

## SECURITIES AND EXCHANGE COMMISSION

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

1. For the quarterly period ended **March 31, 2023**
2. Commission identification number **54666**
3. BIR Tax Identification No. **000-163-396**
4. **SHAKEY'S PIZZA ASIA VENTURES INC.**  
Exact name of issuer as specified in its charter
5. **MANILA, PHILIPPINES**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. **15KM EAST SERVICE ROAD CORNER MARIAN ROAD 2,**  
**BARANGAY SAN MARTIN DE PORRES, PARANAQUE CITY** **1700**  
Address of issuer's principal office Postal Code
8. **(632) 867-7602**  
Issuer's telephone number, including area code
9. **N/A**  
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

|  |                             |
|--|-----------------------------|
| Title of each Class                          | <b><u>COMMON SHARES</u></b> |
| Number of shares of common stock outstanding | <b><u>1,683,760,178</u></b> |
11. Are any or all of the securities listed on a Stock Exchange?  
  
Yes [ ☐ ] No [ ☐ ]  
  
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:  
**PHILIPPINE STOCK EXCHANGE; COMMON SHARES**
12. Indicate by check mark whether the registrant:
  - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)  
Yes [ ☐ ] No [ ☐ ]
  - (b) has been subject to such filing requirements for the past NINety (90) days.  
Yes [ ☐ ] No [ ☐ ]

## **PART I – FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

The unaudited interim consolidated financial statements of Shakey's Pizza Asia Ventures Inc., and its wholly owned subsidiaries Bakemasters, Inc., Shakey's International Limited, Shakey's Seacrest Incorporated, Shakey's Pizza Regional Foods Limited, Shakey's Pizza Commerce, Inc., and Wow Brand Holdings Inc. (collectively, the 'Company' or 'PIZZA') as of and for the period ended March 31, 2023 and the comparative period in 2022 is attached to this 17-Q report, comprising of the following:

- 1.1 Consolidated Balance Sheets as of March 31, 2023 and December 31, 2022
- 1.2 Consolidated Statement of Income for the period ended March 31, 2023 and March 31, 2022
- 1.3 Consolidated Statement of Cash Flows for the period ended March 31, 2023 and March 31, 2022
- 1.4 Consolidated Statement of Changes in Shareholder's Equity for the period ended March 31, 2023 and March 31, 2022
- 1.5 Notes to Consolidated Financial Statements for the period ended March 31, 2023

### **Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations (Based on the unaudited consolidated financial statements for the period ended March 31, 2023)**

#### ***Business Overview***

Shakey's Pizza Asia Ventures Inc. (SPAVI) or PIZZA, is the market leader in chained pizza full service restaurant, chained full service restaurant, and chained kiosks with 66.3%, 28.6%, and 14.8% market shares, respectively, based on data from Euromonitor.

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

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

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

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

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

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

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

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

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

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

In December 2021, the Company entered into an agreement to purchase assets and intellectual property relating to Potato Corner, with PIZZA assuming the management of the brand beginning March 2022. Potato Corner is one of the leading and most established food kiosk chains in the Philippines. Since its inception in 1992, the brand has built a vast network of over 1,000 outlets domestically and has a growing international footprint in Asia and beyond.

### ***Results of Operations***

The following table summarizes the reported key financial information for PIZZA for the THREE months ending March 31, 2023 and 2022, respectively:

| <b>In ₱ Mill</b> | <b>THREE months<br/>ending March 31,<br/>2023</b> | <b>THREE months<br/>ending March 31,<br/>2022</b> | <b>Change YoY</b> |
|------------------|---|---|-------------------|
| Systemwide sales | 4,175   | 2,219   | 88%               |
| Net Revenue      | 3,132   | 1,610   | 94%               |
| Cost of Sales    | (2,501)   | (1,220)   | 105%              |

|                       |       |       |          |
|-----------------------|-------|-------|----------|
| Gross Profit          | 631   | 390   | 62%      |
| Operating Expense     | (336) | (229) | 46%      |
| Operating Income      | 295   | 161   | 83%      |
| EBITDA                | 457   | 293   | 56%      |
| Net income before tax | 223   | 102   | 118%     |
| Net income after tax  | 201   | 76    | 163%     |
| <b><u>Margins</u></b> |       |       |          |
| Gross profit margin   | 20.1% | 24.2% | -410 bps |
| Operating margin      | 10.0% | 9.4%  | -60 bps  |
| Net income margin     | 6.4%  | 4.7%  | +170 bps |

### ***Results of Operation***

- Shakey's Pizza Asia Ventures Inc, the Philippines' leading fast casual restaurant chain and food service group, continued to post strong growth in both topline and bottom line for the first three months of 2023 versus the comparable period in 2022.
- PIZZA reports year-to-date systemwide sales (SWS) of ₱4.18 billion, up by 88% compared to the ₱2.22 billion reported during the same period in 2022. This was mainly driven by the resurgence in dine-in as mobility further improved in the country on a year-on-year basis as Omicron affected the country in the first quarter of last year, coupled with the full quarter impact of Potato Corner. Same-store sales growth (SSSG) registers at 29% for the period.
- Operating income lands at ₱295 million for the first quarter of 2023, up 83% versus last year's comparable period of ₱161 million. While gross margins declined on a year-on-year basis due to higher input costs, operating income margins only slightly decreased from 10.0% to 9.4% over the same period, primarily driven by cost optimization initiatives at the operating expenses level and streamlined discretionary spending.
- As a result, net income for the first quarter of 2023 registered at ₱201 million, 163% higher compared to the ₱76 million income in the same period the year before. PIZZA's net profit margin likewise expanded by 170 bps to 6.4%.

### ***Financial Condition***

The Company's financial stability and financial position as of March 31, 2023, is as follows:

- Cash and cash equivalents stood at ₱682 million. Cash used in operating activities amounted to ₱88 million, with net cash used in investing activities totaling ₱91 million and net cash used in financing activities amounting to ₱128 million.
- Current ratio increased to 1.6x as of March 31, 2023, relative to 2022's 1.4x. The cash conversion cycle decreased to 23 days from -14 days as of end 2022. Receivable and inventory days stood at 34 and 47 respectively, while accounts payable came in at 59 days.

- Net property, plant and equipment, amounted to ₱1.8 billion as of March 31, 2023. Capital expenditures for the first quarter of the year totaled ₱101 million.
- As of March 31, 2023, the Company had ₱5.8 billion in interest-bearing debt, unchanged from the year-end level.
- Net debt-to-equity ratio is measured at 1.3x as of March 31, 2023, slightly below the 1.4x figure as of year-end 2022. Considering only interest-bearing liabilities, the Company's net gearing ratio and net interest-bearing debt-to-EBITDA stood at 0.7x and 2.3x, respectively, as of March 31, 2023.

### Key Performance Indicators ( KPIs )

|                                 | Unaudited<br>1 <sup>st</sup> Quarter 2023 | Unaudited<br>1 <sup>st</sup> Quarter 2022 |
|---------------------------------|---|---|
| Gross Profit Margin             | 20%                                       | 24%                                       |
| Before Tax Return on Sales      | 7%  | 6%  |
| Return on Sales                 | 6%  | -5%                                       |
| Interest-Bearing Debt-to-Equity | 0.7x                                      | 0.9x                                      |
| Current Ratio                   | 1.6x                                      | 1.2x                                      |

### Notes:

1 Gross Profit margin = Gross Profit / Net Revenue

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

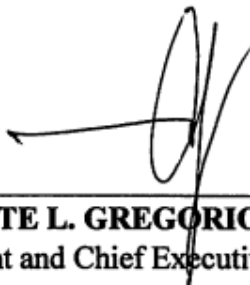
3 Return on Sales = Recurring Net Profit After Tax / Net Revenue

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

5 Current Ratio = Total Current Assets / Total Current Liabilities

**SIGNATURES**

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

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

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**VICENTE L. GREGORIO**  
President and Chief Executive Officer  
Date: May 5, 2023



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**MANUEL T. DEL BARRIO**  
Vice President and Chief Finance Officer  
Date: May 5, 2023

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

|  | March 31,<br>2023<br>(Unaudited) | December 31,<br>2022<br>(Audited) |
|--|----------------------------------|-----------------------------------|
| <b>ASSETS</b>                                      |                                  |                                   |
| <b>Current Assets</b>                              |                                  |                                   |
| Cash   | P682,129,783                     | P989,578,790                      |
| Trade and other receivables                        | 1,109,426,161                    | 1,133,066,392                     |
| Inventories  | 1,155,571,468                    | 1,001,114,060                     |
| Prepaid expenses and other current assets          | 486,425,712                      | 730,884,353                       |
| Total Current Assets                               | 3,433,553,124                    | 3,854,643,595                     |
| <b>Noncurrent Assets</b>                           |                                  |                                   |
| Property and equipment                             | 1,782,980,396                    | 1,764,723,405                     |
| Intangible assets                                  | 10,335,737,470                   | 10,339,886,416                    |
| Right-of-use assets                                | 1,376,856,224                    | 1,443,780,579                     |
| Deferred input value-added tax                     | 9,123,102                        | 9,653,323                         |
| Deferred tax assets- net                           | 73,682,477                       | 25,566,418                        |
| Other noncurrent assets                            | 267,069,249                      | 270,164,541                       |
| Total Noncurrent Assets                            | 13,845,448,916                   | 13,853,774,682                    |
| <b>TOTAL ASSETS</b>                                | <b>P17,279,002,040</b>           | <b>P17,708,418,277</b>            |
| <b>LIABILITIES AND EQUITY</b>                      |                                  |                                   |
| <b>Current Liabilities</b>                         |                                  |                                   |
| Accounts payable and other current liabilities     | P1,437,708,345                   | P2,132,213,294                    |
| Short-term loans payable                           | 500,000,000                      | 500,000,000                       |
| Current portion of:                                |                                  |                                   |
| Lease Liabilities                                  | 58,902,122                       | 58,902,122                        |
| Long-term loans payable                            | 47,932,514                       | 47,932,514                        |
| Contract liabilities                               | 13,445,337                       | 13,445,337                        |
| Income tax payable                                 | 141,297,852                      | 52,155,804                        |
| Total Current Liabilities                          | 2,199,286,170                    | 2,804,649,071                     |
| <b>Noncurrent Liabilities</b>                      |                                  |                                   |
| Noncurrent current portion of:                     |                                  |                                   |
| Long-term loans payable                            | 5,242,625,440                    | 5,242,625,440                     |
| Lease liabilities                                  | 1,597,164,626                    | 1,641,116,052                     |
| Contract liabilities                               | 61,848,177                       | 61,226,844                        |
| Accrued pension costs                              | 96,268,870                       | 86,599,794                        |
| Dealers' deposits and other noncurrent liabilities | 155,459,895                      | 146,635,403                       |
| Deferred tax liabilities – net                     | 679,788,566                      | 679,788,566                       |
| Total Noncurrent Liabilities                       | 7,833,155,574                    | 7,857,992,099                     |
| Total Liabilities                                  | 10,032,441,744                   | 10,662,641,170                    |
| <b>Equity</b>                                      |                                  |                                   |
| Capital stock                                      | 1,683,760,178                    | 1,683,760,178                     |
| Additional paid-in capital                         | 2,451,116,470                    | 2,451,116,470                     |
| Retained earnings                                  | 3,078,145,685                    | 2,877,362,495                     |
| Other components of equity                         | 33,537,963                       | 33,537,963                        |
| Total Equity                                       | 7,246,560,296                    | 7,045,777,106                     |
| <b>TOTAL LIABILITIES AND EQUITY</b>                | <b>P17,279,002,040</b>           | <b>P17,708,418,277</b>            |

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

**SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME**
**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**

|  | 2023<br>(Unaudited)    | 2022<br>(Unaudited) |
|--|------------------------|---------------------|
| <b>REVENUES</b>                                |                        |                     |
| Net sales                                      | <b>₱3,023,781,869</b>  | ₱1,540,758,504      |
| Royalty and franchise fees                     | <b>107,774,701</b>     | 69,332,915          |
|  | <b>3,131,556,570</b>   | 1,610,091,419       |
| <b>COSTS OF SALES</b>                          | <b>(2,500,788,640)</b> | (1,219,697,021)     |
| <b>GROSS INCOME</b>                            | <b>630,767,930</b>     | 390,394,397         |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>     | <b>(335,535,912)</b>   | (229,077,623)       |
| <b>INTEREST EXPENSE</b>                        | <b>(83,929,178)</b>    | (62,712,235)        |
| <b>OTHER INCOME- net</b>                       | <b>12,033,075</b>      | 3,833,631           |
| <b>INCOME BEFORE INCOME TAX</b>                | <b>223,335,915</b>     | 102,438,170         |
| <b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> |                        |                     |
| Current  | <b>81,097,647</b>      | 5,967,015           |
| Deferred                                       | <b>(58,544,922)</b>    | 20,240,393          |
|  | <b>22,552,725</b>      | 26,207,409          |
| <b>TOTAL COMPREHENSIVE INCOME</b>              | <b>₱200,783,190</b>    | 76,230,761          |
| <b>Basic/Diluted Earnings Per Share</b>        | <b>₱0.12</b>           | ₱0.05               |



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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**

|                                   | Capital Stock         | Additional<br>Paid-in Capital | Retained<br>Earnings  | Other<br>Components of<br>Equity | Total                 |
|-----------------------------------|-----------------------|-------------------------------|-----------------------|----------------------------------|-----------------------|
| Balances at January 1, 2023       | <b>P1,683,760,178</b> | <b>P2,451,116,470</b>         | <b>P2,877,362,495</b> | <b>P33,537,963</b>               | <b>P7,045,777,106</b> |
| Total comprehensive income        | –                     | –                             | <b>200,783,190</b>    | –                                | <b>200,783,190</b>    |
| <b>Balances at March 31, 2023</b> | <b>P1,683,760,178</b> | <b>P2,451,116,470</b>         | <b>P3,078,145,685</b> | <b>P33,537,963</b>               | <b>P7,246,560,296</b> |
| Balances at January 1, 2022       | P1,683,760,178        | P2,451,116,470                | P2,053,473,219        | (P7,562,345)                     | P6,180,787,522        |
| Total comprehensive income        | –                     | –                             | 76,230,761            | –                                | 76,230,761            |
| Balances at March 31, 2022        | P1,683,760,178        | P2,451,116,470                | P2,129,703,980        | (P7,562,345)                     | P6,257,018,283        |

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**

|   | 2023<br>(Unaudited) | 2022<br>(Unaudited) |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                     |                     |
| Income before income tax  | P223,335,915        | P102,438,170        |
| Adjustments for:  |                     |                     |
| Depreciation and amortization                                       | 149,987,039         | 128,039,985         |
| Interest expense  | 83,929,178          | 62,712,235          |
| Increase in accrued pension costs                                   | 13,916,230          | (555,658)           |
| Interest income   | (78,862)            | (91,503)            |
| Unrealized foreign exchange loss                                    | 405,720             | 2,201               |
| Income before working capital changes                               | 471,495,220         | 292,545,431         |
| Decrease (increase) in:   |                     |                     |
| Trade and other receivables   | 41,984,314          | (63,376,574)        |
| Inventories   | (154,457,408)       | (42,269,326)        |
| Prepaid expenses and other current assets                           | 257,282,140         | (51,351,588)        |
| Decrease in:  |                     |                     |
| Accounts payable and other current liabilities                      | (702,765,304)       | (3,252,119)         |
| Contract liabilities  | 621,334             | (942,441)           |
| Net cash generated from operations                                  | (85,839,705)        | 131,353,382         |
| Income tax paid   | (2,060,837)         | —                   |
| Interest received   | 78,862              | 91,503              |
| Net cash provided by operating activities                           | (87,821,680)        | 131,444,885         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |                     |                     |
| Decrease (increase) in:   |                     |                     |
| Other noncurrent assets   | 3,095,291           | (2,234,698,522)     |
| Deferred input value added tax                                      | 530,222             | 29,262,050          |
| Increase (decrease) in:   |                     |                     |
| Dealer's deposits and other noncurrent liabilities                  | 6,353,160           | (22,301,742)        |
| Acquisition of property and equipment                               | (101,319,674)       | (165,918,881)       |
| Proceeds from redemption of financial assets at FVPL                | —                   | 300,000,000         |
| Net cash used in investing activities                               | (91,341,002)        | (2,093,657,096)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |                     |                     |
| Proceeds from availment of long- term loan                          | —                   | 1,600,000,000       |
| Proceeds from availment of short- term loan                         | —                   | 500,000,000         |
| Payment of interest   | (60,956,249)        | (42,340,307)        |
| Payment of lease liability  | (66,924,355)        | (49,710,867)        |
| Net cash provided by financing activities                           | (127,880,605)       | 2,007,948,826       |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b> | (405,720)           | (2,201)             |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                    | (307,449,007)       | 45,734,414          |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>               | 989,578,790         | 485,414,521         |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                     | P682,129,783        | P531,148,935        |

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

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

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#### 1. General Information

##### Corporate Information

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

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

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

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

The unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on May 5, 2023.

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

##### Basis of Preparation

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

##### Statement of Compliance

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

##### Basis of Consolidation

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

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

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

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),

- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

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

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

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

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

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

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

|   | Principal Activities                     | Place of Incorporation | Percentage of Ownership (%) |
|---|--|------------------------|-----------------------------|
| Bakemasters, Inc. (BMI) <sup>a</sup>          | Manufacturer of pizza dough and pastries | Philippines            | 100%                        |
| PC International Limited (PCIL)               | Restaurant business                      | Singapore              | 100%                        |
| Queensview International Limited (QIL)        | 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%                        |

### 3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Company's financial statements are consistent with those of the previous financial year except for the following new accounting pronouncements.

Unless otherwise indicated, the Group does not expect that the adoption of the said pronouncements to have a significant impact on its consolidated financial statements.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

#### Standards Issued but Not Yet Effective

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

##### *Effective beginning on or after January 1, 2024*

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

##### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

##### *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*

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## **4. Business Combinations**

### *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 a 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. 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 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 were 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 from its existing operations and contacts with suppliers and other partners to improve cost and efficiency. The goodwill is not deductible for tax purposes.

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## 5. Segment Information

Segment information is prepared on the following bases:

### Business Segments

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

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

### Inter-segment Transactions

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

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

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

EBITDA and EBITDA margin are non-PFRS measures.

The following table shows the reconciliation of the consolidated EBITDA to consolidated net income for the nine months ended March 31, 2023 and 2022:

|                               | March 31,<br>2023    | March 31,<br>2022 |
|-------------------------------|----------------------|-------------------|
| Consolidated EBITDA           | <b>P457,173,270</b>  | P293,098,888      |
| Depreciation and amortization | <b>(149,987,039)</b> | (128,039,985)     |
| Provision for income tax      | <b>(22,552,725)</b>  | (26,207,409)      |
| Interest expense              | <b>(83,929,178)</b>  | (62,712,235)      |
| Interest income               | <b>78,862</b>        | 91,503            |
| Consolidated net income       | <b>P200,783,190</b>  | P76,230,761       |

#### 6. Cash and Cash Equivalents

|               | March 31,<br>2023   | December 31,<br>2022 |
|---------------|---------------------|----------------------|
| Cash on hand  | <b>P122,185,371</b> | P323,566,155         |
| Cash in banks | <b>559,944,411</b>  | 666,012,635          |
|               | <b>P682,129,782</b> | P989,578,790         |

Cash in banks earn interest at the respective bank deposit rates. Interest income on cash and cash equivalents amounted to P0.1 million and P0.1 million for the three months ended March 31, 2023 and 2022, respectively.

#### 7. Trade and Other Receivables

|                                     | March 31,<br>2023     | December 31,<br>2022 |
|-------------------------------------|-----------------------|----------------------|
| Trade:                              |                       |                      |
| Franchisee                          | <b>P359,999,887</b>   | P379,564,504         |
| Third parties                       | <b>313,519,646</b>    | 334,644,122          |
| Related parties                     | <b>22,140,132</b>     | 24,913,919           |
| Royalty receivable                  | <b>179,989,048</b>    | 170,138,255          |
| Receivable from:                    |                       |                      |
| Franchisees                         | <b>83,434,454</b>     | 63,775,172           |
| National Advertising Fund (NAF)     | <b>44,091,868</b>     | 50,225,215           |
| Employees                           | <b>36,076,289</b>     | 31,425,291           |
| Others                              | <b>79,440,483</b>     | 87,645,560           |
|                                     | <b>1,118,691,807</b>  | 1,142,332,038        |
| Less allowance for doubtful account | <b>(9,265,646)</b>    | (9,265,646)          |
|                                     | <b>P1,109,426,161</b> | P1,133,066,392       |

Below are the terms and conditions of the financial assets:

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

- Other receivables consist mainly of receivables from cooperatives and freight charges which are non-interest bearing and generally have 30 to 45 days' term.

The movements of allowance for doubtful accounts are as follows:

|                              | March 31,<br>2023   |                                  |                   | December 31,<br>2022 |                                  |            |
|------------------------------|---------------------|----------------------------------|-------------------|----------------------|----------------------------------|------------|
|                              | Trade and<br>Others | Receivables<br>from<br>Employees | Total             | Trade and<br>Others  | Receivables<br>from<br>Employees | Total      |
| Balance at beginning of year | <b>P8,020,079</b>   | <b>P1,245,567</b>                | <b>P9,265,646</b> | P4,873,440           | P1,245,567                       | P6,119,007 |
| Provision                    | –                   | –                                | –                 | 3,146,639            | –                                | 3,146,639  |
| Balance at reporting date    | <b>P8,020,079</b>   | <b>P1,245,567</b>                | <b>P9,265,646</b> | P8,020,079           | P1,245,567                       | P9,265,646 |

## 8. Inventories

|                           | March 31,<br>2023     | December 31,<br>2022 |
|---------------------------|-----------------------|----------------------|
| At cost -                 |                       |                      |
| Finished goods            | <b>P16,392,703</b>    | P10,117,799          |
| At NRV:                   |                       |                      |
| Merchandise               | <b>1,106,665,839</b>  | 939,140,684          |
| Raw materials - food      | <b>26,930,737</b>     | 43,882,543           |
| Raw materials - packaging | <b>5,582,189</b>      | 7,973,034            |
|                           | <b>P1,155,571,468</b> | P1,001,114,060       |

Allowance for inventory obsolescence amounted to P4.3 million as at March 31, 2023 and December 31, 2022.

## 9. Prepaid Expenses and Other Current Assets

|                       | March 31,<br>2023   | December 31,<br>2022 |
|-----------------------|---------------------|----------------------|
| Advances to suppliers | <b>P359,343,654</b> | P623,699,846         |
| Prepaid taxes         | <b>65,720,199</b>   | 48,360,623           |
| Prepaid expenses      | <b>61,361,859</b>   | 58,823,884           |
|                       | <b>P486,425,712</b> | P730,884,353         |

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



## 10. Property and Equipment

|                                     | Building            | Leasehold<br>Improvements | Furniture,<br>Fixtures and<br>Equipment | Machinery<br>and<br>Equipment | Transportation<br>Equipment | Cost of Shops<br>and<br>Maintenance<br>Tools | Glassware<br>and Utensils | Construction<br>in-progress | Total                 |
|-------------------------------------|---------------------|---------------------------|---|-------------------------------|-----------------------------|--|---------------------------|-----------------------------|-----------------------|
| <b>Cost</b>                         |                     |                           |   |                               |                             |  |                           |                             |                       |
| Balance at December 31, 2021        | P264,941,019        | P1,298,311,501            | P1,223,238,197                          | P220,810,643                  | P26,434,990                 | P26,038,151                                  | P21,514,578               | P130,482,753                | P3,211,771,832        |
| Additions                           | 201,486             | 349,848,646               | 207,740,822                             | 15,607,393                    | 13,293,444                  | 12,640,449                                   | 15,815,870                | 94,901,984                  | 710,050,094           |
| Disposals                           | (165,153)           | (866,707)                 | (2,094,403)                             | –                             | (1,832,767)                 | –  | –                         | –                           | (4,959,030)           |
| <b>Balance at December 31, 2022</b> | <b>264,977,352</b>  | <b>1,647,293,440</b>      | <b>1,428,884,616</b>                    | <b>236,418,036</b>            | <b>37,895,667</b>           | <b>38,678,600</b>                            | <b>37,330,448</b>         | <b>225,384,737</b>          | <b>3,916,862,896</b>  |
| Additions                           | –                   | 39,097,128                | 53,459,070                              | 1,303,316                     | 2,420,000                   | 2,763,734                                    | 66,167                    | 2,210,258                   | 101,319,674           |
| Disposals                           | –                   | –                         | (1,941,446)                             | –                             | –                           | –  | –                         | –                           | (1,941,446)           |
| <b>Balance at March 31, 2023</b>    | <b>P264,977,352</b> | <b>P1,686,390,568</b>     | <b>P1,480,402,241</b>                   | <b>P237,721,352</b>           | <b>P40,315,667</b>          | <b>P41,442,334</b>                           | <b>P37,396,615</b>        | <b>P227,594,995</b>         | <b>P4,016,241,124</b> |
| <b>Accumulated Depreciation</b>     |                     |                           |   |                               |                             |  |                           |                             |                       |
| 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                        | 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)                 | –  | –                         | –                           | (2,462,345)           |
| <b>Balance at December 31, 2022</b> | <b>83,361,948</b>   | <b>910,396,230</b>        | <b>938,671,837</b>                      | <b>144,195,704</b>            | <b>19,373,321</b>           | <b>31,222,918</b>                            | <b>24,917,533</b>         | <b>–</b>                    | <b>2,152,139,491</b>  |
| Depreciation                        | 3,718,861           | 22,550,427                | 46,941,853                              | 4,550,501                     | 1,033,439                   | 3,406,779                                    | 860,823                   | –                           | 83,062,683            |
| Disposals                           | –                   | –                         | (1,941,446)                             | –                             | –                           | –  | –                         | –                           | (1,941,446)           |
| <b>Balance at March 31, 2023</b>    | <b>87,080,809</b>   | <b>932,946,657</b>        | <b>983,672,244</b>                      | <b>148,746,205</b>            | <b>20,406,760</b>           | <b>34,629,697</b>                            | <b>25,778,356</b>         | <b>–</b>                    | <b>2,233,260,728</b>  |
| <b>Net Book Value</b>               |                     |                           |   |                               |                             |  |                           |                             |                       |
| Balance at December 31, 2022        | P181,615,402        | P736,897,210              | P490,212,779                            | P92,222,332                   | P18,522,346                 | P7,455,682                                   | P12,412,915               | P225,384,737                | P1,764,723,405        |
| <b>Balance at March 31, 2023</b>    | <b>P177,896,543</b> | <b>P753,443,911</b>       | <b>P496,729,997</b>                     | <b>P88,975,147</b>            | <b>P19,908,908</b>          | <b>P6,812,636</b>                            | <b>P11,618,259</b>        | <b>P227,594,995</b>         | <b>P1,782,980,396</b> |

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

## 11. Intangible Assets

The Group's intangible assets consist of:

|                 | <b>March 31,<br/>2023</b> | <b>December 31,<br/>2022</b> |
|-----------------|---------------------------|------------------------------|
| Goodwill        | <b>₱1,324,852,131</b>     | ₱1,324,852,131               |
| Trademarks      | <b>8,759,352,242</b>      | 8,759,352,242                |
| Software        | <b>245,457,089</b>        | 249,428,715                  |
| Franchise right | <b>6,076,008</b>          | 6,253,328                    |
|                 | <b>₱10,335,737,470</b>    | ₱10,339,886,416              |

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

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

On August 24, 2020, the Group entered into a master franchise agreement 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. 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.

Increase in trademarks and goodwill as of December 31, 2022 amounting to ₱3,208.8 million and ₱60.85 million, respectively, pertains to the business combination recognition during the year.

## 12. Right-of-Use Assets and Lease Liabilities

### *Group as a lessee*

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

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

The rollforward analysis of this account follows:

|                                 | March 31,<br>2023     | December 31,<br>2022 |
|---------------------------------|-----------------------|----------------------|
| <b>Cost</b>                     |                       |                      |
| Balance at beginning of year    | <b>₱2,376,814,694</b> | ₱1,967,648,594       |
| Additions                       | –                     | 611,244,521          |
| Pre-terminations                | –                     | (202,078,421)        |
| Balance at end of year          | <b>2,376,814,694</b>  | 2,376,814,694        |
| <b>Accumulated Amortization</b> |                       |                      |
| Balance at beginning of year    | <b>933,034,115</b>    | 736,132,455          |
| Amortization                    | <b>66,924,355</b>     | 287,944,102          |
| Pre-terminations                | –                     | (91,042,442)         |
| Balance at end of year          | <b>999,958,470</b>    | 933,034,115          |
| <b>Net Book Value</b>           | <b>₱1,376,856,224</b> | ₱1,443,780,579       |

The rollforward analysis of lease liabilities follows:

|  | March 31,<br>2023     | December 31,<br>2022 |
|--|-----------------------|----------------------|
| Balance at beginning of year                     | <b>₱1,700,018,174</b> | ₱1,480,736,519       |
| Additions  | –                     | 610,225,027          |
| Interest expense                                 | <b>22,972,929</b>     | 102,828,224          |
| Payments   | <b>(66,924,355)</b>   | (360,864,550)        |
| Pre-terminations                                 | –                     | (130,225,864)        |
| Lease concessions                                | –                     | (2,681,182)          |
| Balance at end of year                           | <b>1,656,066,748</b>  | 1,700,018,174        |
| Current portion of lease liabilities             | <b>58,902,122</b>     | 58,902,122           |
| <b>Lease liabilities -net of current portion</b> | <b>₱1,597,164,626</b> | ₱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:

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|   | Fixed<br>Payments   | Variable<br>Payments | Total               |
|---|---------------------|----------------------|---------------------|
| <b>Fixed</b>                              | <b>₱72,556,251</b>  | <b>₱–</b>            | <b>₱72,556,251</b>  |
| <b>Variable rent with minimum payment</b> | <b>68,460,737</b>   | <b>43,301,360</b>    | <b>111,762,097</b>  |
| <b>Variable rent only</b>                 | <b>–</b>            | <b>1,393,943</b>     | <b>1,393,943</b>    |
| <b>As at March 31, 2023</b>               | <b>₱141,016,988</b> | <b>₱44,695,303</b>   | <b>₱185,712,291</b> |

|                                    | Fixed<br>Payments | Variable<br>Payments | Total       |
|------------------------------------|-------------------|----------------------|-------------|
| Fixed                              | ₱38,485,870       | ₱–                   | ₱38,485,870 |
| Variable rent with minimum payment | 26,145,379        | 20,139,804           | 46,285,183  |
| Variable rent only                 | –                 | 267,002              | 267,002     |
| As of March 31, 2022               | ₱64,631,249       | ₱20,406,806          | ₱85,038,056 |

### 13. Accounts Payable and Other Current Liabilities

|                    | March 31,<br>2023     | December 31,<br>2022 |
|--------------------|-----------------------|----------------------|
| Trade:             |                       |                      |
| Suppliers          | <b>₱703,330,324</b>   | ₱1,442,515,377       |
| Related parties    | <b>136,213,015</b>    | 127,047,981          |
| Nontrade           | <b>12,583,729</b>     | 87,883,647           |
| Accrued expenses:  |                       |                      |
| Suppliers          | <b>189,258,729</b>    | 169,771,074          |
| Utilities          | <b>24,482,256</b>     | 48,513,378           |
| Salaries and wages | <b>19,214,255</b>     | 23,907,449           |
| Customers loyalty  | <b>23,397,645</b>     | 15,635,843           |
| Interest           | <b>38,954,319</b>     | –                    |
| Others             | <b>1,233,651</b>      | 1,536,472            |
| Other payables     | <b>289,040,422</b>    | 215,402,074          |
|                    | <b>₱1,437,708,345</b> | ₱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.

Other payables consist of the following:

|                     | March 31,<br>2023   | December 31,<br>2022 |
|---------------------|---------------------|----------------------|
| Output VAT          | <b>₱104,598,743</b> | ₱18,251,158          |
| Customers' deposits | <b>59,750,073</b>   | 79,152,364           |
| Provision           | <b>47,073,871</b>   | 47,073,871           |

|                          |                     |              |
|--------------------------|---------------------|--------------|
| Withholding tax payable  | <b>39,851,594</b>   | 36,709,532   |
| Retention Payable        | <b>18,509,098</b>   | 12,712,780   |
| Fun certificates payable | <b>11,206,248</b>   | 11,877,495   |
| Others                   | <b>8,050,795</b>    | 9,624,874    |
|                          | <b>P289,040,422</b> | P215,402,074 |

#### 14. Related Party Transactions

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

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the nine months ended March 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.

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

| Category  | Nature   | Year | Amount/ Volume<br>of transaction | Outstanding Balance |             | Terms                        | Conditions              |
|---|--|------|----------------------------------|---------------------|-------------|------------------------------|-------------------------|
|   |  |      |                                  | Receivable          | Payable     |                              |                         |
| <b>Century Pacific Group Inc. (CPGI, Ultimate Parent Company)</b>         |  |      |                                  |                     |             |                              |                         |
| Purchases   | Purchase of raw materials and goods at agreed prices usually on a cost plus basis          | 2023 | 1,941,710                        | 4,032,101           | –           | 30-day; non-interest bearing | Unsecured               |
|   |  | 2022 | 1,941,710                        | 3,082,080           | –           |                              |                         |
|   |  |      |                                  |                     | –           |                              |                         |
| <i>Companies with common members of BOD and stockholders as the Group</i> |  |      |                                  |                     |             |                              |                         |
| <b>The Pacific Meat Company Inc. (PMCI)</b>                               |  |      |                                  |                     |             |                              |                         |
| Sales   | Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties | 2023 | 3,018,879                        | 10,250,174          | –           | 30-day; non-interest bearing | Unsecured; not impaired |
|   |  | 2022 | 7,329,639                        | 9,693,410           | –           |                              |                         |
| Purchases   | Purchase of raw materials and goods at agreed prices usually on a cost plus basis          | 2023 | 66,965,245                       | –                   | 130,054,035 | 30-day; non-interest bearing | Unsecured               |
|   |  | 2022 | 48,095,995                       | –                   | 121,785,346 |                              |                         |
| <b>DBE Project Inc. (DBE)</b>   |  |      |                                  |                     |             |                              |                         |
| Trade sales and service income  | Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties | 2023 | –                                | 2,778,786           | –           | 30-day; non-interest bearing | Unsecured; not impaired |
|   |  | 2022 | –                                | 2,778,786           | –           |                              |                         |
| Purchases   | Purchase of raw materials and goods at agreed prices usually on a cost-plus basis          | 2023 | –                                | –                   | –           | 30-day; non-interest bearing | Unsecured; not impaired |
|   |  | 2022 | –                                | –                   | 293,488     |                              |                         |
| <b>Century Pacific Food Inc. (CPFI)</b>                                   |  |      |                                  |                     |             |                              |                         |
| Sales   | Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties | 2023 | 5,665,056                        | 5,079,071           | –           | 30-day; non-interest bearing | Unsecured; not impaired |
|   |  | 2022 | 5,472,162                        | 9,359,643           | –           |                              |                         |
| Purchases   | Purchase of raw materials and goods at agreed prices usually on a cost plus basis          | 2023 | 22,784,975                       | –                   | 6,158,980   | 30-day; non-interest bearing | Unsecured               |
|   |  | 2022 | 4,578,403                        | –                   | 4,969,147   |                              |                         |
|   |  |      | 2023                             | 22,140,132          | 136,213,015 |                              |                         |
|   |  |      | 2022                             | 24,913,919          | 127,047,981 |                              |                         |

Compensation of Key Management Personnel

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

|               | <b>For the three months ended March 31,</b> |             |
|---------------|---|-------------|
|               | <b>2023</b>                                 | <b>2022</b> |
| Salaries      | <b>₱47,928,718</b>                          | ₱36,294,527 |
| Pension costs | <b>9,379,845</b>                            | 13,381,725  |
|               | <b>₱57,308,562</b>                          | ₱49,676,252 |

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

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**15. Short-term Loans Payable**

|                              | <b>March 31,<br/>2023</b> | <b>December 31,<br/>2022</b> |
|------------------------------|---------------------------|------------------------------|
| Balance at beginning of year | <b>₱500,000,000</b>       | ₱–                           |
| Additions                    | –                         | 500,000,000                  |
| Balance at end of year       | <b>₱500,000,000</b>       | ₱500,000,000                 |

As at March 31, 2023, the loan has outstanding amount of ₱500.0 million with interest rate of 2.30% per annum. Interest expense pertaining to short-term loans amounting to ₱4.9 million and nil was recognized for the periods ended March 31, 2023 and 2022, respectively.

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**16. Long-term Loan Payable**Long-term facility loan

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

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

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

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

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

As at March 31, 2023 and December 31, 2022, the Group is in compliance with the 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 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 loan is as follows:

|   | March 31,<br>2023     | December 31,<br>2022 |
|---|-----------------------|----------------------|
| BDO loan - principal                          | <b>₱3,697,986,963</b> | ₱3,697,986,963       |
| Less unamortized debt issue costs             | <b>7,429,009</b>      | 7,429,009            |
| BDO loan – net of unamortized debt issue cost | <b>3,690,557,954</b>  | 3,690,557,954        |
| BPI loan                                      | <b>1,600,000,000</b>  | 1,600,000,000        |
| Less current portion of long-term loan        | <b>47,932,514</b>     | 47,932,514           |
| Noncurrent portion                            | <b>₱5,242,625,440</b> | ₱5,242,625,440       |

Interest expense amounting to ₱56.0 million and ₱40.3 million was recognized for the three months ended March 31, 2023 and 2022, respectively.

**19. Equity**Capital Stock

|   | Number of<br>shares | Amount         |
|---|---------------------|----------------|
| Authorized capital stock - ₱1 par value:            | 2,000,000,000       | ₱2,000,000,000 |
| Issued and outstanding capital stock - ₱1 par value | 1,683,760,178       | 1,683,760,178  |

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

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

The issued and outstanding shares as at March 31, 2023 and December 31, 2022 are held by 41 equity holders.



### Retained Earnings

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

| Date of Declaration | Dividend            |            | Record Date     |
|---------------------|---------------------|------------|-----------------|
|                     | Rate<br>(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    |

There is no outstanding dividends payable as at March 31, 2023 and December 31, 2022.

Undistributed earnings of the subsidiaries included in the Group's retained earnings amounting to ₱228.3 million as at March 31, 2023 and ₱282.4 million as at December 31, 2022 are not currently available for dividend distribution.

### 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 March 31, 2023 and December 31, 2022, respectively.

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## 20. Earnings per Share (EPS)

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

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

The Group's EPS were computed as follows:

|   | For the three months ended March 31, |               |
|---|--------------------------------------|---------------|
|   | 2023                                 | 2022          |
| (a) Net income (loss)                             | <b>₱200,783,190</b>                  | ₱76,230,761   |
| (b) Weighted average number of shares outstanding | <b>1,683,760,178</b>                 | 1,683,760,178 |
| Basic/ diluted EPS (a/b)                          | <b>₱0.12</b>                         | ₱0.05         |

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## 21. Financial Risks Management Objectives and Policies

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

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

**Credit Risk.** Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Group manages and controls

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

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

|                             | March 31,<br>2023     | December 31,<br>2022 |
|-----------------------------|-----------------------|----------------------|
| Cash*                       | <b>P559,944,411</b>   | P666,012,635         |
| Trade and other receivables | <b>1,109,426,161</b>  | 1,142,332,038        |
| Rental and other deposits   | <b>276,507,597</b>    | 254,504,587          |
| Total credit risk exposure  | <b>P1,945,878,169</b> | P2,062,849,260       |

\*Excluding cash on hand.

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

| March 31, 2023              |                                     |                           |                    |                     |                   |                       |
|-----------------------------|-------------------------------------|---------------------------|--------------------|---------------------|-------------------|-----------------------|
|                             | Neither<br>Past Due<br>nor Impaired | Past Due but not Impaired |                    | Subtotal            | Impaired          | Total                 |
|                             |                                     | 1–180 Days                | Over 181 days      |                     |                   |                       |
| Cash*                       | <b>P559,944,411</b>                 | <b>P–</b>                 | <b>P–</b>          | <b>P–</b>           | <b>P–</b>         | <b>P559,944,411</b>   |
| Trade and other receivables | 861,288,741                         | 245,135,521               | 3,001,898          | 248,137,420         | 9,265,646         | 1,118,691,807         |
| Rental and other deposits   | 217,611,479                         | –                         | 58,896,118         | 58,896,118          | –                 | 276,507,597           |
|                             | <b>P1,638,844,631</b>               | <b>P245,135,521</b>       | <b>P61,898,017</b> | <b>P307,033,538</b> | <b>P9,265,646</b> | <b>P1,955,143,815</b> |

\*Excluding cash on hand.

| December 31, 2022           |                                     |                           |                    |                     |                   |                       |
|-----------------------------|-------------------------------------|---------------------------|--------------------|---------------------|-------------------|-----------------------|
|                             | Neither<br>Past Due<br>nor Impaired | Past Due but not Impaired |                    | Subtotal            | Impaired          | Total                 |
|                             |                                     | 1–180 Days                | Over 181 days      |                     |                   |                       |
| Cash*                       | P666,012,635                        | P–                        | P–                 | P–                  | P–                | P666,012,635          |
| Trade and other receivables | 809,236,091                         | 330,806,687               | –                  | 330,806,687         | 9,265,646         | 1,130,777,132         |
| Rental and other deposits   | 189,287,521                         | –                         | 65,217,066         | 65,217,066          | –                 | 254,504,587           |
|                             | <b>P1,664,536,247</b>               | <b>P330,806,687</b>       | <b>P65,217,066</b> | <b>P396,023,753</b> | <b>P9,265,646</b> | <b>P2,051,294,354</b> |

\*Excluding cash on hand.

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

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

| March 31, 2023               |                       |                     |                     |                       |
|------------------------------|-----------------------|---------------------|---------------------|-----------------------|
|                              | High grade            | Medium grade        | Standard grade      | Total                 |
| Cash*                        | <b>P559,944,411</b>   | <b>P–</b>           | <b>P–</b>           | <b>P559,944,411</b>   |
| Trade and other receivables: |                       |                     |                     |                       |
| Trade receivables            | 195,188,401           | 262,668,750         | –                   | 457,857,151           |
| Royalty receivable           | 179,989,048           | –                   | –                   | 179,989,048           |
| Receivable from franchisee   | –                     | –                   | 83,434,454          | 83,434,454            |
| Receivable from NAF          | –                     | –                   | 44,091,868          | 44,091,868            |
| Receivable from employees    | –                     | –                   | 19,805,883          | 19,805,883            |
| Other receivables            | 76,110,338            | –                   | –                   | 76,110,338            |
| Rental and other deposits    | –                     | –                   | 217,611,479         | 217,611,479           |
|                              | <b>P1,011,232,197</b> | <b>P262,668,750</b> | <b>P364,943,683</b> | <b>P1,638,844,631</b> |

\*Excluding cash on hand.

|                              | December 31, 2022 |              |                |                |
|------------------------------|-------------------|--------------|----------------|----------------|
|                              | High grade        | Medium grade | Standard grade | Total          |
| Cash*                        | P666,012,635      | P—           | P—             | P666,012,635   |
| Trade and other receivables: |                   |              |                |                |
| Trade receivables            | 315,094,042       | 424,028,503  | —              | 739,122,545    |
| 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    |
|                              | P1,238,890,492    | P424,028,503 | P320,998,160   | P1,983,917,155 |

\*Excluding cash on hand.

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

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

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

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

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

|   | March 31, 2023     |                  |              |              |                  | Total            |
|---|--------------------|------------------|--------------|--------------|------------------|------------------|
|   | Due and Demandable | < 90 Days        | 91–180 Days  | 181–365 Days | Over 365 Days    |                  |
| Cash  | P682,129,782       | P—               | P—           | P—           | P—               | P682,129,782     |
| Trade and other receivables                     |                    |                  |              |              |                  |                  |
| Trade   | 457,857,151        | 65,625,055       | 164,638,295  | —            | 7,539,165        | 695,659,665      |
| Royalty receivables                             | 179,989,048        | —                | —            | —            | —                | 179,989,048      |
| Receivable from franchisees                     | 83,434,454         | —                | —            | —            | —                | 83,434,454       |
| Receivable from NAF                             | 44,091,868         | —                | —            | —            | —                | 44,091,868       |
| Receivables from employees                      | 19,805,883         | 13,203,922       | 1,820,918    | —            | 1,245,567        | 36,076,289       |
| Other receivables                               | 78,959,569         | —                | —            | —            | 480,914          | 79,440,483       |
| Rental and other deposits                       | 217,611,479        | —                | —            | 58,896,118   | 3,297,293        | 279,804,890      |
|   | 1,763,879,234      | 78,828,976       | 166,459,212  | 58,896,118   | 12,562,939       | 2,080,626,479    |
| Accounts payable and other current liabilities: |                    |                  |              |              |                  |                  |
| Trade payables                                  | —                  | 839,543,338      | —            | —            | —                | 839,543,338      |
| Nontrade payables                               | —                  | 12,583,729       | —            | —            | —                | 12,583,729       |
| Accrued expenses                                | —                  | 295,307,205      | —            | —            | —                | 295,307,205      |
| Other payables*                                 | —                  | 144,590,085      | —            | —            | —                | 144,590,085      |
| Dealers’ deposit and other noncurrent payables  | —                  | —                | —            | —            | 155,459,895      | 155,459,895      |
| Long-term loans payable**                       | 47,932,514         | —                | —            | —            | 5,242,625,440    | 5,290,557,954    |
|   | 47,932,514         | 1,292,024,356    | —            | —            | 5,398,085,335    | 6,738,042,205    |
| Liquidity gap                                   | P1,715,946,720     | (P1,213,195,380) | P166,459,212 | P58,896,118  | (P5,385,522,396) | (P4,657,415,726) |

\*Excluding statutory payables.

\*\*Including future interest payments.

| December 31, 2022                               |                    |                  |              |              |                  |                  |
|---|--------------------|------------------|--------------|--------------|------------------|------------------|
|   | Due and Demandable | < 90 Days        | 91–180 Days  | 181–365 Days | Over 365 Days    | Total            |
| Cash  | P989,578,790       | P–               | P–           | P–           | P–               | P989,578,790     |
| Trade and other receivables                     |                    |                  |              |              |                  |                  |
| Trade   | 424,028,503        | 74,099,759       | 240,994,283  | –            | 7,640,101        | 746,762,646      |
| 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        | –                | –            | –            | 62,217,066       | 254,504,587      |
|   | 1,988,102,402      | 92,101,664       | 240,994,283  | –            | 74,482,711       | 2,395,681,060    |
| 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    |
|   | 47,932,514         | 2,225,352,540    | –            | –            | 5,389,015,008    | 7,662,300,062    |
| Liquidity gap                                   | P1,940,169,888     | (P2,133,250,876) | P240,994,284 | –            | (P5,314,532,297) | (P5,266,619,002) |

\*Excluding statutory payables.

\*\*Including future interest payments.

### Capital Management

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

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

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

|                   | March 31,<br>2023 | December 31,<br>2022 |
|-------------------|-------------------|----------------------|
| Total liabilities | 10,032,441,744    | 10,662,641,171       |
| Total equity      | 7,246,560,296     | 7,045,777,106        |
|                   | 1.38:1            | 1.51:1               |

## 22. Fair Value Information

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

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

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

| As at March 31, 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                                  | March 31, 2023    | ₱169,465,374   | ₱—             | ₱145,550,723                         |
| Liabilities for which fair values are disclosed: |                   |                |                |                                      |
| Long-term loans payable                          | March 31, 2023    | ₱5,290,557,954 | ₱—             | ₱6,334,150,117                       |
| Dealers' deposits                                | March 31, 2023    | 71,530,454     | —              | 58,097,112                           |
|  |                   | ₱5,362,088,408 | ₱—             | ₱6,392,247,229                       |

| As at December 31, 2022                          |                   |                |                   |   |
|--|-------------------|----------------|-------------------|---|
|  | Date of Valuation | Carrying Value | Fair Value        |   |
|  |                   |                | Level 1<br>Quoted | Level 2<br>Significant<br>Observable<br>Input |
| Assets for which fair values are disclosed -     |                   |                |                   |   |
| Rental deposits                                  | December 31, 2022 | 254,504,587    | –                 | 218,589,354                                   |
|  |                   | P254,504,587   | P–                | P218,589,354                                  |
| Liabilities for which fair values are disclosed: |                   |                |                   |   |
| Long-term loans payable                          | December 31, 2022 | P5,290,557,954 | P–                | P6,334,150,117                                |
| Dealers’ deposits                                | December 31, 2022 | 160,080,740    | –                 | 130,017,749                                   |
|  |                   | P5,450,638,694 | P–                | P6,464,167,866                                |

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 3.62% to 6.14% as at March 31, 2023 and December 31, 2022.

*Long-term loans Payable.* The fair value of loan payable which was discounted using prevailing market rate of 4.29% as at March 31, 2023 and December 31, 2022 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 4.69% as at March 31, 2023 and December 31, 2022.

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