

ANNEX C

CONSOLIDATED FINANCIAL

STATEMENTS



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

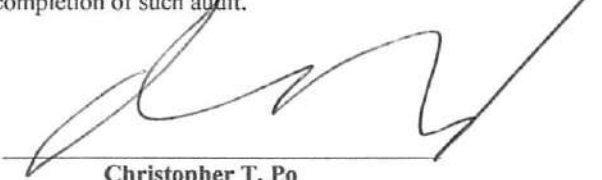
The management of Shakey's Pizza Asia Ventures, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein as at December 31, 2023 and 2022, and each of the three years in the period ended December 31, 2023, in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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



Christopher T. Po
Chairman of the Board



Vicente L. Gregorio
President & Chief Executive Officer



Manuel T. Del Barrio
Vice-President & Chief Finance Officer

Signed this 15 day of April, 2024.

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.

SUBSCRIBE AND SWORN to before me this **APR 15 2024** affiant(s) exhibiting to me the
Passport Numbers, as follows:

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

Notary Public

Doc. No. 409
Page No. 82
Book No. XXXVII
Series of 2024.

ATTY. IRISH S. PRECION
Notary Public for Taguig City
Appointment No. 23 (2023-2024)
Roll No. 69261/06-21, 12 / 20 No. 267478/12.29.23
PTR No. A-41-201-201-02.24/Taguig City
MCLE Compliance No. 10-100815 valid until 04-14-25
Ground Floor FTI Old Admin. Bldg. FTI Complex, Taguig City
precionirishs@gmail.com / 09988534549

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

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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

1	5	K	m		E	a	s	t		S	e	r	v	i	c	e		R	o	a	d		c	o	r	n	e	r	
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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

shakeyspizza.ph

Company's Telephone Number

(02)8839-0011

Mobile Number

NA

No. of Stockholders

41

Annual Meeting (Month / Day)

May 3

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Manuel Del Barrio

Email Address

mtdelbarrio@shakeys.biz

Telephone Number/s

(02)8839-0011

Mobile Number

NA

CONTACT PERSON'S ADDRESS

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

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

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



INDEPENDENT AUDITOR'S REPORT

The 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, 2023 and 2022, 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, 2023, and notes to the consolidated financial statements, including material accounting policy information.

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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 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 the 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 matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Impairment Assessment of Goodwill and Trademarks With Indefinite Useful Life

Under PFRS, the Group is required to annually test the amount of goodwill and trademarks with indefinite useful life for impairment. As of December 31, 2023, the Group's goodwill, which are attributable to the Potato Corner, Bakemasters and Peri-Peri businesses, amounting to ₱1,324.85 million, and trademarks with indefinite useful life attributable to Shakey's, Potato Corner and Peri-Peri, amounting to ₱8,769.09 million, are significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty, specifically revenue growth rate, gross margin, operating margin, capital expenditures, discount rate and long-term revenue growth rate.

The Group's disclosures about goodwill and trademarks with indefinite useful life are included in Notes 5 and 14 to the consolidated financial statements.

Audit response

We obtained an understanding of the management's assessment process for evaluating the impairment of goodwill and trademarks with indefinite useful life. We involved our internal specialist in evaluating the methodologies and the assumptions used. We compared the key assumptions used, such as revenue growth rate against the historical performance of the cash generating units 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 disclosures 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 useful life.

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, 2023, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2023, 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.

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 Christine G. Vallejo.

SYCIP GORRES VELAYO & CO.



Christine G. Vallejo

Partner

CPA Certificate No. 99857

Tax Identification No. 206-384-906

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

BIR Accreditation No. 08-001998-105-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10082028, January 6, 2024, Makati City

April 15, 2024



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

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash (Notes 6, 8 and 31)	₱901,147,527	₱989,578,790
Trade and other receivables (Notes 6, 9, 19 and 31)	1,224,789,572	1,133,066,392
Inventories (Notes 6 and 10)	1,712,217,989	1,001,114,060
Prepaid expenses and other current assets (Notes 6 and 11)	635,187,293	730,884,353
Total Current Assets	4,473,342,381	3,854,643,595
Noncurrent Assets		
Property and equipment (Notes 6 and 13)	1,833,780,583	1,764,723,405
Intangible assets (Notes 6 and 14)	10,366,799,313	10,339,886,416
Right-of-use assets (Note 15)	1,540,630,889	1,443,780,579
Deferred input value-added tax	3,886,410	9,653,323
Deferred tax assets - net (Note 30)	100,394,721	25,566,418
Rental deposits (Notes 6, 16, 31 and 32)	309,113,712	270,164,541
Total Noncurrent Assets	14,154,605,628	13,853,774,682
TOTAL ASSETS	₱18,627,948,009	₱17,708,418,277
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans payable (Notes 17)	₱700,000,000	₱500,000,000
Current portion of:		
Long-term loans payable (Notes 20 and 31)	47,876,004	47,932,514
Lease liabilities (Note 15)	275,584,146	58,902,122
Contract liabilities (Note 22)	30,059,596	13,445,337
Income tax payable	142,150,319	52,155,804
Accounts payable and other current liabilities (Notes 6, 18, 19 and 31)	1,753,136,296	2,132,213,295
Total Current Liabilities	2,948,806,361	2,804,649,072
Noncurrent Liabilities		
Long-term loans payable (Notes 20 and 31)	5,194,694,987	5,242,625,440
Noncurrent current portion of:		
Lease liabilities (Note 15)	1,555,254,353	1,641,116,052
Contract liabilities (Note 22)	117,882,366	61,226,844
Accrued pension costs (Note 27)	117,600,878	86,599,794
Deferred tax liabilities - net (Notes 6 and 30)	627,872,928	679,788,566
Dealers' deposits and other noncurrent liabilities (Note 32)	106,626,720	146,635,403
Total Noncurrent Liabilities	7,719,932,232	7,857,992,099
Total Liabilities	10,668,738,593	10,662,641,171
Equity		
Capital stock (Note 21)	1,683,760,178	1,683,760,178
Additional paid-in capital (Note 21)	2,451,116,470	2,451,116,470
Retained earnings (Note 21)	3,788,433,048	2,877,362,495
Other components of equity	35,899,720	33,537,963
Total Equity	7,959,209,416	7,045,777,106
TOTAL LIABILITIES AND EQUITY	₱18,627,948,009	₱17,708,418,277

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2023	2022	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS (Notes 22)	₱12,823,923,008	₱10,142,024,578	₱5,480,427,588
COST OF SALES (Notes 23)	(9,673,051,933)	(7,546,508,401)	(4,206,711,163)
GROSS INCOME	3,150,871,075	2,595,516,177	1,273,716,425
GENERAL AND ADMINISTRATIVE EXPENSES (Note 24)	(1,570,509,929)	(1,222,810,270)	(837,345,396)
INTEREST EXPENSE (Note 28)	(361,489,106)	(323,971,110)	(292,179,579)
INTEREST INCOME (Note 7)	464,950	504,742	1,276,273
OTHER INCOME - Net (Note 29)	25,073,732	49,175,399	85,211,847
INCOME BEFORE INCOME TAX	1,244,410,722	1,098,414,938	230,679,570
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)			
Current	291,971,466	140,130,584	24,222,135
Deferred	(127,007,314)	83,882,273	83,477,277
	164,964,152	224,012,857	107,699,412
NET INCOME	1,079,446,570	874,402,081	122,980,158
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain on defined benefit obligation (Note 26)	3,233,804	54,741,546	75,856,746
Tax effect (Note 27)	(872,047)	(13,641,238)	(18,738,959)
	2,361,757	41,100,308	57,117,787
TOTAL COMPREHENSIVE INCOME	₱1,081,808,327	₱915,502,389	₱180,097,945
Basic/Diluted Earnings Per Share (Note 35)	₱0.64	₱0.52	₱0.08

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, 2023 AND 2022

	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Retained Earnings (Note 21)	Other Components of Equity (Note 27)	Total
Balances at January 1, 2023	₱1,683,760,178	₱2,451,116,470	₱2,877,362,495	₱33,537,963	₱7,045,777,106
Total comprehensive income	–	–	1,079,446,570	2,361,757	1,081,808,327
Cash dividends (Note 21)	–	–	(168,376,017)	–	(168,376,017)
Balances at December 31, 2023	₱1,683,760,178	₱2,451,116,470	₱3,788,433,048	₱35,899,720	₱7,959,209,416
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	–	–	874,402,081	41,100,308	915,502,389
Cash dividends (Note 21)	–	–	(50,512,805)	–	(50,512,805)
Balances at December 31, 2022	₱1,683,760,178	₱2,451,116,470	₱2,877,362,495	₱33,537,963	₱7,045,777,106
Balances at January 1, 2021	₱1,531,321,053	₱1,353,554,797	₱1,964,168,269	(₱64,680,132)	₱4,784,363,987
Issuance of new shares (Note 21)	152,439,125	1,097,561,673	–	–	1,250,000,798
Total comprehensive loss	–	–	122,980,158	57,117,787	180,097,945
Cash dividends (Note 21)	–	–	(33,675,208)	–	(33,675,208)
Balances at December 31, 2021	₱1,683,760,178	₱2,451,116,470	₱2,053,473,219	(₱7,562,345)	₱6,180,787,522

See accompanying Notes to Consolidated Financial Statements.



SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,244,410,722	₱1,098,414,938	₱230,679,570
Adjustments for:			
Depreciation and amortization (Note 7 and 26)	757,777,196	636,955,383	499,875,646
Interest expense (Note 7 and 28)	361,489,106	323,971,110	292,179,579
Movement in pension costs	34,234,887	45,080,393	40,879,361
Loss (gain) on:			
Disposal of property and equipment (Note 29)	(1,228,757)	(67,336)	121,143
Pre-terminations of leases (Note 29)	1,226,148	(18,323,273)	(10,529,566)
Interest income from accretion (Notes 19 and 37)	(1,692,305)	(2,000,871)	(3,023,323)
Interest income from cash in bank (Notes 7)	(464,950)	(504,742)	(1,276,273)
Net unrealized foreign exchange loss (gain)	261,300	(2,212,953)	(247,925)
Provision for (reversal of) legal and other contingencies – net (Notes 29 and 34)	–	11,394,323	(1,353,452)
Fair value gain on financial assets at fair value through profit or loss (FVPL) (Note 29)	–	(404,374)	(1,949,288)
Gain on reversal of liabilities (Note 29)	–	–	(24,682,991)
Income before working capital changes	2,396,013,347	2,092,302,598	1,020,672,481
Decrease (increase) in:			
Trade and other receivables	(91,723,180)	(409,083,025)	(173,290,549)
Inventories	(711,103,929)	(568,237,834)	12,065,346
Prepaid expenses and other current assets	95,697,060	(559,930,385)	(11,085,299)
Deferred input value-added tax	5,766,913	18,581,229	20,189,422
Increase (decrease) in			
Contract liabilities (Note 36)	67,084,402	(10,737,004)	(11,172,587)
Accounts payable and other current liabilities	(379,076,999)	1,128,018,038	191,067,983
Cash generated from operations	1,382,657,614	1,690,913,617	1,048,446,797
Income taxes paid (including creditable withholding taxes)	(201,976,951)	(72,929,249)	(63,556,930)
Interest received	464,950	504,742	1,276,273
Net cash provided by operating activities	1,181,145,613	1,618,489,110	986,166,140
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Property and equipment (Note 13)	(448,155,633)	(710,050,093)	(280,137,822)
Software (Note 14)	(52,909,939)	(56,556,757)	–
Trademark (Note 14)	–	(405,000,000)	(1,243,186)
Franchise right (Note 14)	–	(2,884,236)	–
Subsidiaries (Note 6)	–	(2,063,923,182)	–
Financial assets at FVPL (Note 12)	–	–	(300,000,000)
Proceeds from:			
Disposal of property and equipment	27,577,982	181,013	123,547
Redemption of financial assets at FVPL (Note 32)	–	300,404,374	121,949,288
Collection (payment) of rental deposits (Note 36)	(37,256,866)	321,123,851	(409,172,651)
Increase (decrease) in dealers' deposits and other noncurrent liabilities	(40,008,683)	62,655,500	42,739,353
Cash acquired from business combination (Note 6)	–	20,503,549	–
Net cash used in investing activities	(550,753,139)	(2,533,545,981)	(825,741,471)

(Forward)



	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES (Note 35)			
Proceeds from availment of:			
Short-term loans (Note 17)	₱700,000,000	₱500,000,000	₱—
Long-term loans (Note 20)	—	1,600,000,000	—
Issuance of capital stock (Note 21)	—	—	1,250,000,798
Payments of:			
Short-term loans (Note 17)	(500,000,000)	—	(1,050,000,000)
Lease liabilities (Note 15)	(461,980,269)	(360,864,550)	(204,302,941)
Interest	(238,206,151)	(221,614,458)	(194,954,854)
Dividends (Note 21)	(168,376,017)	(50,512,805)	(33,675,208)
Long-term loans (Note 20)	(50,000,000)	(50,000,000)	(50,000,000)
Net cash provided by (used in) financing activities	(718,562,437)	1,417,008,187	(282,932,205)
NET INCREASE (DECREASE) IN CASH	(88,169,963)	501,951,316	(122,507,536)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(261,300)	2,212,953	247,925
CASH AT BEGINNING OF YEAR (Note 8)	989,578,790	485,414,521	607,674,132
CASH AT END OF YEAR (Note 8)	₱901,147,527	₱989,578,790	₱485,414,521

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., 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", "Peri-Peri" and "Potato Corner".

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

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

Approval and Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 15, 2024.

2. Basis of Preparation and Consolidation, and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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

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

	Principal Activities	Place of Incorporation	Percentage of Ownership (%)
Bakemasters, Inc. (BMI)	Manufacturer of pizza dough and pastries	Philippines	100%
PC International Limited (PCIL) ^g	Restaurant business	Singapore	100%
Queensview International Limited (QIL) ^g	Trademark	British Virgin Islands	100%
Shakey's International Limited (SIL)	Trademark	Hong Kong	100%
Shakey's Seacrest Incorporated (SSI)	Trademark	Philippines	100%
Shakey's Pizza Regional Foods Limited (SPRFL)	Trademark	Hong Kong	100%
Shakey's Pizza Commerce Inc. (SPCI)	Trading of goods	Philippines	100%
Wow Brand Holdings, Inc. (WBHI)	Restaurant business	Philippines	100%
Shanghai Miaomiao Shu Catering Co. LTD (SMSCCL)	Restaurant business	China	100%



3. Changes in Accounting Policies and Disclosures

The Group's accounting policies are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- 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 have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the consolidated financial statements. The amendments have been considered under "Material Accounting and Financial Reporting Policies" in Note 4.

- 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).

- Amendments to PAS 12 *International Tax Reform – Pillar Two Model Rules*

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.



Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

The Group adopted and applied the exceptions introduced by PAS 12. The current income tax expense related to Pillar Two income taxes amounted to nil in 2023.

As at April 15, 2024, the Group is in the process of gathering information and assessing the potential exposure arising from the Pillar Two legislation.

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 parent company financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

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*

4. Material Accounting and Financial Reporting Policies

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss included under "Remeasurement gain (loss) arising from business combination."



Goodwill is initially measured at cost where cost is the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest 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 re-assesses 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 reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss and included under “other income (expenses).”

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Occasionally, an acquirer will make a bargain purchase, which is a business combination in which the net amount resulting from the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured exceeds the aggregate of the consideration transferred.

Before recognizing a gain on a bargain purchase, the acquirer shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognize any additional assets or liabilities that are identified in that review. The acquirer shall then review the procedures used to measure the amounts to be recognized at the acquisition date for all of the following:

- a. the identifiable assets acquired and liabilities assumed;
- b. the noncontrolling interest in the acquiree, if any;
- c. for a business combination achieved in stages, the acquirer's previously held equity interest in the acquiree; and
- d. the consideration transferred.

If that excess remains after applying the requirements above, the acquirer shall recognize the resulting gain in profit or loss on the acquisition date. The gain shall be attributed to the acquirer.

Where goodwill forms part of a CGU (or 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 these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained.



Financial Instruments

Financial Assets

The Group's financial assets are classified as financial assets at amortized cost. The Group's cash, trade and other receivables and rental and other deposits included in "Rental deposits" in the consolidated statement of financial position (see Notes 8, 9 and 16) are included in this category. For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering contractual cash flows.

Financial liabilities

The Group's financial liabilities are classified as loans and borrowing and payables. This category includes short-term and long-term loans payable, accounts payable and other current liabilities (excluding statutory liabilities), lease liabilities (see Notes 15, 17, 19 and 20), and dealers' deposits and other noncurrent liabilities. These are recognized initially at fair value, net of directly attributable transaction costs, and subsequently measured at amortized cost. A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Group's profit or loss.

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.

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.

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

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

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

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

Intangible Assets

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

Intangible assets with finite lives such as software and franchise right are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

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

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

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



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

Impairment of Nonfinancial Assets

The Group's property and equipment, right-of-use assets, intangible assets with definite useful lives and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill and trademarks with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Dealers' Deposits

Dealers' deposits are initially recognized at fair value. The discount is recognized as deferred credits and amortized over the estimated remaining term of the deposits using the effective interest method.

Revenue from Contracts with Customers

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

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

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

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

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

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

Contract Balances

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



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

Further, the Group has a loyalty points program which allows customers to accumulate points that can be applied to customer purchases depending on the actual usage within the next financial year. The liability is recognized when the customer avails of the Group's services using the loyalty card. Loyalty points are recognized as revenue upon actual usage or expiration whichever comes first.

Cost and Expenses Recognition

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

Leases

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

Right-of-use assets. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, which is between 2 to 25 years.

Right-of-use assets are subject to impairment. Refer to the accounting policies section on impairment of non-financial assets.

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities



is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

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

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

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

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

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

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

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



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

Pension

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

Defined benefit plan. The Group classifies its retirement benefit as defined benefit plans. Under the defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

Retirement benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

Service costs which include current service costs, past service costs, and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability 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.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

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

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

Foreign Currency-denominated Transactions

Foreign currency-denominated transactions are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at reporting date. Exchange rate differences arising on the settlement and restatement of monetary items at rates different from those at which they were initially



recorded are recognized in net income in the consolidated statement of comprehensive income in the year such differences arise. Nonmonetary items denominated in foreign currencies are measured on a historical cost basis and translated using the exchange rate at the date of transaction.

Income Tax

Current Tax. Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. The Group's current tax expense is calculated using 25% regular corporate income tax (RCIT) rate in 2023 and 2022 or 2% and 1% minimum corporate income tax (MCIT) rate in 2023 and 2022, respectively, whichever is higher. BMI, SSI and SPCI use Optional Standard Deduction (OSD), while the Parent Company and the remaining subsidiaries incorporated in the Philippines use itemized deductions in the computation of their respective taxable income.

Deferred income tax

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

Deferred tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or (2) in respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused excess of minimum corporate income tax ("MCIT") over regular corporate income tax ("RCIT") and unused net operating loss carry-over ("NOLCO") to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carryforward benefits of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income tax asset relating to deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or (2) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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



Deferred tax relating to items recognized outside profit or loss is recognized in correlation to the underlying transaction either in other comprehensive income (OCI) or directly in equity.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation 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

Deferred input VAT pertains to input VAT on accumulated purchases of property, plant and equipment for each month amounting to ₱1.00 million or more. This is amortized over five (5) years or the life of the property and equipment, whichever is shorter, in accordance with the Bureau of Internal Revenue (BIR) regulation.

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 arising from present obligation are recognized in profit or loss when the timing and amount of settlement can be reliably measured.

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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



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

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

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

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

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

Determination of lease term of contracts with renewal and termination options - Group as a Lessee.

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

As at December 31, 2023 and 2022, the Group's right-of-use assets amounted to ₱1,540.6 million and ₱1,443.8 million, respectively, and the Group's lease liabilities as at those dates amounted to ₱1,830.8 million and ₱1,700.0 million, respectively. In 2023, 2022 and 2021, the Group recognized amortization of right-of use assets amounting to ₱339.9 million, ₱155.8 million and ₱155.8 million, respectively. Interest expense on lease liabilities recognized amounted to ₱111,567 million, ₱80.9 million, ₱89.1 million, respectively (see Notes 15 and 28).

Acquisition of Potato Corner (PC) Business. On March 5, 2022, the Group entered into various purchase agreements (the "Agreements") with Cinco Group for the assets and intellectual property related to the PC business both domestically and internationally. The agreements also include purchase of 100% shares in PCIL and QIL (collectively "the PC offshore entities"). The agreements were considered as comprising linked transactions and accounted as one business combination at the Group's consolidated financial statements.



Estimates and Assumptions

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

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

As at December 31, 2023 and 2022, the Group's lease liabilities amounted to ₱1,830.8 million and ₱1,700.0 million, respectively (see Note 15).

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 32.

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

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

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

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.



The carrying value of trade and other receivables amounted to ₱1,224.8 million and ₱1,133.1 million as at December 31, 2023 and 2022, respectively (see Note 9). Allowance for ECL amounted to ₱9.8 million as of December 31, 2023 and ₱9.3 million as of December 31, 2022. Provision for ECL was recognized amounting to ₱5.6 million in 2023, ₱3.1 million in 2022, and nil in 2021. Reversal of allowance for ECL amounted to ₱5.0 million in 2023 and none in 2022 and 2021 (see Notes 8).

The carrying value of rental and other deposits amounted to ₱309.1 million and ₱270.2 million as at December 31, 2023 and 2022, respectively (see Note 16). Allowance for unrecoverable rental and other deposits amounted to ₱3.3 million as at December 31, 2023 and 2022. No provision for unrecoverable deposits was recognized in 2023, 2022 and 2021 (see Note 16).

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. 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.

The provision for (reversal of) inventory obsolescence in 2023 amounted to ₱0.51 million while nil in the years, 2022 and 2021. The carrying values of inventories amounted to ₱1,712.2 million as of December 31, 2023 and ₱1,001.1 million as of December 31, 2022, net of allowance for inventory obsolescence of ₱4.84 million and ₱4.33 million as at December 31, 2023 and 2022, respectively (see Note 10).

Determination of Impairment of Nonfinancial Assets. Impairment review is performed when certain impairment indicators are present.

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

Based on the assessment of management, the Group's nonfinancial assets do not have any indication of impairment as at December 31, 2023 and 2022. No impairment loss was recognized in 2023 and 2022. The carrying values of the Group's nonfinancial assets follow:

	2023	2022
Property and equipment (see Note 13)	₱1,833,780,583	₱1,764,723,405
Software (see Note 14)	267,554,247	249,428,715
Franchise (see Note 14)	5,303,692	6,253,328
Right-of-use assets (see Note 15)	1,540,630,889	1,443,780,579
	₱3,647,269,411	₱3,464,186,027

Recoverability of Goodwill and Trademarks with Indefinite Useful Life. The Group performs recoverability testing annually or more frequently when there are indications of impairment for goodwill and trademarks with indefinite useful life. Goodwill acquired through business combination has been allocated to one CGU which is also the operating entity acquired through business combination and to which the goodwill relates. Recoverability testing requires an estimation of the value-in-use or fair value less cost of disposal of the CGU to which goodwill and trademarks with indefinite useful life are allocated. Estimating the recoverable amount of the CGU involves significant assumptions about the future results of the business such as revenue growth rate, gross margin, operating margin, capital expenditures, discount rate and long-term revenue growth rate.



which were applied to cash flow forecasts. The cash flow forecasts were based on financial budgets approved by senior management covering a five-year period.

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

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

a. Gross Revenue

On the average, gross revenue of the CGU over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, the business growth had a direct correlation with economic growth. A 5.8% perpetuity growth rate was assumed at the end of the five-year forecast period for Shakey's, Bakemasters, and Peri-Peri while a 2% perpetuity growth rate was used for Potato Corner.

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 pre-tax discount rates applied to the cash flow projections range from 11.0% to 15.4% in 2023 and 10.9% to 14.3% 2022.

The carrying amount of goodwill and trademarks with indefinite useful life as at December 31, 2023 and 2022 are as follows:

	2023	2022
Goodwill (see Note 14)	₱1,324,852,131	₱1,324,852,131
Trademarks (see Note 14)	8,769,089,243	8,759,352,242
	₱10,093,941,374	₱10,084,204,373

The recoverable amounts of the CGUs to which the goodwill and trademarks with indefinite useful lives are allocated are greater than their carrying amounts. No impairment loss was recognized on goodwill and trademarks with indefinite useful life for the years ended December 31, 2023, 2022 and 2021.

Determination of Pension Costs. The cost of defined benefit pension plans and present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to



changes in these assumptions. All assumptions are reviewed at each reporting date. Accrued pension cost amounted to ₱117.6 million and ₱86.6 million as at December 31, 2023 and 2022, respectively, (see Note 27).

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

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

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

Recoverability of Deferred Tax Assets. The Group performs an annual evaluation of the realizability of deferred tax assets in determining the portion of deferred tax assets which should be recognized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the following period. This forecast is based on the Group's past results and future expectations on revenue and expenses. The effect of COVID-19 pandemic on the macroeconomic factors are also used in developing the assumptions. The Group computes for deferred tax using the 25% corporate tax rate except for its subsidiaries BMI, SPCI and SSI which compute for deferred tax using the OSD effective tax rate of 15%.

Deferred tax assets recognized amounted to ₱645.68 million and ₱153.5 million as at December 31, 2023 and 2022, respectively (see Note 30).

Evaluation of Claims Under Legal and Other Contingencies. The Group is involved in certain legal actions and claims. The Group's estimate of the probable costs for the resolution of possible legal actions and claims has been developed in consultation with outside legal counsel handling the Group's defense in these matters and is based upon thorough analysis of potential results. Management believes that the ultimate liability or loss recorded in the consolidated financial statements with respect to such obligations, claims and disputes is adequate (see Notes 29 and 34).

Estimating fair values for the purchase price allocation related to Acquisition of PC business. The Group acquired PC business on March 5, 2022. The fair value of the net assets of the investee company was determined using a combination of discounted cash flows, which assumed expected future earnings stream attributable to the identified income-generating asset discounted using weighted average cost of capital and fair value less cost to sell valuation method. The Group estimated the cash flows based on average life of the identified assets.

6. Business Combination

Acquisition of Potato Corner (PC) Business

On March 5, 2022, the Group entered into various purchase agreements (the "Agreements") with Cinco Group for the assets and intellectual property related to the PC business. The acquisition also involved owning and operating all company-owned stores, as well as serving as brand-owner and franchisor of stores being operated by franchisees both domestically and internationally. The agreements also include purchase of 100% shares in the PC offshore entities. The agreements were considered as a comprising linked transactions and accounted as one business combination at the Group's consolidated financial statements.

Potato Corner is a food franchise known for its flavored French fries.



In December 2022, the Group and the seller made amendments in the agreements dated March 5, 2022. As a result of the amendments, the value in exchange for the fair value of the net assets acquired related to the transaction amounted to ₱2,603.9 million. The purchase price consideration has been allocated based on relative fair values at date of acquisition. The fair value of the identifiable net assets acquired amounted to ₱2,540.0 million at date of acquisition. The current assets acquired composed of cash, receivables, prepayments, and inventories with fair values amounting to ₱20.5 million, ₱14.5 million, ₱0.9 million and ₱39.0 million, respectively at date of acquisition. The noncurrent assets acquired composed of property and equipment, security deposits, and trademarks with fair values amounting to ₱78.0 million, ₱42.0 million and ₱3,208.8 million, respectively at date of acquisition. The liabilities assumed composed of accounts payable and other current liabilities amounting to ₱61.5 million at date of acquisition. The carrying values of the assets and liabilities assumed is the same with its fair value at date of acquisition except for the trademarks with carrying amount of ₱2,467.4 million at date of acquisition. The purchase price allocation resulted to goodwill, trademarks and deferred tax liability amounting to ₱60.7 million, ₱3,208.8 million and ₱802.2 million, respectively.

The fair value of property and equipment was measured using the replacement cost method while the fair value of the trademark was measured using the income approach. The revenue growth and discount rates used to measure the fair value of trademark are 2% and 11%, respectively.

As of December 31, 2022, the fair values of the assets acquired assumed have been finalized; no changes from the initial recognition were recognized by the Group.

The goodwill of ₱60.9 million reflects the expected growth in the Group's business and Group management attributes the goodwill to achieving synergies and economies of scale arising from its common processes in its existing operations and contracts with suppliers and other partners to improve cost and efficiency. The goodwill is not deductible for tax purposes.

Had acquisition taken place on January 1, 2022, the consolidated statement of comprehensive income of the Group would have included revenues from contracts with franchisees and customers of ₱10,349.9 million and net profit of ₱921.0 million for the year ended December 31, 2022.

The revenue from contracts with customer and net income included in the consolidated statement of comprehensive income for the year ended December 31, 2022, contributed by the acquisition of PC amounted to ₱1,919.4 million and ₱303.3 million, respectively.

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 sub-dealers for use of the Shakey's brand.
- Commissary sales comprise third party sales other than aforementioned activities.



Inter-segment Transactions

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

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

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

EBITDA and EBITDA margin are non-PFRSs measures.

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

	Years Ended December 31		
	2023	2022	2021
Consolidated EBITDA	₱2,363,212,074	₱2,058,836,689	₱1,021,458,522
Depreciation and amortization (Note 26)	(757,777,196)	(636,955,383)	(499,875,646)
Benefit from (provision for) income tax (Note 30)	(164,964,152)	(224,012,857)	(107,699,412)
Interest expense (Note 28)	(361,489,106)	(323,971,110)	(292,179,579)
Interest income (Note 8)	464,950	504,742	1,276,273
Consolidated net income	₱1,079,446,570	₱874,402,081	₱122,980,158



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		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Revenue from contracts with customers	₱18,560,242,446	₱12,009,059,163	₱5,388,587,125	₱773,256,366	₱723,803,089	₱305,720,125	₱646,991,634	₱517,245,262	₱405,281,225	(₱7,156,567,438)	(₱3,108,082,936)	(₱619,160,887)	₱12,823,923,008	₱10,142,024,578	₱5,480,427,588
Net income (loss)	₱1,942,165,701	₱752,854,428	(₱143,550,674)	₱570,351,859	₱579,770,208	₱218,664,056	₱74,658,791	₱54,355,160	₱50,397,202	(₱1,507,729,781)	(₱512,577,715)	(₱2,530,426)	₱1,079,446,570	₱874,402,081	₱122,980,158
Interest expense	352,747,060	312,287,074	281,935,664	540,161	3,642,826	3,132,434	8,201,885	8,041,210	7,111,481	—	—	—	361,489,106	323,971,110	292,179,579
Interest income	(339,693)	(271,268)	(1,231,358)	(66,378)	(5,781)	(6,668)	(58,879)	(227,693)	(38,247)	—	—	—	(464,950)	(504,742)	(1,276,273)
Income tax	(28,073,756)	64,817,471	24,570,587	176,293,599	145,017,283	74,533,570	16,744,309	14,178,103	10,186,506	—	—	(1,591,251)	164,964,152	224,012,857	107,699,412
Depreciation and amortization	725,335,718	603,231,555	462,050,114	—	—	—	32,441,478	32,569,233	36,670,937	—	1,154,595	1,154,595	757,777,196	636,955,383	499,875,646
EBITDA	₱2,991,835,030	₱1,732,919,260	₱623,774,333	₱747,119,241	₱728,424,536	₱296,323,392	₱131,987,584	₱108,916,013	₱104,327,879	(₱1,507,729,781)	(₱511,423,120)	(₱2,967,082)	₱2,363,212,074	₱2,058,836,689	₱1,021,458,522
EBITDA Margin													16.7%	20.3%	18.6%
Assets and Liabilities															
Operating assets	₱23,106,258,726	₱20,178,457,308	₱12,859,819,534	₱3,380,311,963	₱3,566,668,451	₱1,386,435,005	₱668,343,836	₱703,041,886	₱626,455,376	(₱8,627,361,237)	(₱6,765,315,786)	(₱2,485,953,280)	18,527,553,288	₱17,682,851,859	₱12,386,756,635
Deferred tax assets - net	100,111,915	25,566,418	248,857,614	—	—	—	3,647,797	—	454,384	(3,364,991)	—	(1,355,706)	100,394,721	25,566,418	247,956,293
Total assets	₱23,206,370,641	₱20,204,023,726	₱13,108,677,148	₱3,380,311,963	₱3,566,668,451	₱1,386,435,005	₱671,991,633	₱703,041,886	₱626,909,760	(₱8,630,726,228)	(₱6,765,315,786)	(₱2,487,308,986)	₱18,627,948,009	₱17,708,418,277	₱12,634,712,928
Operating liabilities	₱9,431,706,869	₱9,266,733,516	₱3,145,415,483	₱2,106,628,434	₱463,038,268	₱199,492,313	₱266,902,774	₱231,468,528	₱207,294,615	(₱7,706,943,403)	(₱5,768,945,661)	(₱838,834,959)	₱4,098,294,674	₱4,192,294,651	₱2,713,367,452
Interest-bearing loans and borrowings	5,942,570,991	5,790,557,954	3,740,557,954	—	—	—	—	—	—	—	—	—	5,942,570,991	5,790,557,954	3,740,557,954
Deferred tax liabilities-net	—	—	—	—	—	—	—	—	—	627,872,928	679,788,566	—	627,872,928	679,788,566	—
Total liabilities	₱15,374,277,860	₱15,057,291,470	₱6,885,973,437	₱2,106,628,434	₱463,038,268	₱199,492,313	₱266,902,774	₱231,468,528	₱207,294,615	(₱7,079,070,475)	(₱5,089,157,095)	(₱838,834,959)	₱10,668,738,593	₱10,662,641,171	₱6,453,925,406



Restaurant sales are attributable to revenues from the general public, which are generated through the Group's store outlets while franchise and royalty fees and commissary and others are derived from various franchisees of the Group's trade names. Consequently, the Group has no concentrations of revenues from a single customer or franchisee in 2023 and 2022.

As of December 31, 2023 and 2022, the Group's international operations are considered to be not material in relation to the consolidated financial statements.

The following are the percentage of total assets and revenues in 2023, 2022 and 2021, of the consolidated assets and revenues, respectively, of the Group:

	Years Ended December 31		Years Ended December 31		
	Total Assets		Revenue		
	2023	2022	2023	2022	2021
Shakey's International Limited (SIL)	0.01%	0.01%	0.00%	0.03%	0.07%
Shakey's Pizza Regional Foods Limited (SPRFL)	0.00%	0.00%	0.31%	0.08%	0.07%
PC International Limited (PCIL)	0.70%	0.64%	0.00%	1.29%	—
Queensview International Limited (QIL)	9.17%	10%	0.00%	0.00%	—
Shanghai Miaomiao Shu Catering Co. LTD (SMSCCL)	0.32%	—	0.00%	—	—

8. Cash

	2023	2022
Cash on hand	₱79,685,940	₱103,207,719
Cash in banks	821,461,587	886,371,071
	₱901,147,527	₱989,578,790

Cash in banks earn interest at the respective bank deposit rates. Interest income on cash amounted to ₱0.5 million, ₱0.5 million and ₱1.3 million for the years ended December 31, 2023, 2022 and 2021 respectively.

9. Trade and Other Receivables

	2023	2022
Trade:		
Franchisees	₱416,906,032	₱379,564,504
Third parties	402,961,088	334,644,122
Royalty receivable	176,925,408	170,138,255
Related parties (see Note 18)	18,458,583	24,913,919
Nontrade receivable from:		
Franchisees	61,680,414	63,775,172
National Advertising Fund (NAF)	51,829,287	50,225,215
Employees	23,383,344	31,425,291
Others		
Dividend receivable	69,640,768	71,869,359
Stores	12,844,086	15,776,201
	1,234,629,010	1,142,332,038
Less allowance for ECL	(9,839,438)	(9,265,646)
	₱1,224,789,572	₱1,133,066,392



Below are the terms and conditions of the financial assets:

- Trade receivables are non-interest bearing and are normally collectible within 10 days.
- 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.
- Royalty receivable is being collected from dealers on the 20th day of the following month.
- Receivables from employees, which represent mainly salary loan, are interest-free and are being collected through salary deduction for a period ranging from 6 months to 1 year.
- Other receivables consist mainly of receivables from cooperatives and freight charges which are non-interest bearing and generally have 30 to 45 days' term.
- For terms and conditions of related party receivables, refer to Note 18.

The movements of allowance for ECL are as follows:

	2023			2022		
	Trade and Others	Receivables from Employees	Total	Trade and Others	Receivables from Employees	Total
Balance at beginning of year	₱8,020,079	₱1,245,567	₱9,265,646	₱4,873,440	₱1,245,567	₱6,119,007
Provision (see Note 24)	3,575,124	2,041,548	5,616,672	3,146,639	—	3,146,639
Reversals	(3,770,043)	(1,272,837)	(5,042,880)	—	—	—
Balance at year-end	₱7,825,160	₱2,014,278	₱9,839,438	₱8,020,079	₱1,245,567	₱9,265,646

For the years ended December 31, 2023, 2022 and 2021, the Group used the simplified provision matrix approach in estimating the ECL on trade and other receivables.

10. Inventories

	2023	2022
At cost:		
Finished goods	₱11,450,454	₱10,117,799
Raw materials - food	63,168,734	43,882,543
Raw materials - packaging	5,806,245	7,973,034
At NRV-		
Merchandise	1,631,792,556	939,140,684
	₱1,712,217,989	₱1,001,114,060

The cost of the merchandise inventories carried at NRV amounted to ₱1,636.6 million and ₱943.4 million as at December 31, 2023 and 2022, respectively.

The cost of merchandise and materials charged to cost of sales in the consolidated statements of comprehensive income amounted to ₱6,950.1 million in 2023 and ₱4,469.3 million in 2022 (see Note 23).

Allowance for inventory obsolescence amounted to ₱4.8 million as at December 31, 2023 and ₱4.3 million as at December 31, 2022.

Provision for (reversal of) inventory obsolescence amounted ₱0.5 million in 2023 and nil in 2022.



11. Prepaid Expenses and Other Current Assets

	2023	2022
Advances to suppliers	₱473,193,172	₱623,699,846
Prepaid taxes	90,883,087	48,360,623
Prepaid expenses	71,111,034	58,823,884
	₱635,187,293	₱730,884,353

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, dues, rent and subscription and are amortized monthly over a period of one year.

12. Financial Assets at FVPL

The Group's investments in financial assets at FVPL consisted of UITF, which have no holding period and were callable any time by the Issuer. The remaining balance amounting to ₱300.0 million was fully redeemed in 2022. Fair value gain on financial assets at FVPL included in "Other income" in the 2022 consolidated financial statements amounted to ₱0.4 million (see Note 29).



13. 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, 2021	₱264,941,019	₱1,298,311,501	₱1,223,238,197	₱220,810,643	₱26,434,990	₱26,038,151	₱21,515,578	₱130,482,753	₱3,211,771,832
Additions	201,486	349,848,646	207,740,821	15,607,393	13,293,444	12,640,449	15,815,870	94,901,984	710,050,093
Disposals	(165,153)	(866,707)	(2,094,402)	—	(1,832,767)	—	—	—	(4,959,029)
Balance at December 31, 2022	264,977,352	1,647,293,440	1,428,884,616	236,418,036	37,895,667	38,678,600	37,330,448	225,384,737	3,916,862,896
Additions	—	225,937,419	162,101,104	30,638,451	8,221,037	12,290,228	8,967,393	—	448,155,632
Disposals	(15,680,772)	(34,900,814)	(5,458,238)	(6,564,234)	(1,691,269)	(436,539)	(1,359,871)	—	(66,091,737)
Reclassification	—	87,529,089	89,824,836	—	—	5,619,558	—	(182,973,483)	—
Balance at December 31, 2023	249,296,580	1,925,859,134	1,675,352,318	260,492,253	44,425,435	56,151,847	44,937,970	42,411,254	4,298,926,791
Accumulated Depreciation									
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 (see Notes 23, 24 and 26)	17,039,423	116,176,728	144,751,454	18,519,486	4,575,404	9,802,475	5,528,346	—	316,393,316
Disposals	—	(83,333)	(789,726)	—	(1,589,286)	—	—	—	(2,462,245)
Balance at December 31, 2022	83,361,948	910,396,230	938,671,837	144,195,704	19,373,321	31,222,918	24,917,533	—	2,152,139,491
Depreciation (see Notes 23, 24 and 26)	15,031,953	135,975,178	150,331,872	17,574,144	4,212,795	13,050,768	16,572,520	—	352,749,230
Disposals	(7,840,386)	(19,116,067)	(5,094,158)	(6,334,947)	—	(157,091)	(1,199,864)	—	(39,742,513)
Balance at December 31, 2023	90,553,515	1,027,255,341	1,083,909,551	155,434,901	23,586,116	44,116,595	40,290,189	—	2,465,146,208
Net Book Value									
Balance at December 31, 2022	₱181,615,404	₱736,897,210	₱490,212,779	₱92,222,332	₱18,522,346	₱7,455,682	₱12,412,915	₱225,384,737	₱1,764,723,405
Balance at December 31, 2023	₱158,743,065	₱898,603,793	₱591,442,767	₱105,057,352	₱20,839,319	₱12,035,252	₱4,647,781	₱42,411,254	₱1,833,780,583

There are no idle assets as at December 31, 2023 and 2022. The Group has no property and equipment that are used as collateral for existing loans payable.

Net book value of property and equipment transferred to franchisees as part of the franchising agreement amounted to ₱20.9 million in 2023 and ₱4.6 million in 2022.



14. Intangible Assets

The Group's intangible assets consist of:

	2023	2022
Goodwill (see Note 6)	₱1,324,852,131	₱1,324,852,131
Trademarks (see Note 6)	8,769,089,243	8,759,352,242
Software	267,554,247	249,428,715
Franchise	5,303,692	6,253,328
	₱10,366,799,313	₱10,339,886,416

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

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

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

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

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

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

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

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

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

On June 1, 2019 (the acquisition date), SPAVI and WBHI, a newly incorporated subsidiary, executed a deed of assignment, wherein SPAVI, assigned, transferred and conveyed all its rights under the Agreement, except with respect to SPAVI's rights under the Agreement pertaining to Trademarks,



Know-How and Confidential Information, and Intellectual Properties (collectively, the “Intangible Assets”) of the P2 Business, to WBHI. Subsequently, WBHI and IFI executed a deed of absolute sale of assets wherein I-Foods sold, transferred and conveyed to WBHI the title, rights, material and physical possession of, and interest in, the assets related to the P2 Business for ₱212.3 million. On the same date, as part of the acquisition of the P2 business, SPAVI acquired 100% ownership of AWIL, which is the owner of the intangible assets relevant to the P2 Business for ₱562.2 million.

Total consideration for the acquisition of the P2 business amounted to ₱774.5 million, such transaction was accounted for as an acquisition of a business and additional goodwill and trademarks amounting to ₱185.5 million and ₱562.2 million, respectively, were recorded as at the date of acquisition. The fair value of the identifiable assets acquired, excluding trademark, amounted to ₱26.8 million.

On March 5, 2022, the Group acquired the PC business. The business acquisition resulted to additional goodwill, trademarks and deferred tax liability amounting to ₱60.7 million, ₱3,208.8 million and ₱802.2 million, respectively (see Note 5).

The details of the Group’s intangible assets with finite life are as follows:

	Software	Franchise
Cost		
Balance at December 31, 2021	₱263,318,449	₱4,964,977
Additions	56,556,757	2,884,236
Balance at December 31, 2022	319,875,206	7,849,213
Additions	52,909,939	—
Balance at December 31, 2023	372,785,145	7,849,213
Accumulated Amortization		
Balance at December 31, 2021	47,705,903	886,603
Amortization (see Note 25)	22,740,588	709,282
Balance at December 31, 2022	70,446,491	1,595,885
Amortization (see Note 25)	34,784,407	949,636
Balance at December 31, 2023	105,230,898	2,545,521
Net Book Value		
Balance at December 31, 2023	₱267,554,247	₱5,303,692
Balance at December 31, 2022	₱249,428,715	₱6,253,328

The average remaining useful lives of software and franchise is 8 years and 5 years, respectively, as of December 31, 2023.

15. Right-of-Use Assets and Lease Liabilities

Group as a lessee

The Group has lease contracts for land and building for the use of its office spaces and stores. Lease contracts of office spaces usually have terms of 20 to 25 years while leases of stores usually have terms of 3 to 15 years.

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



The rollforward analysis of right-of-use assets follows:

	2023	2022
Cost		
Balance at beginning of year	₱2,376,814,694	₱1,967,648,594
Additions	482,493,291	611,244,521
Pre-terminations	(91,799,743)	(202,078,421)
Balance at end of year	2,767,508,242	2,376,814,694
Accumulated Amortization		
Balance at beginning of year	933,034,115	736,132,455
Amortization (see Notes 23, 24 and 26)	379,801,415	287,944,102
Pre-terminations	(85,958,177)	(91,042,442)
Balance at end of year	1,226,877,353	933,034,115
Net Book Value	₱1,540,630,889	₱1,443,780,579

The rollforward analysis of lease liabilities follows:

	2023	2022
Balance at beginning of year	₱1,700,018,174	₱1,480,736,519
Additions	485,848,399	610,225,027
Interest expense (see Note 28)	111,567,612	102,828,224
Payments	(461,980,269)	(360,864,550)
Pre-terminations	(4,615,417)	(130,225,864)
Lease concessions	—	(2,681,182)
Balance at end of year	1,830,838,499	1,700,018,174
Current portion of lease liabilities	275,584,146	58,902,122
Lease liabilities – non-current portion	₱1,555,254,353	₱1,641,116,052

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

As at December 31, 2023			
	Fixed Payments	Variable Payments	Total
Fixed	₱241,826,865	₱—	₱241,826,865
Variable rent with minimum payment	229,468,978	134,498,233	363,967,211
Variable rent only	—	9,310,431	9,310,431
	₱471,295,843	₱143,808,664	₱615,104,507

As at December 31, 2022			
	Fixed Payments	Variable Payments	Total
Fixed	₱215,689,786	₱—	₱215,689,786
Variable rent with minimum payment	203,099,643	143,992,434	347,092,077
Variable rent only	—	2,733,421	2,733,421
	₱418,789,429	₱146,725,855	₱565,515,284



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

	2023	2022
1 year	₱366,104,436	₱352,714,066
more than 1 years to 2 years	361,181,506	305,708,932
more than 2 years to 3 years	308,655,778	269,378,506
more than 3 years to 4 years	280,346,722	246,411,328
more than 5 years	994,208,082	1,331,472,556

Rent expense on short-term leases and leases of low-value assets amounted to ₱379.56 million, ₱246.5 million and ₱88.0 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Notes 23 and 24).

16. Rental Deposits

The carrying value of rental deposits, net of allowance for unrecoverable deposits (₱3.30 million in 2023 and 2022), amounted to ₱309.11 million and ₱270.16 million as at December 31, 2023 and 2022, respectively.

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 1.12% to 10.39% for the years ended December 31, 2023, 2022 and 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.

The Group uses a provision matrix to calculate ECLs for rental and other deposits. No provision was recognized in 2023, 2022 and 2021.

The accretion income from rental deposits amounted to ₱1.7 million, ₱2.0 million and ₱3.0 million in 2023, 2022 and 2021, respectively (see Note 29).

17. Short-term Loans Payable

	2023	2022
Balance at beginning of year	₱500,000,000	₱—
Additions	700,000,000	500,000,000
Payments	(500,000,000)	—
Balance at end of year	₱700,000,000	₱500,000,000

The Parent Company availed of several short-term loans amounting to ₱1,500 million with interest ranging from 3.50% to 5.50% per annum in 2020.

In 2022, the Parent Company availed of a short-term loan from the Bank of the Philippine Islands amounting to ₱500.0 million with a 2.30% effective interest rate per annum.

In 2023, The Parent Company utilized multiple short-term loans from Bank of the Philippines Islands, totaling to ₱700 million, with annual interest rates ranging from 5.58% to 6.25%.



Interest expense pertaining to short-term loans amounting to ₱25.5 million, ₱9.5 million and ₱30.9 million were recognized for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 28).

18. Accounts Payable and Other Current Liabilities

	2023	2022
Trade:		
Suppliers	₱881,714,386	₱1,442,515,377
Related parties (see Note 19)	151,700,266	127,047,981
Nontrade-		
Suppliers	191,766,451	87,883,647
Accrued expenses:		
Suppliers	129,998,023	169,771,074
Customers loyalty	36,030,849	15,635,843
Utilities	31,533,587	48,513,378
Salaries and wages	17,479,254	23,907,449
Others	1,838,479	1,536,472
Others	311,075,001	215,402,074
	₱1,753,136,296	₱2,132,213,295

Below are the terms and conditions of the financial liabilities:

- Trade payables are non-interest bearing and are normally settled in 30 to 90 days' term.
- Nontrade payables consist mainly of reimbursable expenses to officers and employees, payable to contractors and employment agencies which are normally settled in 30 to 90 days' term.
- Accrued expenses, which consist mainly of accrual of rent expense of stores, utilities, employee benefits and incentives, freight, commissions and storage costs are normally settled in 30 to 90 days' term.
- Customers loyalty pertain to accumulated points which are generally applied to customer purchases within the next financial year. Revenue is recognized upon actual usage or expiration whichever comes first.
- Other payables are normally settled in 15 to 45 days' term.
- For terms and conditions of related party payables, refer to Note 19.

Other payables consist of the following:

	2023	2022
Customers' deposits	₱51,781,697	₱79,152,364
Output VAT	140,029,064	18,251,158
Withholding tax payable	47,839,290	36,709,532
Retention payable	19,004,028	12,712,780
Advertising fund payable	13,428,658	—
Fun certificates payable	12,885,728	11,877,495
SSS, Philhealth and Pag-ibig payables	501,067	—
Provision (see Note 34)	—	47,073,871
Others	25,605,469	9,624,874
	₱311,075,001	₱215,402,074



19. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

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

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

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

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

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2023 and 2022, 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.



In the normal course of business, the Group has significant transactions with the following companies which have common members of BOD and stockholders as the Group:

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance		Terms	Conditions
				Receivable (see Note 9)	Payable (see Note 18)		
Century Pacific Group Inc. (CPGI, Ultimate Parent Company)							
Sales	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2023 2022 2021	₱7,766,842 8,489,353 7,685,937	₱3,082,080 3,082,080 2,389,537	₱— — —	30-day; non-interest bearing	Unsecured; not impaired
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	2023 2022 2021	8,587,176 17,898,896 17,510,534	5,400,644 9,693,410 14,349,478	— — —	30-day; non-interest bearing	Unsecured; not impaired
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	2023 2022 2021	241,786,131 248,948,140 130,969,714	— — —	142,402,642 121,785,346 51,919,361	30-day; non-interest bearing	Unsecured
DBE Project Inc. (DBE)							
Trade sales and service income	Sale of goods at prices (normally on cost-plus basis) mutually agreed upon by both parties	2023 2022 2021	— — 99,814	— 2,778,786 2,778,786	— — —	30-day; non-interest bearing	Unsecured; not impaired
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	2023 2022 2021	— — 1,392,369	— — —	— 293,488 293,488	30-day; non-interest bearing	Unsecured

(Forward)



Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance		Terms	Conditions
				Receivable (see Note 9)	Payable (see Note 18)		
Century Pacific Food, Inc. (CPFI)							
Sales	Sale of goods at prices (normally on cost-plus basis) mutually agreed upon by both parties	2023	₱26,857,813	₱9,975,859	₱—	30-day; non-interest bearing	Unsecured; not impaired
		2022	20,536,620	9,359,643	—		
		2021	22,184,403	6,410,531	—		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	2023	15,232,070	—	9,297,624	30-day; non-interest bearing	Unsecured
		2022	29,380,586	—	4,969,147		
		2021	19,680,597	—	9,051,507		
		2023		₱18,458,583	₱151,700,266		
		2022		24,913,919	127,047,981		



Compensation of Key Management Personnel

The salaries and pension costs of key management personnel in 2023, 2022 and 2021 are as follows:

	2023	2022	2021
Salaries	₱136,624,017	₱131,728,491	₱120,388,442
Pension costs	55,643,464	40,163,660	50,828,697
	₱192,267,481	₱171,892,151	₱168,507,998

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

20. Long-term Loans Payable

Long-term facility loans:

BDO Unibank, Inc. (BDO) Loan

On June 8, 2016, the Group entered into an Omnibus Loan and Security Agreement (OLSA) with BDO (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. On January 3, 2017, the Group prepaid portion of the loan amounting to ₱1,000.0 million and the corresponding break funding fee and prepayment penalty amounting to ₱21.4 million.

As long as any portion of the loan is outstanding and until payment in full of all amounts payable by the Group under the loan documents are made, the Group is required to comply with certain affirmative covenants, unless the Lender shall otherwise give its consent in writing:

- a. Ensure that at all times its obligations will constitute its secured, direct, unconditional and unsubordinated obligations, and any of its residual obligation not satisfied out of the proceeds of the Collateral shall rank and will rank at all times at least in priority of payment and in all other respects with all its unsecured obligations, save for such obligations in respect of which a statutory preference is established solely by operation of law.



- b. The net proceeds from the loan shall be used for the purpose of refinancing the bridge loan.
- c. Financial covenant during the term of the Term Loan:
 - i. its Debt Service Coverage Ratio is at least 1.2x. Debt Service Coverage Ratio is as of the date of determination, the ratio of EBITDA less regular dividends and advances to shareholders over Debt Service. For purposes hereof, "EBITDA" means operating profit before interest, taxes, depreciation and amortization, each item determined in accordance with PFRSs, and the term "Debt Service" means the aggregate amount of the succeeding year's principal amortization for the Loan, interest, fees and other financial charges made or due in respect thereof payable by the Borrower, provided that one (1) year prior to the maturity of the Loan, "Debt Service Coverage Ratio" shall mean the ratio of sum of the beginning cash balance and EBITDA less regular dividends and advances to shareholders over Debt Service;
 - ii. its Debt to Equity Ratio does not exceed 5.0x within the first two years from the Borrowing under the Term Loan and 4.0x thereafter.

The foregoing financial covenant shall be tested every six months based on annual audited or unaudited semi-annual consolidated financial statements. On January 27, 2017, the OLSA was amended to include June 30, 2017 as the commencement date for the testing of 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, 2023 and 2022, the balances of DSRA have 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, 2023 and 2022, the Group is in compliance with the aforementioned affirmative covenants.

Bank of the Philippines Islands (BPI) Loan

On February 24, 2022, the Group entered into a loan agreement with Bank of the Philippines Islands (the Lender). The Lender provided a principal amount of ₱1,600.0 million, payable in ten (10) years from March 2, 2022 (the value date). The loan has an effective interest rate of 4.3% payable monthly until paid in full.

The loan agreement also contains a prepayment provision which allows the Group to make optional prepayments in the amount of ₱320.0 million on March 2, 2025, ₱8.0 million on March 2, 2026, and a final payment of ₱1,232.0 million on maturity date.

The Group is not subject to any loan covenants from BPI loan.



The breakdown of the loans follows:

	2023	2022
BDO loan - principal	₱3,647,932,514	₱3,697,986,963
Less unamortized debt issue costs	5,361,523	7,429,009
BDO loan - net of unamortized debt issue costs	3,642,570,991	3,690,557,954
BPI loan	1,600,000,000	1,600,000,000
	5,242,570,991	5,290,557,954
Less current portion of loan payable	47,876,004	47,932,514
Noncurrent portion	₱5,194,694,987	₱5,242,625,440

Interest expense amounting to ₱212.9 million, ₱205.9 million and ₱166.4 million were recognized for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 28).

21. Equity

Capital Stock

Authorized capital stock

The authorized capital stock of the Parent Company is 2,000,000,000 shares at ₱1 par value in 2023 and 2022.

Issued and outstanding

	2023		2022	
	No. of shares	Amount	No. of shares	Amount
Balance at beginning and end of year	1,683,760,178	₱1,683,760,178	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 are held by 41 equity holders as at December 31, 2023 and 2022



Retained Earnings

Details of cash dividends declared in 2023 and 2022 are as follows:

Date of Declaration	Dividend		Record Date
	Rate (per share)	Amount	
July 15, 2021	₱0.02	₱33,675,208	August 17, 2021
June 20, 2022	0.03	50,512,805	July 4, 2022
June 20, 2023	0.10	168,376,017	July 31, 2023

There are no outstanding dividends payable as at December 31, 2023 and 2022. Cash dividend declared and paid amounted to ₱168.4 million in 2023 and ₱50.5 million in 2022.

Undistributed earnings of the subsidiaries included in the Group's retained earnings amounting to ₱200.4 million and ₱282.4 million as at December 31, 2023 and 2022, respectively, are not available for dividend declaration by the Parent Company until these are declared by the investee companies.

APIC

Amount received in excess of the par values of the shares issued amounting to ₱2,451.1 million were recognized as "APIC" as at December 31, 2023 and 2022, respectively.

22. Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Revenue source:			
Restaurant sales	₱8,362,853,329	₱7,206,297,269	₱3,856,896,913
Sale of goods	3,973,643,491	2,535,590,654	1,356,366,336
Royalty and franchise fees (see Note 33)	487,426,188	400,136,655	267,164,339
	₱12,823,923,008	₱10,142,024,578	₱5,480,427,588
Timing of recognition:			
Goods transferred at a point in time	₱12,787,539,880	₱10,123,187,575	₱5,457,508,873
Services rendered over time	36,383,128	18,837,003	22,918,715
	₱12,823,923,008	₱10,142,024,578	₱5,480,427,588

Contract liabilities

Below are the details of contract liabilities as at December 31, 2023 and 2022:

	2023	2022
Initial franchise fee	₱147,941,962	₱74,672,181
Less current portion	30,059,596	13,445,337
Noncurrent portion	₱117,882,366	₱61,226,844



Movements of contract liabilities arising from initial franchise fees as at and for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Balance as at January 1	₱74,672,181	₱82,197,813
Amortization of initial franchise fees	(36,383,128)	(18,837,004)
Initial franchise fees received	103,467,530	8,100,000
Accretion of interest expense (see Note 28)	6,185,379	3,211,372
Balance as at December 31	₱147,941,962	₱74,672,181

As at December 31, 2023, the amounts of initial franchise fees allocated to remaining performance obligations, its accretion of interest expense in the succeeding years, and contract liabilities arising from initial franchise fees are as follows:

	Unamortized initial franchise fees	Accretion of interest expense	Contract liabilities from initial franchise fees
Within one year	₱30,059,596	₱6,501,216	₱36,560,812
More than one year	117,882,366	10,692,684	128,575,051
	₱147,941,962	₱17,193,900	₱165,135,863

23. Cost of Sales

	2023	2022	2021
Inventory costs (see Note 10)	₱5,647,952,421	₱4,469,334,367	₱2,231,590,400
Salaries, wages and benefits	1,091,063,729	854,700,420	564,090,965
Depreciation and amortization (see Note 26)	704,774,502	590,989,960	464,894,144
Utilities	551,091,000	436,806,339	285,447,117
Rent (see Note 15)	377,231,414	246,132,289	87,675,542
Outside services	341,734,564	239,770,198	113,920,696
Supplies	232,788,578	157,112,346	86,613,779
Delivery call fees	165,473,535	176,298,984	145,684,145
Gas expenses	157,882,862	133,789,783	75,972,071
Repairs and maintenance	99,458,417	57,686,408	60,903,968
Card charges	34,800,157	30,957,572	15,829,245
Pension costs (see Note 27)	16,310,101	21,322,594	20,500,279
Dues and subscription	10,341,176	4,005,890	22,343,628
Commissary costs	7,752,977	4,822,778	1,733,483
Seminar and training	—	12,095,750	942,877
Others	234,396,500	110,682,723	28,568,824
	₱9,673,051,933	₱7,546,508,401	₱4,206,711,163



24. General and Administrative Expenses

	2023	2022	2021
Salaries, wages and benefits	₱488,318,840	₱361,312,638	₱241,493,636
Advertising and promotions	369,757,505	283,890,781	176,819,913
Outside services	172,071,403	164,348,824	95,298,364
Taxes and licenses	135,846,838	98,087,732	105,122,992
Transportation and travel	68,176,409	47,674,426	34,930,982
Depreciation and amortization (see Note 26)	53,002,695	45,965,423	34,981,502
Supplies	38,575,244	34,735,283	31,301,760
Promotions	28,842,189	14,183,378	—
Professional fees	22,495,862	3,929,849	1,036,054
Pension costs (see Note 27)	21,041,870	26,510,801	32,379,082
Utilities	20,835,170	19,878,150	13,619,760
Senior citizen discount	15,536,713	10,717,139	—
Gas expenses	12,651,603	15,207,420	7,669,083
Dues and subscriptions	11,935,932	809,884	515,344
Start-up costs	11,218,446	18,961,866	2,064,058
Card charges	10,016,590	6,438,226	2,034,205
Royalty	7,829,969	4,358,479	29,648,015
Insurance	7,351,833	6,228,656	4,852,364
Repairs and maintenance	3,472,138	3,472,341	4,238,478
Rent (see Note 15)	2,324,887	368,136	367,260
Directors' fees	1,652,632	1,378,947	1,249,123
Provision for ECL – net (see Note 9)	701,998	3,146,639	—
Others	66,853,163	51,205,252	14,928,978
	₱1,570,509,929	₱1,222,810,270	₱837,550,953

25. Personnel Expenses

	2023	2022	2021
Salaries, wages, bonuses, and allowances:			
Cost of sales (see Note 23)	₱1,058,983,492	₱834,621,934	₱526,987,995
General and administrative expenses (see Note 24)	449,192,968	329,261,032	227,555,296
SSS, Pag-ibig, Medicare and other contributions:			
Cost of sales (see Note 23)	32,080,237	20,078,486	37,102,970
General and administrative expenses (see Note 24)	39,125,872	28,915,874	13,938,340
Pension costs:			
Cost of sales (see Notes 23 and 26)	16,310,101	21,322,593	20,500,279
General and administrative expenses (see Notes 24 and 26)	21,041,870	28,609,595	32,379,082
	₱1,616,734,540	₱1,262,809,514	₱858,463,962



26. Depreciation and Amortization

	2023	2022	2021
Property and equipment:			
Cost of sales (see Note 23)	₱323,010,907	₱372,179,083	₱309,207,492
General and administrative expenses (see Note 24)	29,738,323	23,745,266	16,409,002
Right-of-use assets:			
Cost of sales (see Note 23)	369,293,924	218,810,877	155,686,652
General and administrative expenses (see Note 24)	—	—	144,521
Software -			
Cost of sales (see Note 23)	12,469,671	—	—
General and administrative expenses (see Note 24)	22,314,736	21,510,874	17,718,697
Franchise -			
General and administrative expenses (see Note 24)	949,635	709,283	709,282
	₱757,777,196	₱636,955,383	₱499,875,646

27. 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. Based on the Group's retirement plan, employees who completed at least five (5) years of service qualify in the early retirement plan of the Group. Current service cost and interest cost were computed using the financial assumptions at the beginning of the year reflecting the benefits offered under the plan amendment. Any changes in that effect, excluding amount in net interest, are recognized in OCI.

The following tables summarize the components of net pension costs in the consolidated statements of comprehensive income in 2023 and 2022 and accrued pension costs in the consolidated statements of financial position as at December 31, 2023 and 2022. The latest actuarial valuation is as at December 31, 2023.

	2023	2022	2021
Pension costs:			
Current service cost	₱31,186,128	₱40,276,683	₱47,905,273
Net interest cost	17,229,422	12,133,009	5,704,427
Expected return on plan assets	(11,063,579)	—	—
	₱37,351,971	₱52,409,692	₱53,609,700

	2023	2022
Accrued pension costs:		
Present value of benefit obligation (PVBO)	₱276,109,298	₱242,014,435
Fair value of plan assets (FVPA)	(158,508,420)	(155,414,641)
	₱117,600,878	₱86,599,794



Movements in the PVBO are as follows:

	2023	2022
Balance at beginning of year	₱242,014,435	₱262,655,508
Current service cost	31,186,128	40,276,683
Interest cost	17,229,422	13,098,993
Net actuarial gain	(7,189,103)	(61,589,972)
Benefits paid from plan assets	(7,131,584)	(12,426,777)
Balance at end of year	₱276,109,298	₱242,014,435

Movements in the FVPA are as follows:

	2023	2022
Balance at beginning of year	₱155,414,641	₱166,394,561
Interest income	11,063,579	8,295,283
Contributions	3,117,083	—
Net actuarial loss	(3,532,920)	—
Remeasurement - plan asset	(422,380)	(6,848,426)
Benefits paid from plan assets	(7,131,583)	(12,426,777)
Balance at end of year	₱158,508,420	₱155,414,641

Movements in the accrued pension costs are as follows:

	2023	2022
Balance at beginning of year	₱86,599,794	₱96,260,947
Pension costs	37,351,971	45,080,393
Contributions	(3,117,083)	—
Actuarial loss gain	(3,233,804)	(54,741,546)
Balance at end of year	₱117,600,878	₱86,599,794

Amounts recognized in OCI are as follows:

	2023	2022	2021
Actuarial gain (loss) - PVBO	₱7,189,103	₱61,589,972	₱82,084,789
Actuarial gain (loss) - FVPA	(3,955,299)	(6,848,426)	(6,228,043)
Deferred income tax	(872,047)	(13,641,238)	(18,738,959)
	₱2,361,757	₱41,100,308	₱57,117,787

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

	2023	2022
Investments:		
Government securities	₱83,173,235	₱100,425,675
Stocks	33,038,811	6,451,827
Deposit in banks	2,710,421	4,875
Money market investment in trust funds	23,115,975	29,257,033
Other securities	15,484,979	18,483,181
Total investments	157,523,421	154,622,591

(Forward)



	2023	2022
Other assets:		
Interest receivable	₱1,065,785	₱683,671
Receivable	–	228,479
Total other assets	1,065,785	912,150
Total assets	158,589,206	155,534,741
Fees payable	(80,787)	(120,100)
Net asset value	₱158,508,419	₱155,414,641

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 in determining retirement benefit costs as at January 1, 2023, 2022 and 2021 were as follows:

	2023	2022	2021
Discount rates at beginning of year	7.12%	4.99%	3.79%
Rate of compensation increase	5.00%	5.00%	5.00%

The discount rates and salary increase rates used in determining the retirement benefit obligation as of December 31, 2023 are 6.09% and 4.00%, respectively.

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

	2023		2022	
	Increase (decrease)	Amount	Increase (decrease)	Amount
Discount rates	0.50% (0.50%)	(₱7,061,739) 8,592,252	0.50% (0.50%)	(₱6,243,145) 8,221,974
Salary increase rate	1.00% (1.00%)	19,190,433 (13,040,420)	1.00% (1.00%)	17,086,849 (11,418,866)

Shown below is the maturity profile of the undiscounted benefit payments as of December 31, 2023 and 2022:

	2023	2022
1 year and less	₱23,965,824	₱21,268,123
more than 1 years to 5 years	16,936,881	5,858,556
more than 5 years to 10 years	89,731,104	92,368,558
more than 10 years to 15 years	183,899,013	136,461,424
more than 15 years to 20 years	344,346,520	415,338,387
more than 20 years	6,691,846,058	7,542,694,338



The Group expects to contribute ₱50.47 million to the Fund in 2024.

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.

28. Interest Expense

	2023	2022	2021
Long-term loans payables (see Note 20)	₱212,864,549	₱205,879,581	₱166,437,238
Lease liabilities (see Note 15)	111,567,612	102,828,224	89,082,753
Short-term loans payable (see Note 19)	25,510,044	9,548,194	30,896,730
Contract liabilities (see Note 22)	6,185,379	3,642,826	3,749,821
Debt issue cost	5,361,522	2,067,486	2,013,037
Others	—	4,799	—
	₱361,489,106	₱323,971,110	₱292,179,579

29. Other Income (Charges)

	2023	2022	2021
Service fee and expired loyalty fund points	₱23,871,145	₱19,689,335	₱6,045,697
Gain (loss) on:			
Disposal of inventories	(8,471,354)	(2,630,006)	(12,250,140)
Disposal of property and equipment	1,228,757	67,336	(121,143)
Pre-termination of leases (see Note 15)	(1,226,148)	18,323,273	10,529,566
Reversal of long-outstanding liabilities	—	—	24,682,991
Recovery of receivables	—	—	23,210,194
Other income from franchisees	5,410,483	7,040,034	23,310,805
Unrealized foreign exchange gain (loss)	(2,887,382)	10,146,394	247,925
Accretion income from rental deposits (see Note 16)	1,692,305	2,000,871	3,023,323
Net reversal (provisions for) legal and other contingencies (see Note 34)	—	(11,394,323)	1,353,452
Fair value gain on financial assets at FVPL (see Note 12)	—	404,374	1,949,288
Others - net	5,455,926	5,528,111	3,229,889
	₱25,073,732	₱49,175,399	₱85,211,847



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.

30. Income Taxes

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

	2023	2022
Deferred tax assets:		
Lease liabilities	₱149,148,044	₱129,791,810
NOLCO	88,107,648	21,072,622
Accrued pension costs	2,502,491	654,022
Loyalty points	1,254,062	406,176
Unamortized past service cost	506,576	818,647
Accrued bonus and other expense	149,523	2,011,581
Allowance for expected credit losses	652,646	—
	242,320,990	154,754,858
Deferred tax liabilities:		
Right-of-use-asset	141,926,269	129,173,453
Pension asset	—	14,987
	141,926,269	129,188,440
	₱100,394,721	₱25,566,418

The details of the Group's net deferred tax liabilities as of December 31, 2023 are as follows:

	2023	2022
Deferred tax assets:		
Lease liabilities	₱284,297,017	₱59,025,906
Accrued pension costs	28,405,025	20,841,349
Contract liabilities	28,053,584	6,543,943
MCIT	22,142,778	—
Difference in depreciation due to adoption of lease standard	18,379,806	31,551,183
NOLCO	11,346,647	—
Accrued bonus and other expenses	3,452,272	4,543,819
Loyalty points	2,542,031	407,102
Unamortized past service cost	1,215,518	1,855,309
Allowance for:		
Inventory obsolescence	1,190,628	1,064,150
Expected credit losses	1,372,116	1,228,669
Unrecoverable deposits	824,323	824,323
Unrealized foreign exchange loss	135,006	—
	403,356,751	127,885,753
Deferred tax liabilities:		
Excess of fair value over cost of net identifiable assets acquired in business combination (see Note 6)	805,565,467	805,565,467

(Forward)



	2023	2022
Right-of-use assets	₱224,323,832	₱—
Debt issuance cost	1,340,380	1,857,252
Unrealized foreign exchange gain	—	251,600
	1,031,229,679	807,674,319
	(₱627,872,928)	(₱679,788,566)

The deferred tax assets were measured using the appropriate corporate income tax rate on the year these are expected to be reversed. The Group computes for deferred tax using the 25% tax rate except for its subsidiaries, namely BMI, SPCI and SSI, which compute for deferred tax using the OSD effective tax rate of 15%.

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

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

Year Incurred	Availment Period	Amount	Applied in Previous Year/s	Expired	Applied in Current Year	Unapplied
2020	2021-2025	₱569,472,013	₱203,932,152	₱—	₱303,544,146	₱61,995,715
2022	2023-2025	21,072,622	—	—	—	21,072,622
2023	2024-2026	314,748,843	—	—	—	314,748,843
		₱905,293,478	₱203,932,152	₱—	₱303,544,146	₱397,817,180

The MCIT that can be applied against future RCIT is as follows:

MCIT						
Year Incurred	Availment Period	Amount	Applied in Previous Year/s	Expired	Applied in Current Year	Unapplied
2020	2021-2023	₱12,149,016	₱—	₱—	₱12,149,016	₱—
2021	2022-2024	8,396,745	—	—	8,396,745	—
2023	2024-2026	22,142,778	—	—	—	22,142,778
		₱42,688,539	₱—	₱—	₱20,545,761	₱22,142,778

The provision for current income tax represents RCIT, MCIT and final withholding taxes on royalty and franchise fees which are as follows:

	2023	2022	2021
RCIT	₱266,526,100	₱139,882,917	₱16,918,486
MCIT	22,142,778	—	11,252,265
Final withholding taxes	3,302,588	247,667	298,948
	₱291,971,466	₱140,130,584	₱28,469,699



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

	2023	2022	2021
Provision for (benefit from) income tax computed at statutory income tax rate of 25% in 2023 and 2022, and 30% in 2020	₱311,102,681	₱274,603,734	₱57,669,893
Tax effects of:			
Nondeductible expenses	50,482,452	156,655,363	17,963,800
Reversal of provision for claims and contingencies	—	—	(9,258,250)
Application of OSD	(178,348,879)	(70,519,749)	(8,131,888)
Nontaxable:			
Other income	(15,716,527)	—	—
Interest accretion	(34,148)	(93,627)	(626,458)
Dividend income	—	(127,547,786)	—
Amortization of franchise fees	—	(3,495,276)	(3,302,588)
Income subject to final tax:			
Interest income	(2,274,513)	(373,587)	(405,026)
Fair value gain on financial assets at FVPL	—	(101,094)	(461,346)
Other income subject to 25%	(246,914)	(5,115,121)	—
Change in tax rate	—	—	54,251,275
Provision for (benefit from) income tax	₱164,964,152	₱224,012,857	₱107,699,412

31. Financial Risks Management Objectives and Policies

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

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

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

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

	2023	2022
Cash*	₱821,461,587	₱886,371,071
Trade and other receivables:	1,234,629,010	1,142,332,038
Rental and other deposits	312,411,004	254,504,587
Total credit risk exposure	₱2,368,501,601	₱2,283,207,696

*Excluding cash on hand.



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

2023						
	Neither Past Due nor Impaired	Past Due but not Impaired			Expected Credit Loss	Total
		1–180 Days	Over 360 days	Subtotal		
Cash*	₱821,461,587	₱–	₱–	₱–	₱–	₱821,461,587
Trade and other receivables	1,087,463,927	131,650,542	5,675,103	137,325,645	9,839,438	1,234,629,010
Rental and other deposits	245,867,461	–	63,246,250	63,246,25	3,297,293	312,411,004
	₱2,154,792,975	₱131,650,542	₱68,921,354	₱200,571,896	₱13,136,731	₱2,368,501,601

*Excluding cash on hand.

2022						
	Neither Past Due nor Impaired	Past Due but not Impaired			Expected Credit Loss	Total
		1–180 Days	Over 360 days	Subtotal		
Cash*	₱886,371,071	₱–	₱–	₱–	₱–	₱886,371,071
Trade and other receivables	809,236,091	323,830,301	–	323,830,301	9,265,646	1,142,332,038
Rental and other deposits	189,287,521	–	65,217,066	65,217,066	–	254,504,587
	₱1,884,894,683	₱323,830,301	₱65,217,066	₱389,047,367	₱9,265,646	₱2,283,207,696

*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:

2023				
	Stage 1	Stage 2	Stage 3	Total
Cash*	₱821,461,587	₱–	₱–	₱821,461,587
Trade and other receivables:				
Trade receivables	361,316,833	379,066,378	–	740,383,211
Royalty receivable	176,925,409	–	–	176,925,409
Receivable from NAF	–	–	51,829,287	51,829,287
Receivable from franchisee	–	–	61,680,414	61,680,414
Receivable from employees	–	–	23,383,344	23,383,344
Other receivables	33,262,262	–	–	33,262,262
Rental and other deposits	–	–	245,867,461	245,867,461
	₱1,392,966,091	₱379,066,378	₱382,760,506	₱2,154,792,975

*Excluding cash on hand.

2022				
	Stage 1	Stage 2	Stage 3	Total
Cash*	₱886,371,071	₱–	₱–	₱886,371,071
Trade and other receivables:				
Trade receivables	257,928,959	374,028,503	–	631,957,462
Royalty receivable	170,138,255	–	–	170,138,255
Receivable from NAF	–	–	50,225,215	50,225,215
Receivable from franchisee	–	–	63,775,172	63,775,172
Receivable from employees	–	–	17,710,252	17,710,252
Other receivables	87,645,560	–	–	87,645,560
Rental and other deposits	–	–	189,287,521	189,287,521
	₱1,459,248,928	₱424,028,503	₱320,998,160	₱2,204,275,591

*Excluding cash on hand.

Financial assets classified as “stage 1” are those cash transacted with reputable local banks and financial assets with no history of default on the agreed contract terms while “stage 2” includes those financial assets being collected on due dates with an effort of collection. Financial instruments classified as “stage 3” 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.

	2023					Total
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	
Cash	P901,147,527	P–	P–	P–	P–	P901,147,527
Trade and other receivables						
Trade	750,241,303	72,053,021	10,500,334	–	5,531,045	838,325,703
Royalty receivables	43,257,615	10,659,071	–	6,879,438	884,290	61,680,414
Receivable from NAF	30,039,722	21,789,565	–	–	–	51,829,287
Receivable from franchisees	176,925,408	–	–	–	–	176,925,408
Receivables from employees	4,821,452	16,648,551	–	–	1,913,341	23,383,344
Other receivables	82,178,426	–	–	–	306,428	82,484,854
Rental and other deposits	245,867,461	–	–	–	66,543,544	312,411,005
	2,234,478,914	121,150,208	10,500,334	6,879,438	75,178,648	2,448,187,542
Accounts payable and other current liabilities:						
Trade payables	–	1,033,414,652	–	–	–	1,033,414,652
Nontrade payables	–	191,766,451	–	–	–	191,766,451
Accrued expenses	–	216,880,192	–	–	–	216,880,192
Other payables*	–	310,573,934	–	–	–	310,573,934
Dealers' deposit and other noncurrent payables	–	–	–	–	106,626,720	106,626,720
Long-term loans payable**	47,876,004	–	–	–	5,194,694,987	5,242,570,991
Lease liabilities	366,104,436	–	–	–	1,944,392,088	2,310,496,524
	413,980,440	1,752,635,229	–	–	7,245,713,795	9,412,329,464
Liquidity gap	P1,820,498,474	(P1,631,485,021)	P10,500,334	P6,879,438	(P7,170,535,147)	(P6,964,141,922)

*Excluding statutory payables.

**Including future interest payments.

	2022					Total
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	
Cash	P989,578,790	P–	P–	P–	P–	P989,578,790
Trade and other receivables						
Trade	424,028,503	74,099,759	231,728,638	–	7,640,101	737,497,001
Royalty receivables	170,138,255	–	–	–	–	170,138,255
Receivable from NAF	50,225,215	–	–	–	–	50,225,215
Receivable from franchisees	63,775,172	–	–	–	–	63,775,172
Receivables from employees	13,423,386	18,001,905	–	–	1,144,630	32,569,921
Other receivables	87,645,560	–	–	–	480,914	88,126,474
Rental and other deposits	189,287,521	–	–	–	65,217,066	254,504,587
	1,988,102,402	92,101,664	231,728,638	–	74,482,711	2,386,415,415
Accounts payable and other current liabilities:						
Trade payables	–	1,569,563,358	–	–	–	1,569,563,358
Nontrade payables	–	101,857,257	–	–	–	101,857,257
Accrued expenses	–	306,438,087	–	–	–	306,438,087
Other payables*	–	247,493,838	–	–	–	247,493,838
Dealers' deposit and other noncurrent payables	–	–	–	–	146,389,568	146,389,568
Long-term loans payable**	47,932,514	–	–	–	5,242,625,440	5,290,557,954
Lease liabilities	352,714,066	–	–	–	2,152,971,322	2,505,685,388
	400,646,580	2,225,352,540	–	–	7,541,986,330	10,167,985,450
Liquidity gap	P1,587,455,822	(P2,133,250,876)	P231,728,638	P–	(P7,467,503,619)	(P7,781,570,035)

*Excluding statutory payables.

**Including future interest payments.



Capital Management

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

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

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

	2023	2022
Total liabilities	₱10,668,738,593	₱10,662,641,171
Total equity	7,959,209,416	7,045,777,106
	1.34:1	1.51:1

32. Fair Value Information

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

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

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

As at December 31, 2023				
	Date of Valuation	Carrying Value	Fair Value	
			Level 1 Quoted	Level 2 Significant Observable Input
Assets for which fair values are disclosed -				
Rental deposits	December 31, 2023	₱309,113,712	₱–	₱300,110,399
		₱309,113,712	₱–	₱300,110,399
Liabilities for which fair values are disclosed:				
Long-term loans payable	December 31, 2023	5,242,570,991	₱–	₱5,457,516,402
Dealers’ deposits	December 31, 2023	106,626,720	–	104,355,571
		₱5,349,197,711	₱	₱5,561,871,973



As at December 31, 2022				
		Fair Value		
	Date of Valuation	Carrying Value	Level 1 Quoted	Level 2 Significant Observable Input
Assets for which fair values are disclosed -				
Rental deposits	December 31, 2022	₱254,504,587	₱—	₱218,589,354
		₱254,504,587	₱—	₱ 218,589,354
Liabilities for which fair values are disclosed:				
Long-term loans payable	December 31, 2022	₱5,290,557,954	₱—	₱6,334,150,117
Dealers' deposits	December 31, 2022	160,080,740	—	130,017,749
		₱ 5,450,638,694	₱—	₱6,464,167,866

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 1.65% to 8.56% as at December 31, 2023 and of 3.62% to 6.14% as at December 31, 2022.

Long-term loans Payable. The fair value of loan payable which was discounted using prevailing market rate of 4.18% and 4.29% as at December 31, 2023 and 2022, respectively, approximates the carrying value since these bear interest at current market rates. Fair value category is Level 2, significant observable inputs.

Dealers' Deposits. The fair values were obtained by discounting the instruments' expected cash flows using interest rates of 4.92% and 4.69% as at December 31, 2023 and 2022, respectively.

As at December 31, 2023 and 2022, there were no transfers between Level 1 and 2 fair value measurements.

33. Commitments

Trademark Licensing and Franchise Agreements

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

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

The Group recognized royalty and franchise fees amounting to ₱487.4 million in 2023, ₱400.1 million in 2022 and ₱267.2 million in 2021 (see Note 22). Royalty receivables as at December 31, 2023 and 2022 amounted ₱176.9 million and ₱170.1 million, respectively (see Note 9).



34. Provisions

	2023	2022
Balance at beginning of year	₱47,073,871	₱35,679,548
Addition (see Note 29)	–	12,653,061
Reversal (see Note 29)	–	(1,258,738)
Balance at end of year	₱47,073,871	₱47,073,871

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

35. Earnings (Loss) per Share (EPS)

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

There are no dilutive financial instruments as of December 31, 2023 and 2022, hence, diluted EPS is the same as the basic EPS.

The Group's EPS were computed as follows:

	2023	2022	2021
(a) Net income (loss)	₱1,079,446,570	₱874,402,081	₱122,980,158
(b) Weighted average number of shares outstanding	1,683,760,178	1,683,760,178	1,594,837,355
Basic/diluted EPS (a/b)	₱0.64	₱0.52	₱0.08

36. Notes to Consolidated Statements of Cash Flows

The following are the noncash activities for the years ended December 31, 2023 and 2022:

	2023			
	January 1	Net cash flows	Noncash changes	December 31
Rental deposits (a)	₱270,164,541	₱37,256,866	₱1,692,305	₱309,113,712
Long-term loans payable (b)	5,790,557,954	150,000,000	2,013,037	5,942,570,991
Contract liabilities (c)	74,672,181	67,084,402	6,185,379	147,941,962



	2022			
	January 1	Net cash flows	Noncash changes	December 31
Rental deposits (a)	₱589,287,521	(₱321,123,851)	₱2,000,871	₱270,164,541
Long-term loans payable (b)	3,740,557,954	2,050,000,000	–	5,790,557,954
Contract liabilities (c)	82,197,813	(10,737,004)	3,211,372	74,672,181

Details of the noncash changes are as follows:

- Pertains to accretion of interest expense and interest income on long-term rental deposits included in “Rental and other noncurrent assets” and long-term dealer’s deposits included in “Dealer’s deposits and other noncurrent liabilities”, respectively.
- Pertains to amortization of debt issuance cost during the year amounting to ₱5.4 million and ₱2.1 million in 2023 and 2022, respectively.
- Pertains to the accretion of the significant financing component of contract liabilities during the year amounting to ₱6.2 million and ₱3.2 million in 2023 and 2022, respectively.

The changes in the Group’s liabilities arising from financing activities are as follows:

	2023						
	January 1	Additions	Proceeds	Payments	Interest expense	Other movements	December 31
Lease liabilities*	₱1,700,018,174	₱482,385,920	₱–	(₱461,980,269)	₱115,030,091	(₱4,615,417)	₱1,830,838,499
Loans payable	5,790,557,954	–	700,000,000	(550,000,000)	–	2,013,037	5,942,570,991
Dividends	–	168,376,017	–	(168,376,017)	–	–	–
Accrued interest**	–	–	–	(238,206,151)	361,489,106	(123,282,955)	–
Total liabilities from financing activities	₱7,490,576,128	₱650,761,937	₱700,000,000	(₱1,418,562,437)	₱476,519,197	(₱125,885,335)	₱7,773,409,490

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

**Other movements pertain to interest accretion for PFRS 15

	2022						
	January 1	Additions	Proceeds	Payments	Interest expense	Other movements	December 31
Lease liabilities*	₱1,480,736,520	₱610,225,027	₱–	(₱360,864,550)	₱102,828,224	(₱132,907,047)	₱1,700,018,174
Loans payable	3,740,557,954	–	2,100,000,000	(50,000,000)	–	–	5,790,557,954
Dividends	–	50,512,805	–	(50,512,805)	–	–	–
Accrued interest**	7,656,566	–	–	(221,614,458)	323,971,110	(110,013,218)	–
Total liabilities from financing activities	₱5,228,951,040	₱660,737,832	₱2,100,000,000	(₱682,991,813)	₱426,799,334	(₱242,920,265)	₱7,490,576,128

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

**Other movements pertain to interest accretion for PFRS 15



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 its subsidiaries (the Group) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, included in this Form 17-A, and have issued our report thereon dated April 15, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Christine G. Vallejo

Partner

CPA Certificate No. 99857

Tax Identification No. 206-384-906

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

BIR Accreditation No. 08-001998-105-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10082028, January 6, 2024, Makati City

April 15, 2024



**INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTARY SCHEDULE ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Shakey's Pizza Asia Ventures Inc. and its subsidiaries (the Group) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 15, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Christine G. Vallejo

Partner

CPA Certificate No. 99857

Tax Identification No. 206-384-906

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

BIR Accreditation No. 08-001998-105-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10082028, January 6, 2024, Makati City

April 15, 2024



SHAKEY'S PIZZA ASIA VENTURES, INC.
Additional Requirements for Issuers of Securities to
the Public
Required by the Securities and Exchange
Commission
As at December 31, 2023

TABLE OF CONTENTS

	<u>Page</u>
Table of Contents	
A. Financial Assets	1
B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C. Amounts 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	6
G. Guarantees of Securities of Other Issuers	7
H. Capital Stock	8

SHAKEY’S PIZZA ASIA VENTURES, INC.
Schedule A - Financial Assets
As of December 31, 2023

HTM Investments	Name of Issuing Entity	Face Value	Amount Shown in Balance Sheet	Income Received and Accrued
Not applicable: The Company has no FVOCI or FPVL as at December 31, 2023.				
Total			-	-

SHAKEY'S PIZZA ASIA VENTURES, INC.
Schedule B - Amounts Receivable from Employees
As of December 31, 2023

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written-off	Current	Non-Current	Balance at end of Period
DBE Project Inc.	2,778,786	-	2,778,786	-	-	-	-
Century Pacific Group Inc.	3,082,080	7,766,842	7,766,842	-	3,082,080	-	3,082,080
Century Pacific Foods Inc.	9,359,643	26,857,813	26,241,597	-	9,975,859	-	9,975,859
The Pacific Meat Company Inc.	9,694,410	8,587,176	12,879,942	-	5,400,644	-	5,400,644
Receivables from employees	31,425,291	19,292,951	27,206,691	128,207	23,383,344	-	23,383,344
	P 56,339,210	P 62,504,782	P 76,873,858	P 128,207	P 41,841,927		P 41,841,927

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

SHAKEY'S PIZZA ASIA VENTURES, INC.**Schedule C - Amounts Receivable from Related Parties which are Eliminated during
the Consolidation of Financial Statements
As of December 31, 2023**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written-off	Current	Non Current	Balance at end of Period
Shakey's Seacrest Inc.	211,901,003	112,631,047	265,240,919	-	59,291,131	-	59,291,131
Shakey's International Ltd.	58,297,652	1,546,958	-	-	59,844,611	-	59,844,611
Shakey's Pizza Commerce Inc.	1,269,757,346	3,725,594,241	2,037,373,222	-	2,957,978,365	-	2,957,978,365
Bakemasters Inc.	34,037,954	1,663,269	33,862,236	-	1,838,987	-	1,838,987
Wow Brand Holdings Inc.	209,938,126	59,950,085	57,818,933	-	177,619,260	-	177,619,260
	P 1,783,932,082	P 3,901,385,600	P 2,428,745,329	P -	P 3,256,572,353	P -	P 3,256,572,353

SHAKEY'S PIZZA ASIA VENTURES, INC.
Schedule D - Intangible Assets
As of December 31, 2023

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes	Ending Balance
Goodwill	1,324,852,131	-	-	-	-	1,324,852,131
Trademarks	8,759,352,242	9,737,001	-	-	-	8,769,089,243
Softwares – net	249,428,715	52,909,939	34,784,407	-	-	267,554,247
Franchise Rights – net	6,253,328	-	949,634	-	-	5,303,694
Total	10,339,886,416	62,646,940	35,734,041	-	-	10,366,799,313

SHAKEY'S PIZZA ASIA VENTURES, INC.
Schedule E - Long Term Debt
As of December 31, 2023

Bank	Beginning Balance	Availment	Payment	Ending Balance	Current	Non Current
Omnibus Loan and Security Agreement- BDO Unibank, Inc.	P3,700,000,000		P50,000,000	P3,650,000,000	P50,000,000	P3,600,000,000
Amortized debt issue costs	(2,013,037)		(2,067,486)	(2,067,486)		
Unamortized debt issue costs	(7,429,009)			(5,361,523)	(2,123,996)	(3,237,527)
BPI Loan	1,600,000,000			1,600,000,000		1,600,000,000
	P5,290,557,954		P47,932,514	5,242,570,991	P47,876,004	5,194,694,987

SHAKEY'S PIZZA ASIA VENTURES, INC.

Schedule F.

Indebtedness to Related Parties (Long-Term Loans from Related Companies)

December 31, 2023

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, 2023.		
	P - P	- -

SHAKEY'S PIZZA ASIA VENTURES, INC.
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2023

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, 2023.				
		P	-	P
			-	

SHAKEY'S PIZZA ASIA VENTURES, INC.**Schedule H - Capital Stock****As of December 31, 2023**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares reserved for options, warrants, conversion and other rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	1,683,760,178		1,294,529,898	4,209,400	385,020,880

Annex A**Reconciliation of Retained Earnings
Available for Declaration**

As at December 31, 2023

SHAKEY'S PIZZA ASIA VENTURES, INC.
WOW SHAKEY'S CENTER, KM 15 EAST
SERVICE ROAD COR. MARRIAN ROAD,
SAN MARTIN DE PORRES,
PARANAQUE CITY

Items	Amount
Unappropriated Retained Earnings, beginning	2,594,937,323
Adjustments:	
Deferred tax assets (excluding the cumulative tax effect on actuarial gain on defined benefit obligation)	(342,924,572)
Unappropriated Retained Earnings, as adjusted, beginning	2,252,012,751
Net Income based on the face of AFS	1,398,623,408
Less: Non-actual losses	-
Change in deferred tax assets (excluding tax effect on actuarial gain during the year)	(51,320,180)
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	(2,271,906)
Net Income Actual/Realized	1,345,031,322
Adjustments:	
Dividend declarations during the year	(168,376,017)
Reversal of appropriations	-
Appropriation for the year	-
Unappropriated Retained Earnings, as adjusted, ending	3,428,668,056

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

	2023	2022
ASSETS		
Current Assets		
Cash and Cash Equivalents	901,147,527	989,578,790
Trade and other receivables	1,224,789,572	1,133,066,392
Inventories	1,712,217,989	1,001,114,060
Prepaid and other current assets	635,187,293	730,884,353
Total Current Assets	4,473,342,381	3,854,643,595
Noncurrent Assets		
Property and equipment - net	1,833,780,584	1,764,723,406
Intangible Assets	10,366,799,313	10,339,886,416
Right-of-use Assets	1,540,630,889	1,443,780,579
Rental and other deposits	309,113,711	270,164,540
Deferred input value-added tax	3,886,410	9,653,323
Deferred tax assets	100,394,721	25,566,418
Total Noncurrent Assets	14,154,605,628	13,853,774,682
TOTAL ASSETS	18,627,948,009	17,708,418,277
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	1,753,136,296	2,132,213,295
Short-term loans payable	700,000,000	500,000,000
Current portion of:		
Long-term loans payable	47,876,004	47,932,514
Lease liabilities	275,584,146	58,902,122
Contract liabilities	30,059,596	13,445,337
Income tax payable	142,150,319	52,155,804
Total Current Liabilities	2,948,806,361	2,804,649,072
Noncurrent Liabilities		
Loan payable - net of current portion	5,194,694,987	5,242,625,440
Contract liabilities - net of current portion	117,882,366	61,226,844
Accrued pension costs	117,600,878	86,599,794
Lease liability	1,555,254,353	1,641,116,052
Dealer's deposits and other noncurrent liabilities	106,626,720	146,635,403
Deferred tax liabilities	627,872,928	679,788,566
Total Noncurrent Liabilities	7,719,932,232	7,857,992,099
Total Liabilities	10,668,738,593	10,662,641,171
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	3,788,433,048	2,877,362,495
Other components of equity	35,899,720	33,537,963
Total Equity	7,959,209,416	7,045,777,106
	18,627,948,009	17,708,418,277

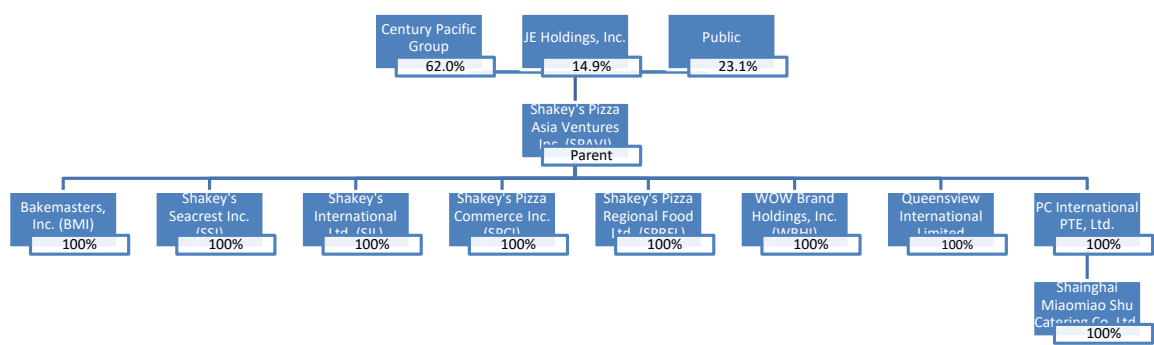
SHAKEY'S PIZZA ASIA VENTURES INC.
CONSOLIDATED COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	2023	2022
REVENUES FROM CONTRACTS WITH CUSTOMER	12,823,923,008	10,142,024,578
COSTS OF SALES	9,673,051,933	(7,546,508,401)
GROSS INCOME	3,150,871,075	2,595,516,177
GENERAL AND ADMINISTRATIVE EXPENSES	(1,570,509,929)	(1,222,810,270)
INTEREST EXPENSES	(361,489,106)	(323,971,110)
OTHER INCOME - Net	25,538,682	49,680,141
INCOME BEFORE INCOME TAX	1,244,410,722	1,098,414,938
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	(291,971,466)	(140,130,584)
Deferred	127,007,314	(83,882,273)
	(164,964,152)	(224,012,857)
NET INCOME	1,079,446,570	874,402,081
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods (net of tax) -		
Actuarial loss on defined benefit obligation	3,233,804	54,741,546
Tax effect	(872,047)	(13,641,238)
TOTAL OTHER COMPREHENSIVE INCOME	2,361,757	41,100,308
TOTAL COMPREHENSIVE INCOME	1,081,808,327	915,502,389
Basic/Diluted Earnings Per Share	0.64	0.52

SHAKEY'S PIZZA ASIA VENTURES INC.
FINANCIAL SOUNDNESS INDICATORS-FINANCIAL INDICATOR
As of December 31, 2023

Ratio	Formula	Current Year	Prior Year
Current ratio	<div> <div>Total Current Assets4,473,342,381</div> <div>Divide by: Total Current Liabilities2,948,806,361</div> <div>Current Ratio1.52</div> </div>	1.52x	1.37x
Quick/Acid test ratio	<div> <div>Total Current Assets4,473,342,381</div> <div>Less: Inventories(1,712,217,989)</div> <div>Prepayments and other Current Assets(635,187,293)</div> <div>Quick assets2,125,937,099</div> <div>Divide by: Total Current Liabilities2,948,806,361</div> <div>Quick/Acid test ratio0.72</div> </div>	0.72x	0.76x
Debt-to-equity ratio	<div> <div>Total Liabilities10,668,738,593</div> <div>Divide by: Total Equity7,959,209,416</div> <div>Debt-to-equity ratio1.34</div> </div>	1.34x	1.51x
Gearing ratio	<div> <div>Interest bearing liabilities5,942,570,991</div> <div>Divide by: Total Equity7,959,209,416</div> <div>Gearing ratio0.75</div> </div>	0.75x	0.82x
Net Gearing ratio	<div> <div>Interest bearing liabilities5,942,570,991</div> <div>Minus: Cash901,147,527</div> <div>Net5,041,423,464</div> <div>Divide by: Total Equity7,959,209,416</div> <div>Net Gearing ratio0.63</div> </div>	0.63x	0.68x
Asset-to-equity ratio	<div> <div>Total Assets18,627,948,009</div> <div>Divide by: Total Equity7,959,209,416</div> <div>Asset-to-equity ratio2.34</div> </div>	2.34x	2.51x
Interest rate coverage ratio	<div> <div>EBIT1,244,410,722</div> <div>Divide by: Interest Expenses361,489,106</div> <div>Interest rate coverage ratio3.44</div> </div>	3.44x	3.39x
Working capital turnover	<div> <div>Net Sales12,823,923,008</div> <div>Divide by: Working capital</div> <div>Current Assets4,473,342,381</div> <div>Less: Current Liabilities(2,948,806,361)</div> <div>Working Capital1,524,536,020</div> <div>Working Capital Turnover8.41</div> </div>	8.41x	9.66x
Return on equity	<div> <div>Net Income1,079,446,570</div> <div>Divide by: Total Equity7,959,209,416</div> <div>Return on equity13.56%</div> </div>	13.56%	12.41%
Return on assets	<div> <div>Net Income1,079,446,570</div> <div>Divide by: Total Assets18,627,948,009</div> <div>Return on assets5.79%</div> </div>	5.79%	4.94%
Earnings per share	<div> <div>Net Income1,079,446,570</div> <div>Average No. of shares1,683,760,178</div> <div>Earnings per share0.64</div> </div>	0.64	0.52

SHAKEY'S PIZZA ASIA VENTURES INC.
CONGLOMERATE MAP
AS OF DECEMBER 31, 2023



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