	189,287,521	3,297,293	192,584,814
	₱1,234,016,369	₱108,041,329	₱203,515,696	₱311,557,025	₱9,416,300	₱1,554,989,694

*Excluding cash on hand.

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

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

	June 30, 2022			
	High grade	Medium grade	Standard grade	Total
Cash*	P721,587,645	P–	P–	P 721,587,645
Trade and other receivables:				
Trade receivables	458,723,487	32,664,902	–	491,388,389
Royalty receivable	121,292,246	–	–	121,292,246
Receivable from franchisee	–	–	46,758,118	46,758,118
Receivable from NAF	–	–	46,253,302	46,253,302
Receivable from employees	–	–	11,872,299	11,872,299
Other receivables	70,477,851	–	–	70,477,851
Rental and other deposits	–	–	244,469,977	244,469,977
	P1,372,081,230	P32,664,902	P349,353,695	P1,754,099,827

*Excluding cash on hand.

	December 31, 2021			
	High grade	Medium grade	Standard grade	Total
Cash*	P332,302,506	P–	P–	P332,302,506
Financial assets at FVPL	300,000,000	–	–	300,000,000
Trade and other receivables:				
Trade receivables	433,899,839	25,928,331	–	459,828,170
Royalty receivable	85,992,882	–	–	85,992,882
Receivable from NAF	–	–	35,583,471	35,583,471
Receivable from franchisee	–	–	52,442,190	52,442,190
Receivable from employees	–	–	17,609,315	17,609,315
Other receivables	72,527,339	–	–	72,527,339
Rental and other deposits	–	–	189,287,521	189,287,521
	P1,224,722,566	P25,928,331	P294,922,497	P1,545,573,394

*Excluding cash on hand.

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

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

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

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

The tables below summarize the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments. The tables also analyze the maturity profile of the Group’s financial assets in order to provide a complete view of the Group’s contractual commitments and liquidity.

June 30, 2022						
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	Total
Cash	P751,815,914	P–	P–	P–	P–	P751,815,914
Trade and other receivables						
Trade	491,388,389	83,625,697	–	17,919,792	4,392,526	597,326,404
Royalty receivables	121,292,246	–	–	–	–	121,292,246
Receivable from franchisees	46,758,118	–	–	–	–	46,758,118
Receivable from NAF	46,253,302	–	–	–	–	46,253,302
Receivables from employees	11,872,299	9,070,898	909,094	–	1,245,567	23,097,857
Other receivables	70,477,851	792,631	–	305,952	480,914	72,057,348
Rental and other deposits	244,469,977	–	–	–	3,297,293	247,767,271
	1,784,328,096	93,489,225	909,094	18,225,744	9,416,300	1,906,368,459
Accounts payable and other current liabilities:						
Trade payables	–	667,192,693	–	–	–	667,192,693
Nontrade payables	–	115,143,081	–	–	–	115,143,081
Accrued expenses	–	249,088,224	–	–	–	249,088,224
Other payables*	–	111,323,432	–	–	–	111,323,432
Dealers' deposit and other noncurrent payables	–	–	–	–	81,586,694	81,586,694
Short-term loans payable**	–	505,750,000	–	–	–	505,750,000
Long-term loans payable**	–	–	24,002,940	24,046,183	5,301,556,051	5,349,605,174
	–	1,648,497,430	24,002,940	24,046,183	5,383,142,745	7,079,689,299
Liquidity gap	P1,784,328,096	(P1,555,008,205)	(P23,093,846)	(P5,820,439)	(P5,373,726,445)	(P5,173,320,839)

*Excluding statutory payables.

**Including future interest payments.

December 31, 2021						
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	Total
Cash	P332,302,506	P–	P–	P–	P–	P332,302,506
Financial assets at FVPL	300,000,000	–	–	–	–	300,000,000
Trade and other receivables						
Trade	348,263,898	97,449,797	14,114,475	–	4,392,526	464,220,696
Royalty receivables	85,992,882	–	–	–	–	85,992,882
Receivable from NAF	35,583,471	–	–	–	–	35,583,471
Receivable from franchisees	52,442,190	–	–	–	–	52,442,190
Receivables from employees	8,587,856	9,021,459	–	–	1,245,567	18,854,882
Other receivables	70,843,566	1,570,073	–	113,700	480,914	73,008,253
Rental and other deposits	189,287,521	–	–	–	192,584,814	381,872,335
	1,423,303,890	108,041,329	14,114,475	113,700	198,703,821	1,744,277,215
Accounts payable and other current liabilities:						
Trade payables	–	544,416,246	–	–	–	544,416,246
Nontrade payables	–	106,073,835	–	–	–	106,073,835
Accrued expenses	–	195,359,036	–	–	–	195,359,036
Other payables*	–	101,791,388	–	–	–	101,791,388
Dealers' deposit and other noncurrent payables	–	–	–	–	92,389,568	92,389,568
Long-term loans payable**	–	–	24,002,940	24,046,183	3,692,570,991	3,740,620,114
	–	947,640,505	24,002,940	24,046,183	3,784,960,559	4,780,650,187
Liquidity gap	P1,423,303,890	(P839,599,176)	(P9,888,465)	(P23,932,483)	(P3,586,256,738)	(P3,036,372,972)

*Excluding statutory payables.

**Including future interest payments.

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 provide returns to stockholders and benefits to others stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group adjust the dividend payment to stockholders, return capital to stockholders or issue new shares.

The Group's debt-to-equity ratios is as follows:

	June 30, 2022	December 31, 2021
Total liabilities	8,692,064,527	6,453,925,406
Total equity	6,380,387,549	6,180,787,522
	1.36:1	1.04:1

17. Fair Value Information

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

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

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

As at June 30, 2022				
	Date of Valuation	Carrying Value	Fair Value	
			Level 1 Quoted	Level 2 Significant Observable Input
Assets for which fair values are disclosed -				
Rental deposits	June 30, 2022	₱163,040,121	₱–	₱140,032,190
Liabilities for which fair values are disclosed:				
Long-term loans payable	June 30, 2022	₱5,315,557,954	₱–	₱6,364,081,507
Dealers’ deposits	June 30, 2022	39,214,585	–	31,850,128
		₱5,354,772,539	₱–	₱6,395,931,635
As at December 31, 2021				
	Date of Valuation	Carrying Value	Fair Value	
			Level 1 Quoted	Level 2 Significant Observable Input
Assets for which fair values are disclosed -				
Financial assets at FVPL	December 31, 2021	₱300,000,000	₱–	₱300,000,000
Rental deposits	December 31, 2021	189,287,521	–	162,575,604
		₱489,287,521	₱–	₱462,575,604
Liabilities for which fair values are disclosed:				
Long-term loans payable	December 31, 2021	₱3,740,557,954	₱–	₱4,478,403,943
Dealers’ deposits	December 31, 2021	24,274,585	–	19,715,844
		₱3,764,832,539	₱–	₱4,498,119,787

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

Rental Deposits. The fair values were obtained by discounting the instruments' expected cash flows using interest rates of 1.08% to 4.95% as at June 30, 2022 and December 31, 2021.

Long-term loans Payable. The fair value of loan payable which was discounted using prevailing market rate of 2.57% and 4.22% as at June 30, 2022 and December 31, 2021 approximates the carrying value since these bear interest at current market rates. Fair value category is Level 2, significant observable inputs.

Dealers' Deposits. The fair values were obtained by discounting the instruments' expected cash flows using interest rates of 4.46% and 7.05% as at June 30, 2022 and December 31, 2021.

As at June 30, 2022 and December 31, 2021, there were no transfers between Level 1 and 2 fair value measurements.