April 17, 2023

PHILIPPINE STOCK EXCHANGE, INC.
3rd Floor Philippine Stock Exchange Plaza,
Ayala Triangle, Ayala Avenue,
Makati City, Philippines

Attention: **Alexandra D. Tom Wong**
OIC - Head, Disclosure Department

RE: **Annual Report**

Gentlemen:

We submit herewith Shakey's Pizza Asia Ventures Inc.'s 2022 Annual Report - SEC Form Amended 17-A.

We trust that you find the attachments sufficient and in order.

Very Truly Yours,

MARIA ROSARIO L. YBANEZ
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

1. For the fiscal year ended **31 December 2022**

2. SEC Identification Number **54666**

3. BIR Tax Identification No. **000-163-396**

4. Exact name of issuer as specified in its charter **SHAKEY'S PIZZA ASIA VENTURES INC.**

5. **MANILA, PHILIPPINES**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **15 KM EAST SERVICE ROAD CORNER MARIAN ROAD 2, BARANGAY SAN BARANGAY SAN MARTIN DE PORRES, PARANAQUE CITY** **1700**
   Address of principal office Postal Code

8. **(632) 839-0156**
   Issuer's telephone number, including area code

9. **NA**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**1,683,760,178**

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

    Yes [✓] No [ ]

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

    Philippine Stock Exchange **Common Shares**

12. Check whether the issuer:

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

Yes [✓]   No [ ]

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

Yes [✓]   No []

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

PHP13,823,671,061 COMPUTED USING THE CLOSING PRICE OF PHP8.21 AND ISSUED SHARES OF 1,683,760,178 AS OF MARCH 31, 2023.

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

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

Yes [✓]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

List of Stockholders attached as Annex A referred to in Item 11 on page 23.

2022 Sustainability Report attached as Annex B.

2022 Consolidated Financial Statements of Shakey's Pizza Asia Ventures Inc. and its Subsidiaries attached as Annex C and Financial Statements of Parent Company attached as Annex D referred to in Item 6 on page 10.

PART I - BUSINESS AND GENERAL INFORMATION

PART II - OPERATIONAL AND FINANCIAL INFORMATION

PART III - CONTROL AND COMPENSATION INFORMATION

PART IV - EXHIBITS AND SCHEDULES

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

a) Overview

Shakey's Pizza Asia Ventures Inc. (SPAVI) or PIZZA, is the market leader in 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. As of December 31, 2022, it operated a total of 1,772 stores and kiosks - a mix of company-owned and franchise outlets in the Philippines and abroad.

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, PIZZA 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 it guests through its delivery segment. With the shift of consumer trends 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 its 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.

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

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

Last December 2021, the Company entered into 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.

b) Key Risks

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

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

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

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

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

PIZZA hires approximately 1,300 full-time employees, a portion of which are covered by a 5-year collective bargaining agreement renewed on October 15, 2021. Although PIZZA's operations have never been affected by any labor dispute in the past, it cannot assure that it will not experience labor unrest and activism in the future, which may affect its business, financial condition and result of operations.

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

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

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

Item 2. Properties

As of December 31, 2022, PIZZA does not own land. PIZZA enters into long-term leases for the properties wherein all its Company-owned stores are constructed while its franchisees have either independent lease agreements for their franchise stores or may own land on which the store is constructed. The company's lease agreements with its lessors are typically for a term of 10-15 years, renewable upon mutual agreement of the parties.

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

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

Item 3. Legal Proceedings

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

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

a) Market Information

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

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

Period	High	Low
1st Quarter of 2021	**8.29**	**6.60**
2nd Quarter of 2021	**8.80**	**6.98**
3rd Quarter of 2021	**8.80**	**7.40**
4th Quarter of 2021	**11.20**	**7.65**
January 1, 2021 to December 31, 2021	**11.20**	**6.60**
1st Quarter of 2022	**10.28**	**7.75**
2nd Quarter of 2022	**8.70**	**6.70**
3rd Quarter of 2022	**8.20**	**6.90**
4th Quarter of 2022	**7.78**	**7.10**
January 1, 2022 to December 31, 2022	**10.28**	**6.70**
January 1, 2023 to March 31, 2023	**8.70**	**7.26**

Source: Daily Quotation Reports of the Philippine Stock Exchange

The market capitalization of the Company's common shares as of end of 2022, based on the closing price of ₱7.65 per share was ₱12,880,765,362. The market capitalization of the Company's common shares as of March 31, 2023, based on the closing price of ₱8.21 per share was ₱13,823,671,061.

b) Holders

Total shares outstanding as of December 31, 2022, is 1,683,760,178 with a par value of ₱1.00.

The number of shareholders of record as of December 31, 2022, was 41. The shareholders as of the same date are as follows:

Name of Shareholder	Number of Shares	% Ownership
Century Pacific Group, Inc.	813,346,241	48.31%*
PCD Nominee Corp. (Non-Filipino)	431,313,934	25.61%
PCD Nominee Corp. (Filipino)	357,375,981	21.22%
JE Holdings, Inc.	152,439,025	9.05%
Century Pacific Group, Inc.	40,000,000	2.37%
Ma. Luisa P. Lovina	13,766,511	0.81%
Leopoldo M. Prieto III	6,882,542	0.40%
Jamille P. Torres	3,706,257	0.22%
Panda Development Corporation	3,314,264	0.19%
Jamille M. P. Torres	3,176,285	0.18%
Ma. Consuelo P. Guerrero	2,923,808	0.17%
Ma. Pilar P. Lorenzo	2,923,808	0.17%
Ma. Cristina P. Moraza	2,923,808	0.17%
Carlos M. Prieto	2,923,808	0.17%
Eduardo M. Prieto	2,923,808	0.17%
Rosario Anne R. Prieto	2,811,823	0.16%
L.L.P. Enterprises, Inc.	2,808,968	0.16%
Ramon M. Prieto	2,760,093	0.16%
Ma. Ines P. Borromeo	1,943,056	0.11%
Ma. Teresa P. Rufino	1,514,170	0.09%
Ma. Teresa R. Prieto	1,297,653	0.07%

Python Rock Enterprises	11,000	
Alma Bella Pil Alberastine	2,000	-
Percival Byron Salazar Bueser	2,000	-
Veronica Aguilar Pedrasa	2,000	-
Leopoldo H. Prieto, Jr.	1,427	-
Dondi Ron R. Limgenco	1,111	-
Christine F. Herrera	1,000	-
Gabrielle Claudia F. Herrera	1,000	-
John T. Lao	1,000	-
Teresa P. Marcelino	1,000	-
Celina F. Lucero	200	-
Roy Eduardo T. Lucero	200	-
Owen Nathaniel S Au ITF: Li Marcus Au	110	-
Shareholders' Association of the Philippines Inc.	100	-
Victor Co and/or Alian Co	100	-
Lance Y. Gokongwei	100	-
Jesus San Luis Valencia	100	-
Gerardo L. Salgado	8	-
Joselito T. Bautista	1	-
Paulo L. Campos III	1	-
Botschaft N. Cheng or Sevilla Ngo	1	-
Fernan Victor P. Lukban	1	-

* Century Pacific Group, Inc. owns 836,445,141 shares of the Company in its own name and another 16,901,100 shares of the Company lodged under PCD Nominee Corp. (Filipino).

c) Dividends

Last June 20, 2022, the Company declared regular cash dividends amounting to Three Centavos (PhP0.03) per share on all shares of common stock issued and outstanding to stockholders of record as of July 4, 2022.

There are no outstanding dividends payable as of December 31, 2022.

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

The Company did not issue any stocks to its employees as of December 31, 2022.

Item 6. Management's Discussion and Analysis

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

FY22 Results of Operations

Key Highlights

- PIZZA saw its full-year 2022 bottomline stand at ₱874 million, surging 611% from 2021's recorded net income after tax of ₱123 million and surpassing pre-pandemic bottomline, driven primarily by the company's strong business performance following the Philippine economic reopening.
- Systemwide sales reached ₱14.09 billion, equivalent to 136% recovery of 2019 sales. PIZZA's accelerated business recovery in 2022 is fueled by the resurgence in dine-in sales due to the economic reopening, the group's store network expansion, and the acquisition of leading kiosk-based food brand, Potato Corner (PC).

Revenues and Systemwide Sales

In ₱ Millions	**2021 Reported**	**2021 Reported**	**YOY**
Systemwide Sales	7,011	14,087	101%
Net Revenues	5,480	10,142	85%

Systemwide sales, which comprises sales from both company-owned and franchise stores, increased by 101% from ₱7.01 billion to ₱14.09 billion as of end 2022. On a same-store sales basis, excluding the impact of closed stores, sales were up 37% year-on-year.

Consolidated net revenues, composed of sales from company-owned stores, franchise and royalty fees from franchisees, and revenues from wholly-owned subsidiaries, reached ₱10.1 billion, increasing by 85% from reported revenues of ₱5.5 billion for the twelve months ending December 31, 2021.

Cost of Sales

For the year ending 2022, consolidated cost of sales increased by 79% from ₱4.2 billion in 2021 to ₱7.5 billion.

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

Gross Profit

Consolidated gross profit amounted to ₱2.60 billion for the full year 2022, representing a 104% increase from the ₱1.27 billion in the previous year. This yielded a gross profit margin of 26%, a significant improvement versus the previous year's 23%.

General and Administrative Expenses

For the twelve months ending December 31, 2022, consolidated general and administrative expenses totaled ₱1.22 billion, representing a cost-to-sales ratio of 12%. This is lower than the cost-to-sales ratio of 15% during the same period in 2021.

Operating Income

Consolidated operating income increased by 215% from ₱436 million in 2021 to ₱1.37 billion in 2022.

Net Interest Expense

Interest expense of ₱324 million was recorded for the twelve months ending December 31, 2022, higher than 11% compared to the 2021 figure of ₱292 million. This was mainly driven by the increase in long-term loans payable in 2022.

Other Income

Other income totaled ₱49 million as of year-end 2022. This is composed mainly of other income from franchisees, service income, provisions and loss from store retirement. This is lower than the ₱86 million reported in 2021 as during the prior period, gains from reversal of long outstanding liabilities and gains from recovery of receivables were recognized.

Net Income

For the year ending 2022, consolidated net income after tax stood at ₱874 million, yielding a net income margin of 9%. This is significantly higher than the 2% margin reported in the previous period.

FY22 Financial Condition

PIZZA had consolidated total assets of ₱17.78 billion as of December 31, 2022, an increase versus total assets of ₱12.63 billion as of end 2021. This was mainly driven by the acquisition of the Potato Corner business.

Cash and cash equivalents

As of end 2022, cash and cash equivalents totaled ₱989 million. Cash includes cash on hand and in banks while cash equivalents are short-term, highly liquid investments that are easily convertible to cash.

Trade and other receivables

Trade and other receivables stood at ₱1.13 billion as of year-end 2022 compared to ₱724 million in 2021.

Inventories

As of December 31, 2022, inventories remained steady at ₱1.00 billion from ₱433 million in 2021.

Property, plant, and equipment

Consolidated net property, plant, and equipment stood at ₱1.76 billion as of year end 2022. Capital expenditures for the year reached ₱707 million, which were primarily invested in the building of new stores.

Intangible assets

Intangible assets increased to ₱10.34 billion in 2022 from ₱7.03 billion in 2021, driven by PC trademarks and goodwill arising from the PC acquisition.

Accounts payable and other current liabilities

Accounts payable and other current liabilities increased to ₱2.23 billion from ₱968 million during the previous year.

Loans payable

As of December 31, 2022, the Company's total interest-bearing debt stood at ₱5.79 billion. The outstanding loans payable by year end 2022 primarily consists of the loan acquired prior to the Company's IPO in 2016 for the acquisition of the in-house commissary and the trademark companies holding the rights and trademarks of the *Shakey's* brand, as well as the loans acquired in 2022 to finance the company's expansion plans.

Deferred tax liability

The deferred tax liability of ₱654 million recognized as of December 31, 2022 arose primarily from the PC acquisition.

Cash flows

Consolidated net cash provided by operating activities amounted to ₱1.59 billion for the full year 2022, an improvement of 61% versus the previous year's ₱986 million.

Consolidated net cash used in investing activities was ₱2.51 billion. This is mainly attributable to the PC acquisition and capital expenditures for new store openings.

Consolidated net cash provided by financing activities was ₱1.42 billion in 2021, which includes loan proceeds net of financing costs and dividend payments.

All in all, cash increased ₱504 million for the year, leading to cash and cash equivalents balance of ₱990 million at year-end 2022.

Key Performance Indicators (KPIs)

	Audited Twelve Months Ended December 31, 2021	**Audited Twelve Months Ended December 31, 2022**
Gross Profit Margin	23.2%	25.6%
Before Tax Return on Sales	4.2%	10.8%
Return on Equity	2.2%	8.6%
Net Gearing Ratio	0.53x	0.68x
Current Ratio	1.89x	1.37x

Notes:
1 Gross Profit margin = Gross Profit / Net Revenue
2 Before Tax Return on Sales = Net Profit Before Tax / Net Revenue
3 Return on Equity = Net Income / Average Equity
4 Net gearing ratio = (Interest-bearing debt – Cash) / Total Equity
5 Current Ratio = Total Current Assets / Total Current Liabilities

Item 7. Financial Statements

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

Item 8. Information on Independent Public Accountants

a) External Auditor

SGV & Co., a member firm of Ernst & Young, independent auditors, has audited the Company's financial statements as at and for the years ended December 2013, 2014, 2015, 2016, 2017, 2018, 2019 ,2020, 2021 and 2022. SGV & Co. has been the Company's Independent Public Accountants since 1975 and will be recommended to be re-appointed as the external auditor of the Company for the ensuing year. Christine G. Vallejo is the current audit partner. The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in us nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in us. SGV & Co. does not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

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

SGV & Co. also audited the Company's financial statements as of December 31, 2021 in accordance with the Philippine Standards on Auditing.

SGV & Co. has reviewed our pro forma adjustments and the application of those adjustments to the historical amounts in the pro forma condensed consolidated financial information as of December 31, 2019 in accordance with the Philippine Standard on Assurance Engagements 3000, *Assurance Engagements Other than Audits or Review of Historical Financial Information*, and the Philippines Securities and Exchange Commission Memorandum Circular No. 2, Series of 2008, *Guideline on Attestation of Pro Forma Financial Information*. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assumptions, the pro forma adjustments and the application of those adjustments to historical financial information. Accordingly, SGV & Co. does not express such opinion on the pro forma condensed consolidated financial information.

b) Audit Fees

The following table sets out the aggregate fees billed for 2021 and 2022 for professional services rendered by SGV & Co., excluding fees directly related to the Offer. SGV & Co. does not provide other services that are not reasonably related to the performance of the audit or review of our financial statements.

	2021	2022
Audit and Audit-Related fees	PhP3,415,000.00	PhP5,107,000.00

Audit and Audited-Related Fees refer to the professional services rendered by SGV & Co. for audit of the Company's annual financial statements and services that are normally provided in connection with statutory and regulatory filings for the said calendar years.

c) Audit Committee and Policies

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

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

- Reviews the independent auditors audit plan — discusses scope, staffing, reliance upon management and the internal audit department, general audit approach, and coverage provided to any significant areas of concern that the audit committee may have.

- Reviews and confirms the independence of the external auditors on relationships by obtaining statements from the auditors on the relationships between the auditors and the Company, including non-audit services, and discussing the relationships with the auditors.

- Prior to publishing the year-end earnings, discusses the results of the audit with the independent auditors.

- On an annual basis, the audit committee reviews and discusses with the independent auditors all significant relationships they have with the Company that could impair the auditors' independence.

- On a regular basis, the audit committee meets separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

The Audit Committee reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters: (i) any change/s in accounting policies and practices, (ii) areas where a significant amount of judgment has been exercised, (iii) significant adjustments resulting from the audit, (iv) going concern assumptions, (v) compliance with accounting standards and (vi) compliance with tax, legal and regulatory requirements. The Audit Committee also reviews the disposition of the recommendations in the External Auditor's management letter.

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

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

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

There were no disagreements with Accountants on Accounting and Financial Disclosure or Changes in Accounting Policies for the period ended December 31, 2022.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

a. Directors, Including Independent Directors, and Executive Officers

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

The table below sets forth each member of the board of directors as of December 31, 2022:

Name	Age	Nationality	Position
Christopher T. Po	52	Filipino	Chairman
Ricardo Gabriel T. Po	55	Filipino	Vice Chairman
Teodoro Alexander T. Po	53	Filipino	Vice Chairman
Leonardo Arthur T. Po	45	Filipino	Member
Paulo L. Campos III	39	Filipino	Independent Director
Vicente L. Gregorio	57	Filipino	Member
Lance Y. Gokongwei	56	Filipino	Director
Fernan Victor P. Lukban	62	Filipino	Independent Director
Frances J. Yu	53	Filipino	Independent Director

Christopher T. Po (first elected October 5, 2016) was re-elected as the Company's Executive Chairman on June 20, 2022.. He concurrently serves as the Chairman of Shakey's Pizza Asia Ventures, Inc. (PIZZA) and as a Director of Arthaland Corporation (ALCO), a property developer listed on the PSE. He likewise serves as an Independent Director of AB Capital Securities, Inc. and Maya Bank, Inc. Prior to those roles, he was Managing Director for Guggenheim Partners, a U.S. financial services firm where he was in charge of the firm's Hong Kong office. Previously, he was a Management Consultant at McKinsey and Company working with companies in the Asian region. He also worked as the Head of Corporate Planning for JG Summit Holdings, a Philippine-based conglomerate with interests in food, real estate, telecom, airlines, and retail. He graduated summa cum laude from the Wharton School and College of Engineering of the University of Pennsylvania with dual degrees in Economics (finance concentration) and applied science (system engineering) in 1991. He holds a Master degree in Business Administration from the Harvard University Graduate School of Business Administration. He is a member of the Board of Trustees of the Ateneo de Manila University as well as a member of the Board of Asia Society Philippines, and he is the President of the CPG-RSPo Foundation.

Ricardo Gabriel T. Po, Jr. (first elected October 5, 2016) was re-elected as the Company's Vice Chairman on June 20, 2022.. He concurrently serves as a Vice Chairman of PIZZA and as a Vice Chairman of ALCO. He was the Executive Vice President and Chief Operations Officer of CNPF from 1990 to 2006 and became the Vice Chairman of its Board of Directors in 2006. He graduated magna cum laude from Boston University with a Bachelor of Science degree in Business Management in 1990. He also completed the Executive Education Program (Owner-President Management Program) at Harvard Business School in 2000.

Teodoro Alexander T. Po, (first elected October 5, 2016) was re-elected as the Company's Vice Chairman, President, and Chief Executive Officer on June 20, 2022. He concurrently serves as a Vice Chairman of PIZZA. Since 1990, he has held various positions in CNPF. He graduated summa cum laude from Boston University with a Bachelor of Science degree in Manufacturing Engineering in 1990. He also completed the Executive Education Program (Owner-President Management Program) at Harvard Business School.

Leonardo Arthur T. Po, (first elected October 5, 2016) was re-elected as the Company's Director and Treasurer on June 20, 2022. He concurrently serves as the Director and Treasurer of PIZZA. He graduated magna cum laude from Boston University with a degree in Business Administration and has extensive and solid business development experience in consumer marketing, finance and operations of fast-moving consumer goods (FMCG), foodservice, quick-serve restaurants, and real estate development.

Paulo L. Campos III, (first elected October 14, 2016) was re-elected as Independent Director of the Company on June 20, 2022. He was first elected an Independent Director of the Company on October 14, 2016. Mr. Campos is the co-founder and Chief Executive Officer of ZALORA Philippines, having founded the company in the late 2011. Prior to ZALORA, he was a management consultant with The Boston Consulting Group in Singapore where he worked with companies across the region on issues related to business development, organizational development, investor communications and strategy. Mr. Campos holds a Master in Business Administration from Harvard Business School and graduated magna cum laude from Princeton University with a degree from its Woodrow Wilson School of Public and International Affairs. After university, he was employed with Ayala Land, Inc. as Special Assistant to the President until 2008.

Vicente L. Gregorio, (first elected October 5, 2016) was re-elected as the Company's director on June 20, 2022 . Mr. Gregorio has also been the Company's President and Chief Executive Officer since March 2013. He has more than 30 of experience in the food business, previously serving as Operations Director in various food service companies prior to assuming the position of Executive Vice President and Chief Operations Officer of the Company in February 2003. He also currently serves as a member of the board of the Philippine Franchise Association, Cavallino, Inc., Don Bosco Technical College, Bosconian International Chamber of Commerce, and Plan Master Insurance and Financial Services, Inc. Mr. Vicente Gregorio graduated from Central Colleges of the Philippines with a degree in Bachelor of Science in Electrical Engineering and has earned units in the Business Administration Master's program of the Graduate School of Business at Ateneo de Manila University.

Lance Y. Gokongwei (first elected July 15, 2021) was re-elected as the Company's Director on June 20, 2022. I He is the Chairman of Universal Robina Corporation,President and Chief Executive Officer of JG Summit Holdings Inc., iChairman of Altus Ventrues Property, Inc., Robinsons Retail Holdings, Inc., Robinsons Land Corporation, JG Summit Petrochemical Corporation, JG Summit Olefins Corporation and Robinsons Bank Corporation. He is the President and Chief Executive Officer of Cebu Air, Inc. He is a director and Vice Chairman of Manila Electric Company and a director of Oriental Petroleum and Minerals Corporation, United Industrial Corporation Limited and Meralco Powergen Corporation. He is also member of the Board of Global Reporting Initiative. He is also the Chairman and trustee of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.

Fernan Victor P. Lukban, (first elected October 14, 2016) was re-elected as the Company's Lead Independent Director on June 20, 2022. He concurrently serves as the Lead Independent Director of Century Pacific Food, Inc.,, as an Independent Director of Arthaland Corporation, and as a Director of Central Azucarera de Tarlac, Inc. (CAT). He is a highly regarded consultant in family business, strategy, entrepreneurship, and governance. He is active in Base of the Pyramid initiatives all over the Philippines and helps professionalize Boards throughout the country. He holds undergraduate degrees in engineering (Industrial Management - Mechanical from De La Salle University, Manila) and graduate degrees in economics (MSc in Industrial Economics from the Center for Research & Communication, now University of Asia & the Pacifc) and in business (MBA from IESE Barcelona, Spain). He spent much of his early professional years in academia, helping establish the University of Asia & the Pacifc where he currently participates as a consultant, mentor, and guest lecturer. He is a founding fellow of the Institute of Corporate Directors.

Frances J. Yu, (first elected August 16, 2018) was re-elected as the Company's Independent Director on June 20, 2022. She concurrently serves as an Independent Director of Century Pacific Food, Inc. . She was previously the Chief Retail Strategist of Mansmith and Fielders, Inc., the largest marketing and sales training company in the Philippines. Prior to this, she was the Vice President and Business Unit Head of Rustan's Supermarket and the Vice President and Head of Marketing Operations for Rustan's Supercenters, Inc. She founded FJY Consulting, Inc., a corporate marketing and management consulting company which she managed as President. She was also the Vice President and General Manager of a marketing research and consulting firm catering to the top 500 corporations in several sectors. From 2003 to 2005, she served as the Chairperson for the National Retail Conference and Stores Asia Expo (NRCE) Programs Committee of the Philippine Retailers Association. She graduated summa cum laude from Fordham University, New York with a Bachelor of Arts degree in English Literature. She graduated magna cum laude from Augustine Institute in Denver, with a Master's Degree in Theology.

The table below sets forth the key executive and corporate officers as of December 31, 2022:

Name	Age	Nationality	Position
Jose Arnold T. Alvero	58	Filipino	Chief Operating Officer and Business Unit Head of Potato Corner
Alois Brielbeck	60	German	General Manager (commissary)
Jorge Maria Q. Concepcion	66	American and Filipino	General Manager
Manuel T. Del Barrio	57	Filipino	Vice-President and Chief Financial Officer
Vicente L. Gregorio	55	Filipino	President and Chief Executive Officer
Rubenrico R. Marasigan	47	Filipino	Chief Human Resources Officer
Darel G. Pallesco	36	Filipino	Chief Audit Executive
Leonardo Arthur T. Po	44	Filipino	Treasurer
Maria Elma C. Santos	46	Filipino	General Manager – Peri Peri

Gilbert L. Tolentino	50	Filipino	Business Unit Director and R&B General Manager
Myrose April C. Victor	38	Filipino	Investor Relations Head
Maria Rosario L. Ybanez	47	Filipino	Corporate Secretary

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

Manuel T. Del Barrio, was re-elected Vice-President and Chief Financial Officer on July 15, 2020 and has been Vice-President and Chief Financial Officer since March 31, 2016. He concurrently holds the position of Chief Risk Officer and Compliance Officer of the Company. He was previously the Assistant Vice-President for Finance of CNPF and The Pacific Meat Company, Inc. He previously worked as an Industrial Accounting Manager in TEMIC Telefunken Semiconductors, Inc. and held accounting positions in Hooven Philippines and Sanara, Inc. He has a degree in Bachelor of Science in Business Administration from the University of the East, and holds a Master in Business Administration (Regis Program) from the School of Business of the Ateneo de Manila University. He is a Certified Public Accountant and a Certified Management Accountant.

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

Jose Arnold T. Alvero was appointed as the Corporation's Chief Operating Officer and Business Unit Head of Potato Corner in January 2022. He was the Vice President - International Operations & Director for Franchise & Business Development in January 2020. is a hospitality professional with more than 35 years of transnational experience in Hotel Operations, Restaurant General Management, Franchising, Business Development, Guest Service Management, and Strategic Planning. Prior to his new appointment, he was the Business Unit GM for Franchised Store Operations as well as Director for Franchise and Business Development where he led the store network expansion & growth of Shakey's Philippines outside of Metro Manila and developed the Franchise ACE program for its esteemed franchisees. Previous to that, he was Planning and Business Development Director of Shakey's Philippines wherein he strengthened the brand's Countrywide Development Plan and steered the company's Business Development team. Before joining Shakey's Philippines, he was the Corporate Franchising and Channel Development Head of One Food Group and oversaw the development of the Tokyo Tokyo and Mister Donut franchising programs. Before that, he also served as Regional Business Unit (RBU) General Manager for both Company-Owned and Franchised stores for Mister Donut. He also had stints in Red Ribbon Bakeshop, Inc, McDonald's Philippines, The Palace Hotel, Beijing, and The Mandarin Oriental, Manila in various managerial capacities in Operations and Guest Services early in his career. Jose is a graduate of the University of the Philippines where he finished a B.S. Hotel and Restaurant degree, cum laude.

Rubenrico R. Marasigan, joined PIZZA in 2021 as Human Resources Director. Mr. Marasigan brings with him over 20 years of Human Resources and Organization Development Executive experience in different organizations across diverse industries both local and abroad. He was formerly Vice President in Human Resources of the Bank of the Philippine Islands, Assistant Vice President and Head for HR of Chowking under Jollibee Foods Corporation, and other HR roles in Makati Development Corp., Convergys, Integrated Microelectronics Inc., and DLSU-Manila.

Darel G. Pallesco, is the Corporation's Chief Audit Executive. Mr. Pallesco has been heading the Corporate Internal Audit since he joined the company in 2014. He started his career with SGV & Co. in 2006 as an internal auditor and continued though it with multinational companies such as Johnson & Johnson, Philip Morris and Luen Thai where he primarily audited and contributed on facets of governance, risk management and internal controls. He earned his degree of Bachelor of Science in Accountancy from San Sebastian College-Recoletos in 2005, a Certified Public Accountant (CPA) and a Certified Internal Auditor (CIA).

Maria Elma C. Santos, is the Corporation's General Manager for Peri Peri Business Unit. Ms. Santos was previously Shakey's Guest Engagement Director in 2015, and General Manager of Project Pie from 2016 to 2017. In mid of 2017, she became Shakey's Delivery Systems Head and headed the HR Division of Shakey's until mid-2019. She currently leads the team of Peri-Peri as the General Manager. She earned her Master's degree in Business Administration from the Ateneo-Regis Program.

Gilbert L. Tolentino, is the Corporation's Business Unit Director and R&B Tea General Manager. Mr. Tolentino has 33 years of experience in the food industry and has handled different departments like Operations, Training, Organization Development, Franchising, Business Development, and Technical Services. Previously the Group Training Manager for Pancake House, Dencio's, and Teriyaki Boy. Mr. Tolentino has been with PIZZA for 15 years.

Myrose April C. Victor, was elected as the Company's Investor Relations Head in July 2021. Ms. Victor has 16 years of work experience in the Finance, Accounting, Corporate Planning, Systems Implementation and General Management functions in different industries such as food retail, banking and energy. Prior to joining CPFI, Ms. Victor was the Head of Finance for DOLE's Packaged Division, handling the functions of Finance Planning and Controllership for the Philippines and Other Distributor Markets. Ms. Victor also handled various roles on general and finance management and led transformation and turnaround projects for companies in the food, energy and banking industries. Graduated in 2005 from the University of the Philippines with a degree in BS Business Administration and Accountancy.. Ms. Victor also completed her Global Master in Finance from IE Business School in 2019.

Maria Rosario L. Ybanez, was elected as the Company's Corporate Secretary in June 1, 2018. She concurrently serves as the Legal Counsel and Compliance Officer of Century Pacific Food, Inc.. Atty. Ybanez graduated with a Bachelor of Arts degree in Legal Management from the Ateneo de Manila University and obtained her J.D. from the Ateneo de Manila School of Law.

b. Family Relationships

Mr. Christopher T. Po, Mr. Ricardo Gabriel T. Po, Mr. Teodoro Alexander T. Po and Mr. Leonardo Arthur T. Po are brothers. Aside from the foregoing, there are no family relationships between any Directors and any members of the Company's senior management as of December 31, 2022.

c. Involvement in Certain Legal Proceedings

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

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

Item 10. Executive Compensation

a. General

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

No director should participate in deciding on his remuneration.

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

b. Summary Compensation Table

a. CEO and five other most highly compensated executive officers

Name	Principal Position	Year	Compensation
Vicente L. Gregorio	President & CEO	2022	₱67,949,585
Alois Brielbeck	General Manager – BMI		
Jorge Maria Q. Concepcion	General Manager – Shakey’s		
Manuel T. Del Barrio	Vice President & CFO		
Jose Arnold T. Alvero	Vice President – International Operations & Director – Franchise & Business Development		
Gilbert L. Tolentino	Director – Company-Owned Store Operations		

b. Compensation of Directors and Officers as a Group

Name	Principal Position	Year	Compensation
Aggregate compensation paid to all executive officers and directors as a group unnamed		2022	₱157,370,825

c. Compensation of Directors

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	None		
(b) Variable Remuneration	None		
(c) Per diem Allowance	None		₱196,491.23
(d) Bonuses	None		
(e) Stock Options and/or other financial instruments	None		
(f) Others (Specify)	None		

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

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

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

e. Warrants and Options Outstanding

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

a. Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2022, the following were owners of more than 5% of the Company's outstanding shares:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	% to Total Outstanding
Common	Century Pacific Group, Inc. / 7F Centerpoint Building, Julia Vargas Avenue, Ortigas Center, Pasig City / Stockholder of Record	Ricardo Gabriel T. Po, Chairman Christopher T. Po, President Teodoro Alexander T. Po, Chief Operating Officer Leonardo T. Po, Director	Filipino	853,346,241	50.68%*
Common	PCD Nominee Corp. (Non-Filipino) / The Enterprise Center, Ayala Avenue corner Paseo de Roxas, Makati City / Stockholder of Record	Please see BDO Report as December 31, 2022 attached as Annex "A"	Non-Filipino	431,313,934	25.61
Common	Arran Investment Pte. Ltd. / 168 Robinson Road, #37-01 Capital Tower, Singapore / Stockholder of Record	GIC Private Limited (GIC) – sovereign wealth fund of the Government of Singapore, Parent company of Arran	Singaporean	283,063,432	16.81%
Common	PCD Nominee Corp. (Filipino) / The Enterprise Center, Ayala Avenue corner Paseo de Roxas, Makati City / Stockholder of Record	Please see BDO Report as of December 31, 2022 attached as Annex "A"	Filipino	357,375,981	21.22%

* Century Pacific Group, Inc. owns 836,445,141 shares of the Company in its own name and another 16,901,100 shares of the Company lodged under PCD Nominee Corp. (Filipino).

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

The following are the number of shares owned of record by the directors and key officers of the Company as of December 31, 2022

Title of Class	Name of Beneficial Owner	Citizenship	Amount and Beneficial Ownership		% of Capital Stock
			Number of Direct shares	Number of Indirect shares	
Common	Ricardo Gabriel T. Po	Filipino	1	-	-
Common	Teodoro Alexander T. Po	Filipino	1	-	-
Common	Christopher T. Po	Filipino	1	-	-
Common	Leonardo Arthur T. Po	Filipino	1	-	-
Common	Vicente L. Gregorio	Filipino	2,456,989	-	-
Common	Fernan Victor P. Lukban	Filipino	95,001	-	-
Common	Paulo L. Campos III	Filipino	1	89,000	-
Common	Frances J. Yu	Filipino	1	-	-
	Lance Y. Gokongwei	Filipino	100	-	-
Common	Manuel T. Del Barrio	Filipino	210,342	-	-
Common	Maria Rosario L. Ybanez	Filipino	-	-	-
Common	Jorge Maria Q. Concepcion	American	649,245	-	-
Common	Alois Brielbeck	German	359,600	-	-
Common	Jose Arnold T. Alvero	Filipino	75,555	-	-
Common	Myrose April C. Victor	Filipino	5,000	-	-
Common	Maria Elma C. Santos	Filipino	-	-	-
Common	Gilbert L. Tolentino	Filipino	3,000	-	-
Common	Darel G. Pallesco				
		TOTAL	**3,854,838**	**89,000**	**-**

c. Voting Trust Holder of 5% or more

As of December 31, 2022, there are no persons holding more than 5.0% of a class of shares under a voting trust or similar agreement.

d. Changes in Control

There are no arrangements which may result in a change in control of the Registrant as of December 31, 2022.

Item 12. Certain Relationships and Related Transactions

The Company is a subsidiary of Century Pacific Group, Inc. (CPGI) and is a member of Century Pacific Group, Inc.'s Group of Companies (the Group). As of December 31, 2022, CPGI holds 50.68% of the outstanding shares of the Company.

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

The most significant of these transactions would include:

a) 25-year lease agreement with CPGI on a property in Paranaque City, Metro Manila where the Company's new corporate headquarters and commissary plant will be constructed
b) Purchase of inventory such as corned beef and tuna from CNPF
c) The sale of inventory such as cheese, chicken, and dining supplies to DBE Project, Inc., also a subsidiary of CPGI

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

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

PART IV - EXHIBITS AND SCHEDULES

Shakey's Pizza Asia Ventures Inc. has seven (7) subsidiaries as of December 31, 2022:

Subsidiary	Business	% Ownership	Country of Residence
Bakemasters, Inc.	Manufactures and distributes fresh, frozen, pan-baked and baked breads, pastries, cakes, desserts, confectionery items, pie crusts, and party shells.	100	Philippines
Shakey's International Limited	Holds Shakey's trademark and license to operate in the ASEAN region.	100	Hong Kong
Wow Brand Holdings, Inc.	Operates Peri Peri Charcoal Chicken and Sauce Bar restaurants	100	Philippines
Shakey's Seacrest Inc.	Trademark holding company	100	Philippines
Shakey's Pizza Regional Foods Limited	Operates Shakey's franchising activities outside of the Philippines	100	Hong Kong
Shakey's Pizza Commerce, Inc.	Buys, sells, and distributes goods and merchandise to Shakey's stores	100	Philippines
Potato Corner International Pte. Ltd.	Operates Potato Corner's franchising activities outside of the Philippines. Holds Potato Corner trademarks.	100	Singapore

Item 13. Exhibits and Reports on SEC Form 17-C:

Reports on SEC Form 17-C:

Date	Subject of Report
January 26, 2022	Press Release: Shakey's Pizza Set begins booster rollout for vaccinated employees
January 31, 2022	Change in designation of Jose Arnold T. Alvero from Vice President - International Operations & Director for Franchise & Business Development to Chief Operating Officer and Business Unit Head of Potato Corner
March 7, 2022	Acquisition or Disposition of Assets: Shakey's Pizza and subsidiary WOW Brand Holdings, Inc. acquire Potato Corner
March 9, 2022	Press Release: Shakey's Pizza opens new international store in Singapore
March 15, 2022	Notice of Annual Stockholders' Meeting
March 21, 2022	Press Release: Shakey's Group opens first Peri-Peri Charcoal Chicken 'Fly-Thru' store in Metro Manila
April 8, 2022	Press Release: Shakey's Pizza bounces back in 2021; Returns to profitability boosted by strong 4Q; Expansion to accelerate in 2022, Systemwide sales to revert to pre-pandemic level with Potato

	Corner onboard
May 13, 2022	Material Information/Transactions: Shakey's group posts upbeat 1Q22 results; Sales up 33%, Net income more than doubles year-on-year
June 6, 2022	Press Release: Peri-peri Charcoal Chicken launches Peri Paints, A collaboration with local artists to support its store expansion program
June 20, 2022	Results of the Annual Stockholders' Meeting
June 20, 2022	Declaration of cash dividends
June 20, 2022	Results of the Organizational Meeting of the Board of Directors
August 10, 2022	Material Information/Transactions: Shakey's Pizza surpasses pre-pandemic systemwide sales in 1H22, Finishes strong with an 18-fold bottomline increase
August 10, 2022	Press Release: Shakey's Pizza surpasses pre-pandemic systemwide sales in 1H22, Finishes strong with an 18-fold bottomline increase
September 6, 2022	Appointment of Rubenrico R. Marasigan as Chief Human Resources Officer
October 12, 2022	Press Release: a Potato Corner at every corner: PC WOWing the world with over 1,300 stores globally
October 20, 2022	Press Release: Peri-Peri Charcoal Chicken, on a roll with new locations; hits 60th store milestone and opens Clark International Airport outlet
November 14, 2022	Material Information/Transactions: Shakey's Pizza posts record high 9M22 systemwide sales on the back of dine-in resurgence, Potato Corner acquisition and ramped up expansion
November 14, 2022	Press Release: Shakey's Pizza posts record high 9M22 systemwide sales on the back of dine-in resurgence, Potato Corner acquisition and ramped up expansion
December 19, 2022	Press Release: Potato Corner celebrates 30 flavorful years of entrepreneurship
December 27, 2022	Press Release: Potato Corner lands in London and Dubai, marks the opening of its 1,400th store

Reports on SEC Form 17-Q

Date Filed	Subject of Report
May 16, 2022	First Quarter Results
August 10, 2022	Second Quarter Results
November 14, 2022	Third Quarter Results

SIGNATURES

Pursuant to the requirement of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized ______________ on APR 1 7 2023.

By:

Vicente L. Gregorio
Principal Executive Officer

Jorge Q. Concepcion
Principal Operating Officer

Manuel T. del Barrio
Principal Financial Officer

Maria Rosario L. Ybanez
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____ day of APR 1 7 2023 affiant(s) exhibiting to me his/their valid IDs as follows:

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

Doc. No. 483;
Page No. 98;
Book No. I;
Series of 2023.

GENEVIEVE KRISTINE B. MAÑALAC
Appointment No. 45 (2023-2024)
Notary Public for Pasig City, Pateros and San Juan
Until December 31, 2024
Attorney's Roll No. 80720
33rd Floor, The Orient Square
F. Ortigas Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 8979100; 01.04.23; Pasig City
IBP OR No. 213974; 05.22.22; RSM
Admitted to the Bar in 2022

ANNEX A

List of Stockholders

COMPANY NAME : SHAKEY`S PIZZA ASIA VENTURES INC.

LIST OF TOP 100 STOCKHOLDERS
As Of December 31, 2022

STOCKHOLDER'S NAME	OUTSTANDING & ISSUED SHARES (FULLY PAID)	OUTSTANDING & ISSUED SHARES PARTIALLY PAID	TOTAL HOLDINGS (SUBSCRIBED)	PERCENTAGE TO TOTAL
CENTURY PACIFIC GROUP, INC.	796,445,141	0	796,445,141	47.302
PCD NOMINEE CORP. (NON-FILIPINO)	431,313,934	0	431,313,934	25.616
PCD NOMINEE CORP. (FILIPINO)	357,375,981	0	357,375,981	21.225
CENTURY PACIFIC GROUP INC.	40,000,000	0	40,000,000	2.376
MA. LUISA P. LOVINA	13,766,511	0	13,766,511	0.818
LEOPOLDO M. PRIETO III	6,882,542	0	6,882,542	0.409
JAMILLE P. TORRES	3,706,257	0	3,706,257	0.220
PANDA DEVELOPMENT CORPORATION	3,314,264	0	3,314,264	0.197
JAMILLE M. P. TORRES	3,176,285	0	3,176,285	0.189
MA. CONSUELO P. GUERRERO	2,923,808	0	2,923,808	0.174
MA. PILAR P. LORENZO	2,923,808	0	2,923,808	0.174
MA. CRISTINA P. MORAZA	2,923,808	0	2,923,808	0.174
CARLOS M. PRIETO	2,923,808	0	2,923,808	0.174
EDUARDO M. PRIETO	2,923,808	0	2,923,808	0.174
ROSARIO ANNE R. PRIETO	2,811,823	0	2,811,823	0.167
L.L.P. ENTERPRISES, INC.	2,808,968	0	2,808,968	0.167
RAMON M. PRIETO	2,760,093	0	2,760,093	0.164
MA. INES P. BORROMEO	1,943,056	0	1,943,056	0.115
MA. TERESA P. RUFINO	1,514,170	0	1,514,170	0.090
MA. TERESA R. PRIETO	1,297,653	0	1,297,653	0.077
PYTHON ROCK ENTERPRISES INC	11,100	0	11,100	0.001
ALMA BELLA PIL ALBERASTINE	2,000	0	2,000	0.000
PERCIVAL BYRON SALAZAR BUESER	2,000	0	2,000	0.000
VERONICA AGUILAR PEDRASA	2,000	0	2,000	0.000
LEOPOLDO H. PRIETO, JR.	1,427	0	1,427	0.000
DONDI RON R. LIMGENCO	1,111	0	1,111	0.000
CHRISTINE F. HERRERA	1,000	0	1,000	0.000
GABRIELLE CLAUDIA F. HERRERA	1,000	0	1,000	0.000
JOHN T. LAO	1,000	0	1,000	0.000
TERESA P. MARCELINO	1,000	0	1,000	0.000
CELINA F. LUCERO	200	0	200	0.000
ROY EDUARDO T. LUCERO	200	0	200	0.000
OWEN NATHANIEL S AU ITF: LI MARCUS AU	110	0	110	0.000
VICTOR CO AND/OR ALIAN CO	100	0	100	0.000
SHAREHOLDERS` ASSOCIATION OF THE PHILIPPINES, INC.	100	0	100	0.000
JESUS SAN LUIS VALENCIA	100	0	100	0.000
GERARDO L. SALGADO	8	0	8	0.000
JOSELITO T. BAUTISTA	1	0	1	0.000
PAULO L. CAMPOS III	1	0	1	0.000
BOTSCHAFT N. CHENG OR SEVILA NGO	1	0	1	0.000
FERNAN VICTOR P. LUKBAN	1	0	1	0.000
GRAND TOTAL (41)	1,683,760,178	0	1,683,760,178	

THIS IS A COMPUTER GENERATED REPORT AND IF ISSUED WITHOUT ALTERATION, DOES NOT REQUIRE ANY SIGNATURE.

OUTSTANDING BALANCES FOR A SPECIFIC COMPANY

Company Code - PIZZA0000000

Business Date: December 31, 2022

BPNAME	HOLDINGS
THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS' ACCT.	308,635,685
PHILIPPINE EQUITY PARTNERS, INC.	152,456,464
STANDARD CHARTERED BANK	83,818,200
CITIBANK N.A.	47,700,010
GOVERNMENT SERVICE INSURANCE SYSTEM	25,536,110
A & A SECURITIES, INC.	22,772,000
PAPA SECURITIES CORPORATION	21,658,879
REGIS PARTNERS, INC.	16,706,685
MANDARIN SECURITIES CORPORATION	14,425,711
FIRST METRO SECURITIES BROKERAGE CORP.	11,883,783
COL Financial Group, Inc.	10,709,662
BPI SECURITIES CORPORATION	10,557,430
S.J. ROXAS & CO., INC.	10,123,400
BDO SECURITIES CORPORATION	6,968,953
IGC SECURITIES INC.	6,198,600
DEUTSCHE BANK MANILA-CLIENTS A/C	4,920,200
TOWER SECURITIES, INC.	4,121,800
UOB KAY HIAN SECURITIES (PHILS.), INC.	3,699,500
MAYBANK SECURITIES, INC.	3,624,302
MBTC - TRUST BANKING GROUP	1,839,120
WEALTH SECURITIES, INC.	1,584,335
TRITON SECURITIES CORP.	1,163,100
ABACUS SECURITIES CORPORATION	1,056,567
PHILSTOCKS FINANCIAL INC	1,010,583
FIRST INTEGRATED CAPITAL SECURITIES, INC.	945,900
DAVID GO SECURITIES CORP.	882,400
SUMMIT SECURITIES, INC.	874,500
SB EQUITIES,INC.	861,500
UNICAPITAL SECURITIES INC.	681,015
A. T. DE CASTRO SECURITIES CORP.	676,800
AP SECURITIES INCORPORATED	628,200
EAGLE EQUITIES, INC.	532,000
EVERGREEN STOCK BROKERAGE & SEC., INC.	529,300
STANDARD SECURITIES CORPORATION	517,400
CAMPOS, LANUZA & COMPANY, INC.	460,100
AAA SOUTHEAST EQUITIES, INCORPORATED	425,700
AB CAPITAL SECURITIES, INC.	368,100
DEUTSCHE BANK MANILA-CLIENTS A/C	352,609
CHINA BANK SECURITIES CORPORATION	346,900
QUALITY INVESTMENTS & SECURITIES CORPORATION	329,000
ALPHA SECURITIES CORP.	317,000
R. NUBLA SECURITIES, INC.	284,500
EASTERN SECURITIES DEVELOPMENT CORPORATION	275,200
SOLAR SECURITIES, INC.	264,000
YAO & ZIALCITA, INC.	261,200
R. COYIUTO SECURITIES, INC.	229,100
DIVERSIFIED SECURITIES, INC.	215,100
PAN ASIA SECURITIES CORP.	213,100
TANSENGCO & CO., INC.	213,000

OUTSTANDING BALANCES FOR A SPECIFIC COMPANY

Company Code - PIZZA0000000

Business Date: December 31, 2022

BPNAME	HOLDINGS
SALISBURY SECURITIES CORPORATION	210,612
EQUITIWORLD SECURITIES, INC.	200,400
BANK OF COMMERCE - TRUST SERVICES GROUP	191,600
HDI SECURITIES, INC.	176,400
G.D. TAN & COMPANY, INC.	173,100
BERNAD SECURITIES, INC.	140,700
THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.	130,100
YU & COMPANY, INC.	125,800
VALUE QUEST SECURITIES CORPORATION	118,400
NEW WORLD SECURITIES CO., INC.	110,000
IMPERIAL,DE GUZMAN,ABALOS & CO.,INC.	107,800
E. CHUA CHIACO SECURITIES, INC.	106,600
REGINA CAPITAL DEVELOPMENT CORPORATION	100,900
F. YAP SECURITIES, INC.	99,800
SECURITIES SPECIALISTS, INC.	99,600
ALAKOR SECURITIES CORPORATION	87,000
RCBC SECURITIES, INC.	86,900
RTG & COMPANY, INC.	85,500
OPTIMUM SECURITIES CORPORATION	77,100
BELSON SECURITIES, INC.	69,500
AURORA SECURITIES, INC.	67,600
LANDBANK SECURITIES, INC.	66,500
ANSALDO, GODINEZ & CO., INC.	65,200
PNB TRUST BANKING GROUP	63,000
INVESTORS SECURITIES, INC,	58,900
PNB SECURITIES, INC.	57,500
GLOBALINKS SECURITIES & STOCKS, INC.	57,000
MERIDIAN SECURITIES, INC.	56,300
GOLDSTAR SECURITIES, INC.	48,400
GUILD SECURITIES, INC.	46,800
INTRA-INVEST SECURITIES, INC.	45,800
CTS GLOBAL EQUITY GROUP, INC.	39,000
FIRST ORIENT SECURITIES, INC.	37,000
SunSecurities, Inc.	33,500
UPCC SECURITIES CORP.	33,200
SARANGANI SECURITIES, INC.	32,600
ASIASEC EQUITIES, INC.	32,400
ASTRA SECURITIES CORPORATION	30,000
CUALOPING SECURITIES CORPORATION	30,000
DA MARKET SECURITIES, INC.	30,000
PREMIUM SECURITIES, INC.	29,000
APEX PHILIPPINES EQUITIES CORPORATION	28,000
CENTURY SECURITIES CORPORATION	27,000
WESTLINK GLOBAL EQUITIES, INC.	26,600
JSG SECURITIES, INC.	26,000
TIMSON SECURITIES, INC.	24,600
I. B. GIMENEZ SECURITIES, INC.	24,000
STRATEGIC EQUITIES CORP.	23,200
VENTURE SECURITIES, INC.	22,300
JAKA SECURITIES CORP.	20,000
LOPEZ, LOCSIN, LEDESMA & CO., INC.	17,500

OUTSTANDING BALANCES FOR A SPECIFIC COMPANY

Company Code - PIZZA0000000

Business Date: December 31, 2022

BPNAME	HOLDINGS
LUYS SECURITIES COMPANY, INC.	17,000
J.M. BARCELON & CO., INC.	16,300
MDR SECURITIES, INC.	15,800
DBP-DAIWA CAPITAL MARKETS PHILPPINES, INC.	15,000
PLATINUM SECURITIES, INC.	15,000
EAST WEST CAPITAL CORPORATION	10,000
LARRGO SECURITIES CO., INC.	10,000
STERLING BANK OF ASIA TRUST GROUP	6,700
R. S. LIM & CO., INC.	6,000
LUCKY SECURITIES, INC.	5,000
MERCANTILE SECURITIES CORP.	5,000
FIDELITY SECURITIES, INC.	4,500
R & L INVESTMENTS, INC.	3,000
MOUNT PEAK SECURITIES, INC.	2,500
ASIA PACIFIC CAPITAL EQUITIES & SECURITIES CORP.	2,000
LUNA SECURITIES, INC.	2,000
H. E. BENNETT SECURITIES, INC.	2,000
BENJAMIN CO CA & CO., INC.	600
SINCERE SECURITIES CORPORATION	100

TOTAL	788,689,915

If no written notice of any error or correction is received by PDTC within five (5) calendar days from receipt hereof, you shall be deemed to have accepted the accuracy and completeness of the details indicated in this report.

ANNEX B

Sustainability Report

PIZZA Sustainability Report 2022

January – December 2022

Philippine SEC Form 17-A Sustainability Report

Our Sustainability Commitment and Focus

Our Commitment

PIZZA recognizes that growing our stores and our guests must be coupled with growing responsibly. We can only achieve our vision to become the country's most preferred and dominant casual dining and food service player through our commitment to being a sustainable, inclusive, and ethical company.

Sustainability guides the way we do business – with how we WOW our guests, employees, business partners, shareholders, and communities and how we optimize our resource management and supply chain to mitigate our negative impacts on the environment and society. Our mission to be a leading casual dining restaurant in sustainability is championed from the top with our Board of Directors and senior leadership team all the way to the staff on the restaurant floors.

"We have embraced sustainability and have integrated it into our mission. Our People programs involve the development of our human capital. For Planet, we will optimize our plastic, water, and energy footprints whilst balancing our need to stay competitive and remain good stewards of capital. On Pizza, or the food we serve our guests, we will be an innovator—looking to increase healthier, planet-friendly, and WOWING menu items for both our brands."

CHRISTOPHER T. PO, Chairman

"Above the short-term financial metrics of sales and profit lies the more important long-term strategic health of the brand and the business. There is a lot of work ahead; but with our commitment to this end, we believe we will soon make meaningful contributions."

VICENTE GREGORIO, President & Chief Executive Officer

Materiality Process

At PIZZA, our material topics are the foundation of our sustainability framework, reporting disclosures, and targets. Hence, we made sure that the identification process of material topics was inclusive and holistic.

Last 2018, key internal and external stakeholders – from our middle management, senior leadership, Board of Directors to our investors and key business partners such as suppliers, distributors, and customers – were engaged to gather their expectations and views on the risks, opportunities, and priorities for the sustainability of the organization. These engagements enabled us to identify the sustainability issues that were most important to both our stakeholders and our business.

We then prioritized our material topics and developed a framework to focus our impacts on the business, our stakeholders, and the planet. We mapped out preliminary metrics and strategies to monitor our performance against the material topics. We continue to assess the concerns of our key stakeholders to ensure that our material topics are still relevant and that our decisions fairly serve their interests (see section on How We Engage). Our Board-level Corporate Governance and Sustainability

Committee and Sustainability Steering Committee regularly review risks, opportunities, and developments in sustainability to ensure our material topics adapt to the evolving landscape.

Sustainability Framework

Our Sustainability Framework, which outlines our main pillars of Protein Delivery, Planet Preservation, and People Development, concentrates our positive impact and addresses sustainability issues that are most relevant to our business and our stakeholders.

<table>
<tr><th colspan="3">3 Pillars</th></tr>
<tr>
<td>People
Human and social capital remain crucial to our business. We highly value our employees, guests, and the communities that we work with.

SDG 8: Decent work and economic growth</td>
<td>Planet
Our use of resources and its consequential impacts are diligently monitored to enable us to carefully manage the inputs on which our business relies.

SDG 12: Responsible Consumption and Production</td>
<td>Pizza
Our products remain at the heart of our operations. Our processes ensure that they are safe and of high quality. At the same time, we are constantly looking for new ways to WOW both our guests and our planet through innovation and responsible sourcing.

SDG 3: Good health and well-being</td>
</tr>
<tr><th colspan="3">Focus Areas and Material Topics</th></tr>
<tr>
<td>Employees

Diversity and Inclusion
We are committed to building a diverse and inclusive business that places a premium on skills and potential and does not discriminate based on ethnicity, religion, or gender.

Talent Acquisition and Management
We regard our employees as our partners. We invest considerably in promoting their professional and personal growth which in turn helps grow the business.

Employee Engagement
We continuously engage with our employees through open communication, grievance mechanisms, providing competitive benefits to ensure they are dedicated to their jobs and committed to the organization.</td>
<td>Natural Resource Efficiency

We strive to improve our efficiency in utilizing natural resources by adopting industry best practices in energy and water management

Energy Consumption Reduction
Water Consumption Reduction

Environmental Impact Management

Greenhouse Gas Emission Reduction
We manage our use of natural resources to control our impact on the environment, including the resulting greenhouse gas generated by the energy we utilize.</td>
<td>Business Alignment

Product Development & Innovation
We continue to provide value to our guests with our diversified menu, keeping both old and new guests excited.

Food Quality & Safety
Product quality, that also focuses on guest welfare, is a business aspect accounted for in all parts of our operations.

Industry Pioneer

Healthier Products</td>
</tr>
</table>

Workplace Culture and Environment
Our employees are consistently able to WOW guests as we cultivate an inclusive culture and ensure a safe and healthy working environment.

Guests

External Guest Engagement
Feedback from our guests, on every aspect of our business, are highly valued and acted upon accordingly.

Communities

Job Creation and Livelihood Support
Our growth around the country generates jobs for local communities. We engage in community development and aim to create sustainable social impact.

Plastic Neutrality
We are committed to 100% plastic neutrality (third-party verified) across the entire business.

Landfill Waste Reduction
We explore ways to minimize our packaging and waste footprint.

Supply Chain Management

Supplier Credibility
We adhere to standards that ensure our materials are ethically sourced.

Local Sourcing
We aim to source more materials locally via exploring contract farming and local processing

As we continue to diversify our offerings, we aim to introduce menu items with healthier nutrition profiles.

Nutritional Transparency
We intend to disclose nutrition profiles of menu items for transparency.

Good Governance

The Company recognizes the importance of good governance. It underpins our ability to progress in our sustainability journey and create long-term value for shareholders. This applies across our entire value chain, ensuring the organization behaves ethically, complies with rules and regulations, and adheres to fair labor practices and fulfills all other economic, moral, legal, and social obligations towards our stakeholders

SDG 16: Peace, Justice, and Strong Institutions

Governing and Operationalizing Sustainability

PIZZA ensures that effective governance is in place to deliver on our sustainability commitments achieved through various programs.

The Board-level Corporate Governance and Sustainability Committee oversees the implementation of our sustainability framework and periodically reviews sustainability risks and opportunities. This is chaired by a Non-Executive Independent Director, ensuring an independent and objective view of business-critical issues in sustainability. The committee receives updates on overall progress on sustainability and corporate governance semi-annually and advises the Sustainability Steering Committee accordingly. With the rest of the Board, the committee also acts as gatekeeper for sustainability disclosures.

Composed of senior executives of key functions and business units and spearheaded by our Chairman and CEO, our Management Sustainability Steering Committee is responsible for driving and embedding sustainability in every aspect of the business. Respective subcommittees manage, develop, and implement goals and action plans for each P of our framework (People, Planet, Pizza) with the Core Sustainability Steering Committee leading the overall direction and ensuring continuous improvement in responsible business practices.

Each Sustainability Steering subcommittee holds quarterly meetings with the Executive Chairman and CEO for each P of the framework to check on the status of ongoing initiatives and discuss opportunities and next steps to further the sustainability framework. The Investor Relations Department acts as secretariat to the meetings and ensures that this governance structure is organized and operating properly.

Corporate Governance & Sustainability Committee		Steering Committee	
Chairman		**Core**	
Paulo Campos	Independent Director Co-founder and Chief Executive Officer of Zalora Philippines	Christopher Po Ricardo Po, Jr. Vicente Gregorio Jean Lapa Jennifer Tan Myrose Victor Jenifer San Juan-Tecson	Chairman Vice Chairman President & CEO Executive Development Consultant Group Procurement Director Head of Investor Relations Investor Relations
Members		**People**	

<table>
<tr>
<td rowspan="5">Fernan Lukban

Frances Yu</td>
<td rowspan="5">Independent Director
Highly regarded consultant in family business, strategy, entrepreneurship, and good governance; founding fellow of the institute of Corporate Directors

Independent Director
Retail strategist and market research practitioner, Founder of FYJ Consulting, Inc., and former VP of Rustan’s supermarket</td>
<td>Jorge Concepcion
Marielle Santos
Rubenrico Marasigan</td>
<td>Shakey’s GM
Peri-Peri GM
Chief HR Officer</td>
</tr>
<tr>
<td colspan="2">Planet</td>
</tr>
<tr>
<td>Grace Requinala
Severino Manotok

Kathrina David</td>
<td>Systems Manager
Technical Services Director
Supply Chain Management Head</td>
</tr>
<tr>
<td colspan="2">Pizza</td>
</tr>
<tr>
<td>Gale Roque</td>
<td>Research & Development Manager</td>
</tr>
</table>

At PIZZA, we believe that sustainability is everybody’s job. For our sustainability agenda to affect and scale long-term impact, they need to be operationalized and embedded in the way we do business. Thus, PIZZA decentralizes and integrates responsibility to the key leaders of our business units, who in turn embolden and involve their teams. In this way, both business and sustainability decisions are made in conjunction.

Creating Impact Across our Business

Our sustainability strategy is anchored on the environmental, social, and economic impacts of our various business activities along our value chain. We have mapped out the sustainability issues most important to PIZZA against our value chain to help us manage our risks and negative impacts and identify opportunities to scale our positive impact and create greater value for our stakeholders.

Research & Development – Formulating and testing of food products and non-food materials
Sourcing – Procurement, storage, and distribution of food and non-food materials
Store Operations – Preparation of food products and services, including the management and maintenance of store logistics and facilities
Business Segments – Offering of products and services through dine-in, delivery, carry-out, functions, and the SuperCard+
Guest Engagement – Marketing and feedback mechanisms conducted for guests

<table>
<tr><th></th><th>Research & Development</th><th>Sourcing</th><th>Store Operations</th><th>Business Segments</th><th>Guest Engagement</th></tr>
<tr><td colspan="6">Impact Creation</td></tr>
<tr><td rowspan="7">PEOPLE</td><td colspan="5">Diversity & Inclusion</td></tr>
<tr><td colspan="5">Talent Acquisition & Management</td></tr>
<tr><td colspan="5">Employee Engagement</td></tr>
<tr><td colspan="5">Workplace Culture & Environment</td></tr>
<tr><td colspan="3"></td><td colspan="2">External Guest Engagement</td></tr>
<tr><td></td><td colspan="3">Job Creation</td><td></td></tr>
<tr><td></td><td colspan="3">Livelihood Support</td><td></td></tr>
<tr><td rowspan="3">PLANET</td><td></td><td colspan="3">Natural Resource Efficiency</td><td></td></tr>
<tr><td colspan="4">Environmental Impact Management</td><td></td></tr>
<tr><td colspan="4">Supply Chain Management</td><td></td></tr>
<tr><td rowspan="4">PIZZA</td><td colspan="3">Product Development & Innovation</td><td colspan="2"></td></tr>
<tr><td colspan="5">Food Safety & Quality</td></tr>
<tr><td colspan="2">Healthier Products</td><td colspan="3"></td></tr>
<tr><td colspan="2">Nutritional Transparency</td><td></td><td colspan="2">Nutritional Transparency</td></tr>
<tr><td rowspan="2">GOOD GOVERNANCE</td><td colspan="5">Business Ethics & Compliance</td></tr>
<tr><td colspan="5">Labor Practices</td></tr>
</table>

How We Engage

<table>
<tr><th>Channels of Engagement</th><th>Concerns</th><th>How we address them</th></tr>
<tr><td colspan="3">Employees</td></tr>
<tr><td>• Town hall meetings
• Performance appraisals
• Training and development programs
• Informal training and mentorship
• Email blasts and social media
• Team building activities
• Collective Bargaining Agreement</td><td>• Career growth and development
• Employee salaries and benefits
• Growing organization</td><td>• Training and mentorship programs
• Proper compensation and benefits and voluntary store reassignment programs
• Organizational review and manpower planning</td></tr>
<tr><td colspan="3">Guests</td></tr>
<tr><td>• Store service
• In-store feedback mechanism
• Guest feedback channels (Email, SMS, Website, App)
• Social media channels – Facebook, Twitter, Instagram, Viber</td><td>• Quality of service in both dine in and delivery channels
• Food quality and safety
• Safe eating environment
• Delivery app performance
• Availability of major products</td><td>• QSCH standards and audit processes Proficiency Test for Managers and training of store personnel
• RM Assembly, Specialists Assembly to address Guest Related issues, Best Practices sharing
• Implementation of health and safety protocols
• Guest recovery protocols and IT support
• Transparent communications and new product innovations in lieu of out of stock products</td></tr>
<tr><td colspan="3">Communities</td></tr>
<tr><td>• Consultation sessions prior to store opening
• Community and advocacy events</td><td>• Quality of service
• Hiring opportunities
• Corporate social responsibility</td><td>• Partnership with the Down Syndrome Association of the Philippines to provide job opportunities for individuals with Down Syndrome</td></tr>
</table>

		• Partnership with the City of Manila to provide job opportunities for senior citizens and persons with disabilities
Suppliers		
• Communication lines (phone, email, meetings) • Supplier accreditation process • Supplier negotiations and bidding • Order placement and PO issuance	• Issues with bidding and procurement • Scheduling and logistical concerns • Minimum accreditation requirements and schedule • Inflationary pressures	• Regular engagement with suppliers • Supplier orientation process on Company policies and commitments
Government		
• Annual audits, reports, and publications • Press releases	• Compliance with laws and regulations • Opportunities and areas for public and private sector collaboration • Completeness and accuracy of reports • Transparency and accountability	• Compliance, transparency and timeliness on submission of required reports and renewal of permits and licenses • Updating of company policies and systems based on latest government regulations, as needed • Attendance and participation to government-sponsored learning sessions and compliance programs
Investors and Shareholders		
• Investor touch points (meetings, conferences, commissary visits, email, phone) • Press releases	• Business viability and growth • Financial outlook and disclosures • Business risks and opportunities • Sustainability and ESG	• Facilitating effective two-way communication between the Company and financial community • Transparency and accountability with regard to the company's strategic plans • Regular engagements through different touch points with investors and shareholders

Media		
• Press briefings and conferences • TV and radio advertisements	• Proper representation and labeling • Marketing practices	• Regular consultations • Branding and marketing guidebook

About this Report

This section of the report discloses PIZZA's social and environmental activities from January to December 2022 in alignment with our financial year. All data points and information disclosed under each sustainability focus area are aggregated to cover all businesses under PIZZA – Shakey's Pizza, Peri-Peri, Project Pie, R&B, and our latest acquisition, Potato Corner. This includes all our company-owned stores, warehouses, and corporate support offices operating in the Philippines. As for our franchisees, both local and global, disclosures will indicate if these are covered. Note that our company-owned international stores, which account for only 1% of our sales and store network, are excluded from this sustainability chapter. We will continue to improve our data collection systems to further improve the accuracy, depth, completeness, and comparability of our disclosures.

For questions or feedback regarding the sustainability initiatives, programs, and plans communicated in this chapter, please contact PIZZA Investor Relations at investorrelations@centurypacific.com.ph.

People

Employees

Diversity and Inclusion

PIZZA is committed to building a talent pool that puts a premium on a variety of skills and potential, does not discriminate based on ethnicity, religion, or gender, and supports the different communities where our stores operate through local hiring. We believe a diverse and inclusive organization is critical for business growth, innovation, and longevity.

Diversity and inclusion must be reflected from the very top – a diverse set of Board of Directors is vital to drive continuous growth and achieve strategic objectives. Our Board Charter states our Board Diversity Policy and commitment.

Guided by our policies, our Humans Resource Department cultivates an inclusive workplace where all employees, with their multifaceted backgrounds, thoughts, and experiences, are valued and invited to contribute to our growth and success. Though our middle managers and front line leaders have a fair gender split, the gender distribution is still skewed towards males at the executive and senior management level. Moving forward, we will continue to empower women and represent diverse backgrounds in our leadership composition to strengthen our competitive advantage and capacity to innovate. Across our organization, we aim to better promote and practice diversity and inclusion across our business.

Total employees in 2022: 1,724
PIZZA defines employees as full-time employees only, from rank-and-file at the restaurant floor to executive leaders. This represents the total number of employees by the end of 2022.

Total workers in 2022: 3,759
Including outsourced personnel, our workforce in 2022 amounted to 5,483. Outsourced personnel are vital to our operations as they comprise all our store riders, store members, participants from our inclusive hiring programs, cluster maintenance technicians, and utilities.

PIZZA's President and Chief Executive Officer, Vicente Gregorio, believes that businesses have a role to play in breaking cycles of inequity. PIZZA took a stance with **inclusive hiring programs** – providing job opportunities to senior citizens and persons-with-disabilities at our Shakey's teams. Learn more about our partnerships with the Public Employment Service Office (PESO) of Manila with our Senior Citizen and PWD Hiring Program and the Down Syndrome Association of the Philippines with our Love 'Em Down program to help remove barriers to dignified employment and promote meaningful engagement with our employees and guests here.

Every one of our company-owned Shakey's stores in Manila City hired 1 senior citizen and 1 person-with-disability in 2022.

Shakey's has welcomed 7 individuals with Down Syndrome to their teams in 2022.

Employee Breakdown	2022
By gender	
Female	863 (50%)
Male	861 (50%)
By age	
Under 30 years old	515 (30%)
30-50 years old	1,153 (67%)
Over 50 years old	56 (3%)

Board of Directors Breakdown	2022
By gender	
Female	2 (22%)
Male	7 (78%)
By age	
Under 30 years old	0
30-50 years old	2 (22%)
Over 50 years old	7 (78%)

Talent Acquisition and Management

At PIZZA, we believe that a strong talent acquisition and management program allows us to create a culture of high performance and productivity, maintain a highly motivated workforce that is diverse and inclusive, and delivers our seamless guest-centric service.

New employee hire rate: 20% (50% female : 50% male)
This means that one-fifth of our total employee base at the end of the reporting new year were newly hired employees.

Turnover rate: 19% (48% female : 52% male)
The turnover rate refers to the percentage of employees who have left the Company out of total employees at the end of the reporting year.

Training and Development

At the helm of driving our people's growth is our Human Resources Division. Guided by our Training and Development policy, our HR teams work with our Department Heads to develop and deliver effective learning programs that build competencies, address performance gaps, adapt to business developments, and prepare high-potential employees as part of succession planning.

Shakey's Company Wide Training Programs and Courses	Description
Training Programs	
Comprehensive Onboarding Program	Onboarding program for newly hired employees that covers company orientation and philosophies, product knowledge, guest service, duties and responsibilities, safety and security guidelines, and cashiering
Management Development Program	Develops Manager Trainees in restaurant operations
Restaurant Train the Trainer Workshop	Transforms employees both at the restaurant operations and Corporate Support Office (CSO) into credible and effective trainers who can cascade company goals, philosophies, means, and standards to employees
New Store Opening Training	Equips core teams of opening stores with technical capabilities required for store operations
Restaurant Staff Development Program	Trains restaurant staff in the technical and leadership competencies necessary for Shift Management positions through leadership training, certification, and dual specialization sessions
Training Courses	
Operations Training Courses	Upskills Store Operations employees with technical and leadership competencies that will enable them to perform their jobs successfully
Corporate Support Office Training Courses	Reinforces company goals, philosophies, means, and standards among our CSO employees while also offering learning opportunities to enhance their skill set and improve attitude and habits

At PIZZA, training programs include multiple courses, classroom training, on-the-job training, and learning assessment tests. Graduates of training programs receive a certification upon completion. On the other hand, training courses are stand-alone courses open to full-time and outsourced employees.

In addition to the formal training programs mentioned above, continuous hands-on and informal learning opportunities are also offered to PIZZA employees to improve employee engagement and instill the company WOW culture and values. These include sit downs and coaching sessions, general assemblies, team building sessions, People Day feedback conversations, and sales rallies.

Average training hours in 2022	Female	Male	Per employee
By gender	70	60	65

Performance Management System

PIZZA promotes and rewards people based on exemplary performance. Through our annual Performance Management System (PMS), employees set clearly defined goals, receive continuous feedback, and are recognized for their contribution. Both the involved individual and their direct manager work together to monitor and evaluate progress of goals. Our standardized performance appraisal process ensures assessments are done objectively so that Management and employees meet our performance standards.

Through the Individual Development Plan (IDP), selected high-potential individuals collaborate with their manager in choosing 3-4 areas to work on for the year and develop a tailored plan to enhance performance. Since 2019, this development program seeks to not only close competency gaps and promote career growth, but also empower employees to take ownership of their development. IDP takes on a 70-20-10 approach where 70% of upskilling experience is through on-the-job training, 20% is from direct coaching, and 10% is formal classroom learning.

100% of our employees, from rank-and-file all the way to executive levels, went through a performance review process in 2022.

361 full-time employees received promotions in rank and positions
As a result of our various training and development efforts and robust performance management system, 21% of our full-time employees received a promotion during the reporting year thanks to their excellent performance and contributions to the company.

Employee Engagement

PIZZA believes that our authentic WOW culture enables us to drive engagement and performance. PIZZA's core values are brought to life from onboarding our new hires to sharing inspiring WOW stories with our employees. Every individual at PIZZA is evaluated to demonstrate the values through our Performance Management System.

It is also our duty to provide a secure livelihood for our employees. PIZZA offers fair and competitive compensation and benefits that conform with and go beyond national labor statutes, standards, and requirements through our Code of Business Conduct and Ethics. Employees are entitled to benefits that go beyond statutory labor standards such as healthcare coverage and medical services, vacation and sick leave, paternity and maternity leave, flexible working arrangements depending on the nature of work, and retirement benefits to qualified employees, among others. To continue to attract and retain the best talent, we stay current on market standards for salary and benefits and adopt best practices in developing strong employee relations. Apart from providing an engaging environment as well as stable employment, we regularly recognize and honor our exemplary employees and high-performing stores.

The Confederation Of Filipino Workers – Shakey's Pizza Asia Ventures, Inc. Workers Chapter, a recognized and registered labor organization, acts on behalf of our company-owned Shakey's store rank-and-file employees as the representative body to express concerns regarding their employment terms. Through mechanisms such as quarterly engagements with HR leads and direct lines with the employee relations team, the organization works with PIZZA to settle these grievances. The organization's Labor Management Council, co-chaired by both rank-and-file and senior executives, ensures that the employee's right to association and collective bargaining is upheld through our conflict resolution and grievance procedure.

16% of total full-time employees covered by collective bargaining agreements
276 of our total workforce are our regular restaurant rank-and-file employees (excluding restaurant managers and restaurant officers) directly employed in all Shakey's company-owned restaurants. For our other regular full-time employees not covered by the CBA, such as corporate support employees and store employees of our other businesses, employment terms and conditions are based on their

respective employment contracts. PIZZA respects the freedom of all our employees to exercise their right to organize and bargain for better employment terms and conditions.

Workplace Culture and Environment

A healthy and safe working environment is a prerequisite to the well-being of our workforce and paramount to the success of our operations. PIZZA is committed to creating decent and safe working conditions whether in the corporate workplace or on our store and warehouse floors to protect all our employees and workers from injury and health risks. We fulfill this through our Occupational Safety and Health (OSH) Program and Policies, in full compliance with RA 11058 and the Department of Labor and Employment (DOLE)'s standards.

Our Health and Safety Committee manages our OSH program. This includes orientation and regular training, support for work permits for at-risk establishments, and provision of select protective equipment. Work-related hazards are regularly identified and assessed for severity and frequency and given appropriate control systems to prevent these safety risks. Any disabling injury whether permanent, temporary, or resulting in fatalities are reported to DOLE and submitted with required supporting documents to be processed.

In accordance with RA 11058, PIZZA also has put the following OSH policies in place to ensure a safe, productive, and supportive workplace:

1. Company Commitment on Occupational Safety and Health
2. Promotion of a Drug-Free Workplace
3. Mental Health Services in the Workplace
4. Prevention and Control of HIV-AIDS
5. Prevention and Control of Tuberculosis
6. Prevention and Control of Hepatitis B
7. Composition and Duties of Health and Safety Committee

Beyond work-related risks, we support overall health and wellbeing by providing benefits such as medical services and healthcare coverage to our full-time employees. The Human Resources and Organizational Excellence team regularly releases internal communications to promote physical, emotional, mental, intellectual, spiritual, environmental, social, financial, and occupational wellness. We reinforce the Comprehensive Dangerous Drugs Act of 2002 (RA 9165) to establish a drug-free work environment through our Employee Code of Conduct.

SPOTLIGHT STORY

Project Nerdy: Near & Ready

Store Operations employees took at least 43 minutes to get to work, according to a baseline study in August 2020. Hours spent in bumper-to-bumper traffic negatively impacts overall wellbeing and exacerbates air pollution. Through Project Nerdy ("Near and Ready"), we ensure restaurant employees, restaurant and area managers, and outsourced personnel are assigned to locations closer to their homes in efforts to reduce travel time to 30 minutes or less. This initiative not only aims to boost employee productivity, satisfaction, and wellbeing but it also prepares PIZZA stores to be more resilient and crisis ready.

By the end of 2022, 87% of our company-owned store-based workforce (including employees, management, and outsourced personnel) were assigned to a location within 30 minutes of travel time from their homes. This translates to about 91% of Shakey's workforce (2,233 total) and 83% of Peri-Peri's workforce (808 total) – surpassing our annual targets of 80% and 70% respectively. For our emerging brands R&B and Project Pie, at least half of the workforce fall within these parameters. We are working to improve these brands and aim to integrate Potato Corner into the initiative as well.

To sustain our commitment to promoting employee wellbeing and diversity, PIZZA has also made a deliberate effort this year to ensure newly hired company-owned store employees come from local communities situated near their assigned location.

Guests

External Guest Engagement

With nearly 50 years of history in the country, Shakey's has become one of the most recognizable brands in the Philippine food service industry. Our new brands, Peri-Peri, Project Pie, R&B, and the latest acquired Potato Corner have established a strong following themselves. Building brand equity hinges on our commitment to giving guests a WOWing experience. With Guest Centricity and passion for service excellence at the core of our WOW culture, the PIZZA team embodies the values by putting themselves in our guests' shoes and acting on their needs and wants.

With over a million users nationwide, our SuperCard customer loyalty program enables holders to numerous exclusive benefits such as discounts, freebies and promotions. We've extended these perks from Shakey's and Peri-Peri to R&B and pilot stores in Potato Corner in 2022.

We believe that continuous feedback and evaluation deepens relationships and builds loyalty with our customers. Our Guest Engagement Team sets the tone for our guest-centric culture and oversees the customer relationships with our brands across both company-owned and franchised stores. Through an integrated feedback management system, we connect with customers and address their concerns in a streamlined and timely manner – closing guest feedback tickets within 24 hours. Whether it's regarding satisfaction, health and safety, or privacy and data security, we engage with our guests across multiple touchpoints beyond the service period such as our WeCare emails, Electronic Guest Comment Card, Shakey's delivery hotlines, website, mobile application, and social media accounts. The Guest Engagement team consolidates, analyzes, and reports feedback to continuously improve the way we engage our guests.

Note that when Potato Corner was acquired at the end of 2021, the flavored-fries business had an existing guest recovery and engagement mechanism in place. Full integration with the wider PIZZA business is still ongoing, including the Guest Engagement approach that will help Potato Corner refine their processes.

We received a total of over 640 tickets, or documented interactions with customers from across all our customer touchpoints and platforms. Out of the tickets, only 2.8% were complaints and negative feedback regarding our products and service.

Essential to our integrated feedback management is our Auto Feedback Link. This links a feedback form directly to our In-House Delivery guests who order via our website, mobile application, and hotline (excluding 3rd party food delivery service providers) to monitor our performance in three service areas – overall experience, delivery promptness, and product quality. We achieved a 5% response rate, of which 65% were positive. To accommodate increasing feedback from guests through online channels, our in-house Contact Center team manages our online interactions with guests.

The insights from our customer interactions helps us identify the underperforming stores that need support, as well as excelling stores whose best practices can be replicated. For example, PIZZA has improved our mobile application to improve tracking of our riders and address complaints regarding delivery time in response to feedback over 2022.

Rolled out the first and only 31-minute delivery guarantee anywhere in Metro Manila
PIZZA leverages technology and feedback to continuously improve our delivery time. At the same time, we work closely with our drivers to ensure that their safety is not compromised in the pursuit of the goal. We do this by setting a maximum speed limit and designing efficient and systematic routes. Furthermore, the drivers are not penalized for delays in deliveries.

Our customer engagement and management approach leverages technology from response and communication to tracking and evaluation. Therefore, we also put the necessary systems in place to meet industry standards for data security, as mandated by the Data Privacy Act of 2012.

Community Engagement

PIZZA is accountable to the stakeholders in the communities where we operate, including from where we source our ingredients, supplies, utilities, and staff. Our advocacies go beyond providing quality products and services and are in pursuit of enduring and meaningful partnerships with change agents who share our vision of a better future.

Job Creation and Livelihood Support

As PIZZA grows, so do the jobs created and supported along our value chain ecosystem. Whether it's through our partners, vendors, or suppliers, we create livelihood opportunities and encourage decent working environments. Our Supplier Code of Conduct and Ethics (SCOCE) is one way where we create positive impact while expanding our locus of positive influence.

Total number of jobs supported across PIZZA value chain in 2022: 8,858
PIZZA contributes to the national economy by supporting 8,858 jobs (2021: 6,042), an increase of 47% compared to the previous year due to store expansion and the acquisition of Potato Corner whose business has a footprint of 1,300 stores all over the world. This figure includes company-owned

restaurant and corporate support employees and workers, as well as those whose jobs are indirectly supported through our business relationships such as our franchised staff, store riders, participants from our inclusive hiring programs, call center agents, and maintenance and utilities staff.

Peri Paints: Emerging Restaurant Supporting Emerging Artists

In line with Peri-Peri's mission to proliferate the arts and creative minds, the fast-growing restaurant chain launched Peri Paints – a collaboration with young and emerging local artists to create vibrant wall murals and interiors at newly opened locations. Peri Paints views the art initiative as an opportunity to support young artists' talents and careers and promote the arts at local communities as it continues to expand its store network in Metro Manila and nearby provinces. In 2022, Peri-Peri opened 16 new stores and has worked with 3 local artists.

Celebrating its 30th anniversary, Potato Corner launched its first **franchisee loan program** in partnership with Robinsons Bank to provide easy access to funding for its new franchisees. The special loan program allows for competitive rates, including flexible terms and no collaterals required, which can be availed by both existing and new franchisees. With its strong brand, simple operations, and asset-light nature, the leader of kiosk-based flavored fries in the Philippines has become the preferred franchise for budding entrepreneurs. Potato Corner, together with PIZZA, aims to enable the growth of micro-, small-, and medium-enterprises as the backbone of the Philippine economy.

Planet

Natural Resource Efficiency

At PIZZA, we strive to improve the efficiency by which our organization consumes natural resources. We are implementing industry best practices for water and energy management and closely monitoring our consumption of these vital resources.

The Sustainability Steering Planet Subcommittee meets each quarter to review our resource management report, monitor developments, and identify new opportunities for reducing water and energy consumption.

Water Consumption Reduction

From the general cleaning and sanitation at stores to being an essential input in the kitchen and cooking process, we monitor, measure, and analyze our water usage to continuously improve our resource efficiency, ensure the cleanliness and safety of our operations, and mitigate our environmental impact. This is especially important for PIZZA as we operate in high water stress areas such as Metro Manila.

Whether it is encouraging our employees and customers to practice water conservation at the stores or investing in new technology such as installing automatic low-flow hand washing machines, we engage our stakeholders to use our water resources responsibly.

24 stores installed with low-flow hand washing machines
Low-flow technology helps conserve water without compromising cleanliness by releasing the right amount of water. In 2022, 3 Peri-Peri stores and 6 Shakey's stores installed low-flow hand washing machines.

Water withdrawal and intensity	**2022**
Water withdrawal (CBM)	781,688
Water intensity (CBM/PHP Million)*	55.49

* Water intensity is calculated as water withdrawn divided by total systemwide sales in PHP. This metric means that for every million Pesos of sales generated in 2022, PIZZA withdrew 55.49 cubic meters of water.

All wastewater discharged from all PIZZA facilities adheres to minimum standards established by the Department of Environment and Natural Resources (DENR) Administrative Order (DAO) 2021-19, the City Environment & Natural Resources Office (CENRO), the Municipal Environment & Natural Resources Office (MENRO), and Laguna Lake Development Authority (LLDA).

In 2022, 37 of standalone Shakey's stores now utilize onsite sewage treatment plants to treat effluents from their operations before discharging.

Energy Consumption Reduction

Energy fuels our operations with our stores, offices, warehouses, equipment, and vehicles running primarily on electricity, gasoline, and LPG. We aim to reduce our consumption to maximize energy efficiencies and cost savings. One approach is through implementing technology, such as thermal insulation and inverter-type cold storage, which also results in energy savings. Moreover, we promote behavioral changes where our store employees are encouraged to turn lights off when not in use. We also recognize that we have more control with our company-owned stores, nonetheless, we communicate our learnings from these initiatives with our leased spaces and franchisees to help improve their energy consumption.

Energy	**2022**
Total energy consumption (GJ)	97,958,127
Non-renewable	97,958,127
Renewable	0
Energy intensity (GJ/PHP Million)*	6,954

* Energy intensity is calculated as total energy consumption divided by total systemwide sales in PHP. This metric means that for every million Pesos of sales in 2022, PIZZA consumed 6,954 gigajoules of energy.

Environmental Impact Management

Managing our resources responsibly goes hand-in-hand with managing and mitigating our negative impacts on the environment and doing our part in tackling climate change.

Greenhouse Gas Emission Reduction

Our senior leadership team and Board of Directors are jointly responsible for assessing the impacts and developing the appropriate mitigation and adaptation strategies to reduce our carbon emissions and manage climate-related risks.

Effective responses to climate change rely on credible strategies to transition towards a low carbon economy. For PIZZA, we are looking towards using more renewable energy for our operations – exploring mixed energy sources through solar panel installations at the corporate head office, free-standing stores, and commissaries, and using solar powered water heaters at our free-standing stores.

GHG Emissions & GHG Intensity of PIZZA (Scopes 1 & 2)

Emission	2022
Scope 1 (tonnes CO_2e)	6,170,473
Scope 2 (tonnes CO_2e)	34,080
Emission intensity (tCO2e/Php Million)*	440

* Emission intensity is calculated as total GHG emissions divided by total systemwide sales in PHP. This metric means that for every million pesos of sales in 2022, PIZZA emits 440 tons CO2e of greenhouse gasses.

Landfill Waste Reduction

From procuring our raw materials and preparing food to managing logistics and serving our guests through multiple sales channels and store formats, PIZZA is responsible for the waste we generate. Our opportunities lie in reducing at source, procuring more responsible materials, improving segregation, recovery, and recycling.

Waste from our operations

We currently focus our efforts on plastic (see next section on Net Zero Plastic Waste) and food waste reduction as these often make up the highest percentage of waste composition within the Food and Beverage industry.

Waste generated from our operations	**2022**
Total waste (kg)	164,690

We are integrating segregation efforts as part of our common business practices within the stores and across our corporate offices. At our headquarters, we installed five centralized “Stop Before You Drop” trash bins labeled with different waste types and a materials recovery facility (MRF) to reinforce proper separation of recyclables through behavioral change among our corporate support office employees.

Within our company-owned stores, we launched Project HuRRRah back in 2021 to map our waste streams, establish systematic collection and segregation, and improve data collection. Though this initiative took a pause during the reporting period due to rapid store expansions, we briefed our Peri-Peri stores and franchise teams in preparation for rolling out the initiative in 2023 together with Shakey’s. For Potato Corner, whose primary model is franchising, we plan to educate them on measuring and managing their waste. By the end of 2023, we aim to establish the baseline of the different types of waste generated in our company-owned stores and identify key initiatives to reduce at source and recycle waste into new resources.

Waste from customer packaging

We are cognizant of the footprint associated with the customer packaging we procure. One of our efforts is to consider its lifecycle from how it was made until end-of-life and start reducing the environmental impact across these stages. In 2022, the majority of total packaging volume was on timber-based materials such as cardboard pizza boxes and paper takeaway boxes. However, procuring non-plastic packaging is only the beginning. In a country like the Philippines where waste management is still underdeveloped, the bigger challenge ahead is diverting these materials away from landfill and ensuring these are properly processed into inputs that can be reused. We recognize the complexities in managing post-consumer packaging waste considering these would no longer be within our control. Our long-term view is to minimize the environmental impact of our packaging, both up and down our value chains. In the interim, we offset our usage of non-biodegradable plastic packaging through our Plastic Neutrality.

Materials	**2022**
Materials used (MT)	26,292
Renewable materials (%)	98%
Non-renewable materials (%)	2%

Net Zero Plastic Waste

Plastic has long been a ubiquitous and staple material to running many businesses, including the food industry. However, with plastic pollution making its way into our ecosystems and diets - and the emissions from a highly resource-intensive and fossil-fuel-reliant manufacturing process, consumer companies face an incredible challenge. Unfortunately, sustainable, functional, and cost-effective alternatives are still difficult to find and adopt.

Tackling plastics remains a key focus area and is part of our commitment to being a sustainable business. For PIZZA to meaningfully contribute to the solution, we will continue to seek more sustainable alternatives to single-use plastic and explore ways to reduce our reliance on plastic. For instance, we consider our packaging waste materials (see Landfill Waste Reduction above).

There is also an unavoidable plastic footprint associated with our post-consumer waste. As an interim solution, we continue to partner with Plastic Credit Exchange (PCX) to enable PIZZA brands that use plastic packaging and cutlery to commit to Net Zero Plastic Waste. We do this by purchasing plastic credits from PCX in a plastic offset mechanism that resembles the carbon offset industry. This means that we can compensate for our brands' plastic packaging waste with an equivalent amount of post-consumer plastic waste that is collected and recycled or co-processed. PCX, through its wide network of vetted partners, collects the equivalent plastic waste from the environment and ensures these are recycled into new useful products or co-processed into energy often in lieu of coal. While we firmly believe that offsetting is not the end-all and be-all solution to the plastic problem and should not replace concrete ways to lessen our reliance on plastic, it is a provisional measure that we can take.

January 2022 marks our third year of committing to Net Zero Plastic Waste

Moving forward, to guarantee the integrity and validity of our plastic offsets, we are planning to engage a third-party auditor to verify the quantities of our plastic footprint in terms of end-consumer plastic packaging against the purchased credits. This completes the certification process with our full audit documentation published in the PCX credit registry.

In 2022, we purchased 150 metric tons of plastic credit to offset our plastic packaging procured for the year.

For more information on our Plastic Neutrality program with PCX, visit our website.

Supply Chain Management

PIZZA recognizes our contribution to sustainable development is not limited to our operations and direct activities. We believe we can magnify our positive impact across our value chain through the relationships with our business partners.

Supplier Credibility

As stated in our Supplier Accreditation Policy, we seek business partners that meet our commercial standards, comply with relevant government regulations, and align with our social and environmental aspirations as a responsible member of the community.

Instituted in 2021, our Supplier Code of Conduct and Ethics (SCOCE) outlines the company's stance on responsible sourcing and supply chain sustainability and the corresponding requirements we expect our suppliers, manufacturers, and service providers to uphold.

The SCOCE covers our standards on:

- Human rights (child labor, forced labor and human trafficking, nondiscrimination, harassment, working hours, wages, and benefits)
- Health, safety, and quality
- Business ethics (business integrity, no gift policy, fair competition, privacy and intellectual property, conflict of interest)
- Environmental compliance with applicable laws and regulations
- Management systems

100% of our current suppliers signed and acknowledged the SCOCE as a requirement to work with PIZZA

Currently, all supplier audits are mainly for Quality Assurance to evaluate and ensure product quality and safety standards.

As part of accountability, we have also provided the company's contact details in the SCOCE as open communication lines for our partners to report any cases of misconduct by our people or anyone acting on behalf of our business.

The role of our Board's Corporate Governance & Sustainability Committee includes oversight for supply chain management. To keep abreast with changes in social, environmental, and governance issues across the supply chain, we intend to formally engage with our key stakeholders from our employees and Board of Directors to our suppliers and other external groups such as NGOs, labor groups, or industry peers to help us update and revise our Supplier Code of Conduct and Ethics when necessary.

100% of palm oil suppliers certified by the Roundtable on Sustainable Palm Oil
Potato supplier meets energy efficiency guidelines and is energy star certified
Beverage suppliers follow sustainability guidelines on water, community, and supplier principles

Local Sourcing

As a proud Philippine company with WOWing restaurant brands well-loved by many Filipinos, we allocate 82% of our total procurement budget on suppliers registered in the Philippines (2021: 86%), particularly on our food items and packaging materials.

We continuously work with our local suppliers to fulfill most of our requirements, namely chicken, fresh produce, and packaging materials. We believe that this approach supports local businesses and the economy.

82% of spend on food items was spent on local suppliers
The local portion of food item spending declined from 86% in 2021 to 82% in 2022 primarily due to rising costs of imported items.

100% of chicken locally sourced

100% of fresh produce locally sourced

Pizza

Profit-Purpose Alignment

Product Development and Innovation

At PIZZA, we constantly look for ways to come up with offerings that are enticing, accessible, unique, and sustainable. Led by our Research and Development team, we believe that developing new products with sustainability in mind drives innovation and WOWs guests.

Product Concept Development
Consumer insights indicate innovations for new menu concepts and product improvement which are evaluated and tested for market potential. Boundaries breed creativity – we optimize the existing equipment and ingredients that we have in pursuit of innovative ideas, allowing us to get the most use out of our existing resources and reduce any potential food waste.

Kitchen Profile Development
Based on the product concept brief, we develop and fine-tune the kitchen profile to produce a final prototype that is commercially ready. This includes testing the store processes to determine replicability, food and packaging costs, and feasibility of current kitchen equipment.

Product Feasibility
The operational viability and scalability of the product are measured through production consistency, financial forecasting, reliability of supply for raw materials and kitchenware, and the distribution capacity through our multiple sales channels.

Product Launching
New products are systematically prepared for introduction to the market. This phase involves supply build-up, systems preparations, the completion of product manuals, as well as training and marketing communication materials.

We work with our store operations and suppliers to determine, customize, and ration the pack sizes of raw materials and items according to the stores' consumption, enabling us to minimize food wastage. Moreover, we work with suppliers to ensure our goods are packed and delivered using materials that secure their quality and safety.

40 new products launched

Food Quality and Safety

We ensure that the food we serve is of excellent quality and is safe for consumption. We promote and adhere to our health and safety protocols that align with the highest standards demanded by the industry at every stage of our operations, from product development to sourcing, logistics, and production to serving our guests.

Product Development

On top of regulatory compliance with the Food and Drug Administration (FDA) Philippines and the National Meat Inspection Service (NMIS), the R&D team has developed and implemented our internal principles and standards in food safety and quality. A shelf-life guide of materials is maintained to ensure safety and quality.

Supplier Audit

PIZZA procures materials only from suppliers that satisfy our globally accepted food quality and safety standards on food safety practices, microbial hazards assessments, employee and facility sanitation, and end-product analysis. Audits are conducted by our quality assurance (QA) officers during the screening process for new suppliers and as part of risk-based surveillance. In doing so, we uphold the Health, Safety, and Quality requirements in our Supplier Code of Conduct and Ethics.

28 suppliers were screened for food quality and safety in 2022, out of which 15 were newly accredited while 13 were on probation.
With the country reopening and recovering from the pandemic, we now conduct blended audits - onsite for priority suppliers handling our core materials and remote audits for other local and international partners.

Audit on Receiving

All materials must be thoroughly inspected upon arrival. Product temperature, delivery vehicle cleanliness, hygiene, shelf-life, and packaging integrity are measured for compliance. Stringent receiving procedures are also carried out for materials delivered to our stores.

Audit on Dispatching

The inspection extends to the dispatching activities to our stores – from the delivery vehicles' compliance with hygiene and temperature requirements, quality and safety of finished products, to the packaging interior before dispatch.

Food Safety Training

It is imperative that PIZZA employees are trained in food handling and serving, as well as recognizing and preventing food-related health hazards. Thus, we require all our food handlers to be trained as food service professionals using ServSafe standards. The training covers food safety, time and temperature, cleaning and sanitation, cross-contamination and allergens, and personal hygiene.

Quality, Service, Cleanliness, Hospitality (QSCH) Audits

Our internal and external QSCH audits ensure that safety and quality controls are consistently maintained for both our food and service across all our stores.

Our internal QSCH audit is conducted thrice a year across our company-owned and franchised stores to help us benchmark against similar players in the dining industry. Stores are assessed on:

- *Service and Hospitality*
  We give emphasis on THINK GUEST – one of the main components of our WOW Culture. This not only includes the cleanliness and conditions of our stores, but also the way we attend to and serve our guests.
- *Product Quality*
  We pay extra attention to the standard product freshness, storage, and food preparation, and other quality control points.

99% of Shakey’s company-owned stores and franchisees underwent internal QSCH audits.
90% of Shakey’s audited stores were found to be compliant overall with QSCH standards.
81% of Peri-Peri stores underwent internal QSCH audits.
72% of Peri-Peri stores were found to be compliant overall with internal QSCH standards.
71% of Potato Corner’s domestic stores underwent PC QSCH audits.
98% of Potato Corner’s audited stores were found to be compliant with PC standards.

Potato Corner is building capability to audit international stores. Currently, Thailand, a major market under a franchisee, has its own store audit system.

The third-party audit is executed by Mystery Guests who appraise our stores on service and hospitality, cleanliness and conditions of stores, and food quality. 162 Shakey’s stores and 44 Peri-Peri stores underwent Mystery Guest audits on Product Quality and Service and Hospitality in 2022.

During the year under review, there were around 75 incidents, less than 1 per store, representing complaints on food quality and service across all our stores. We train our staff to promptly address these incidents through replacements, vouchers, and free meals. Our staff escalates these to store managers who are empowered to make decisions on how to properly resolve and prevent recurrence.

Healthier Products

Consumers' taste and eating habits are evolving, with the surging demand for healthier alternatives for protein and fiber. Aside from the health benefits, the environmentally conscious consumer has also seen an uptick – choosing to put their money in options that are healthier for the planet.

PIZZA is embracing these changes with the goal to promote a healthier lifestyle and offer guilt-free indulgence while lightening our environmental footprint. We have since expanded our portfolio of better-for-you and better-for-the-planet menu items, from Shakey's successful plant-based burger, chicken nuggets, and pizza to launching R&B's plant-based milk tea in 2022 made with soy milk and seaweed-derived boba. Project Pie and Peri-Peri have also taken an initial step with menu options that offer a balanced diet.

Key to this success was sourcing Shakey's Goood Menu from Century Pacific's 'unMeat' brand made from non-GMO plant-based ingredients, with no cholesterol, no preservatives, and no trans-fat content, while remaining as a good source of protein and fiber. Apart from being plant-based, the supply chain for 'unMeat' also requires lower consumption of water, land, and energy, and generates less greenhouse gas emissions compared to the production process for meat. Together with CNPF, we can come up with offerings that are just as tasty as any meat- and animal-based product yet are affordably healthy and positive for the planet.

As the first major restaurant chain in the Philippines to make this move into plant-based formats, we aspire to make plant-based eating affordable and accessible to many. We have experienced sustained volumes from the positive reception from vegetarian, vegan, and flexitarian communities from rotating these healthy offerings in our bundles. Following a series of focus group discussions and initial feedback from guests, we believe our new healthy menu offerings may also WOW those who are less familiar with plant-based menu items.

Vicente Gregorio, President and Chief Executive Officer of PIZZA, said, "Healthy offerings are a must have in today's world. We want to become more responsible and sustainable as a company. Hence, at PIZZA, we aim to be inclusive with our menu and provide more choices to our green-seeking guests. We believe that these will also future-proof our business as consumers become more discerning."

Nutritional Transparency

Nutritional transparency continues to be an important issue to PIZZA as part of promoting a healthier lifestyle with our guests. Currently, nutritional value and allergen information for Potato Corner's flavored fries and allergen information for all Shakey's offerings are readily disclosed upon customer request.

Anti-Corruption

From new recruits all the way up to the Board, PIZZA upholds its zero-tolerance policy against corruption. Anti-corruption training begins at the onboarding session for all new hires, while our Board of Directors receive 1:1 training on management and reporting for incidents. The anti-corruption program and procedures are listed on the company website. PIZZA's Code of Business Conduct and Ethics also covers elements of anti-corruption with provisions on Conflict of Interest, Conduct of Business, Receipt of Gifts, Compliance with Laws, Whistleblowing, among others.

370 operations (100% of total) were assessed for anti-corruption
The risks identified and addressed were primarily around employee collusion, especially at the store level. PIZZA has mitigating policies in place and conducts regular audits to manage the risk.

In the reporting year, there were zero (0) confirmed cases of corruption.

Sustainability Data Tables

SUSTAINABILITY DATA SUMMARY

ECONOMIC

Economic Value Generated	UOM	2022
Direct economic value generated (revenues)	million Php	10,191
Economic value distributed		9,114
Employee wages and benefits		1,264
Payments to suppliers, workers, and other operating costs[1]		7,407
Dividends paid to stockholders and interest payments to loan providers		272
Taxes given to government		171
Economic value retained		1,077

Procurement practices

	UOM	2021	2022
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	%	86%	82%[2]

SOCIAL

Employees

Employees by Gender	UOM	2021			2022		
		Male	Female	Total	Male	Female	Total
Full-time employees	**head/% of total**	**728 (56%)**	**571 (44%)**	**1,299 (100%)**	**861 (50%)**	**863 (50%)**	**1,724 (100%)**
Executive/Senior leaders	head	4	0	4	8	2	10
Mancom		17	10	27	18	20	38
Middle Management		34	31	65	46	71	117
Frontline Leaders		280	267	547	407	416	823
Rank and File		393	263	656	382	354	736

Employees by Age	UOM	2021			2022		
		<30 years	30-50 years	>50 years	< 30 years	30-50 years	>50 years
Full-time employees	**head/% of total**	**412 (32%)**	**847 (65%)**	**40 (3%)**	**515 (30%)**	**1153 (67%)**	**56 (3%)**
Executive	head	Not disclosed			0	4	6
Mancom					3	25	10
Middle Management					13	91	13
Frontline Leaders					216	594	13
Rank and File					283	439	14

		Male	Female	Total	Male	Female	Total
New hires	head/% of total	140 (60%)	95 (40%)	235 (100%)	169 (50%)	170 (50%)	339
New hire rate	%	18%			20%		

[1] Value includes all other operating costs and investments to community such as donations and CSR activities.
[2] Potato Corner is currently excluded from this disclosure.

Turnover	head/% of total	128 (53%)	112 (47%)	240 (100%)	173 (52%)	158 (48%)	331
Turnover rate	%			18%			19%

Workers

	UOM	2021	2022
Total	head	2,215	3,759

Jobs Supported		2021	2022
Jobs supported across the CNPF value chain[3]	number	6,042	8,858

Diversity and equality – Governance bodies

Board of Directors	**UOM**	2021			2022		
By gender		Male	Female	Total	Male	Female	Total
	head/ % of total	**7 (78%)**	**2 (22%)**	**9 (100%)**	**6 (75%**	**2 (25%)**	**8 (100%)**
By age		<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years
	head/ % of total	0 (0%)	2 (22%)	7 (78%)	0 (0%)	2 (25%)	6 (75%)

Parental leave - Maternity and Paternity Leave

	UOM	2022	
		Male	Female
Employees entitled to parental leave	head	12	42
Employees that took parental leave		9	41
Employees that returned to work within reporting period		9	40
Employees still employed 12 after their return to work		9	40

Training and Development

	UOM	2022		
		Male	Female	Total
Average training hours per employee	hours	**60**	**70**	**65**
Executive		23	16	21
Senior manager		48	37	42
Middle manager		33	37	35
Supervisor		112	127	120
Rank and File		9	12	10

Anti-corruption

	UOM	2021	2022
Percentage of employees to whom the organization's anti-corruption policies	%	100	100

[3] This figure includes company-owned restaurant and corporate support employees and workers, as well as those whose jobs are indirectly supported through our business relationships such as our franchised staff, store riders, participants from our inclusive hiring programs, call center agents, and maintenance and utilities staff.

and procedures have been communicated to			
Percentage of business partners to whom the organization’s anti-corruption policies and procedures have been communicated to	%	100	100
Percentage of directors and management that have received anti-corruption training	%	100	100
Total number and nature of confirmed incidents of corruption	numbe r	0	0

Environment

In 2022, the Philippine economy began to reopen as the pandemic started to dissipate. Restaurant operating conditions varied significantly from the previous two years. We have also continued to invest in our brands, adding Potato Corner to our roster. Furthermore, we improved the capability of our stores, whether company-owned or franchised, to track, measure, and report their environmental performance and capture a more representative view of our environmental impact. Given these factors, we opted to omit previous years' data points.

	UOM	2022
Energy[4]		
Non-renewable (total)	GJ	97,958,127
Gasoline	GJ	25,339
LPG	GJ	97,757,925
Diesel	GJ	2,596
Electricity	KWh	172,266
Renewable (total)	GJ	0
Energy intensity (per million Php)[5]	GJ/million Php	6,954
Water[4]		
Water consumption	CBM	502,517
Water discharge	CBM	279,171
Water withdrawal	CBM	781,688
Water intensity (per million Php)[5]	CBM/ million Php	55.49
Emissions [4&6]		
GHG emissions (Scope 1 and 2)	tCO2e	6,204,553
GHG emissions (Scope 1)	tCO2e	6,170,473
GHG emissions (Scope 2)	tCO2e	34,080
GHG emissions intensity (per million Php)[5]	tCO2e/million Php	440
Materials used[7]	MT	
Renewable	MT	25,892
Non-renewable	MT	400[7]
Waste[8]		
Total waste generated	kg	164,690
Total waste diverted from disposal	kg	36
Total waste directed to disposal	kg	164,654
Non-hazardous/solid waste (total)	**kg**	164,690
By method		
Disposed		
Incineration	kg	0
Landfilled	kg	164,654

[4] Figures were calculated with the intention of offering a fair representation of energy, water, and emissions data across all PIZZA businesses. This was achieved through a mix of using actual and estimated figures. All Shakey's and Peri-Peri company-owned and franchised stores, and R&B, Project Pie, and Potato Corner company-owned stores directly measured and reported data. We also continue to integrate and build capacity in Potato Corner, a primarily franchised business, to improve data collection moving forward. In the meantime, Potato Corner's franchise energy, water, and emissions were estimated by using company-owned stores' data as baseline.

[5] Intensity figures are computed based on systemwide sales in millions of PHP, covering both company-owned and franchise sales across the entire PIZZA business.

[6] Standards used for the computation are based on the GHG Protocol Corporate Protocol and Reporting Standard. Location-based grid emission factors are based on the Philippine Department of Energy. The gasses reported include carbon dioxide, methane, and nitrous oxide.

[7] Materials data include ingredients and supplies procured for all PIZZA businesses, including company-owned and franchised stores. Renewable materials mainly consist of our food items and paper packaging. Non-renewable materials cover our non paper-based packaging and exclude fuel sources.

[8] All of Potato Corner (both company-owned and franchises) and all Peri-Peri franchises are excluded from the scope of this disclosure. This reporting year, we were able to collect food waste data. We are also improving our data collection systems and training our people to measure hazardous waste data moving forward.

Other disposal operations	kg	0
Diverted		
Preparation for reuse	kg	0
Recycling	kg	36
Other recovery operations, including composting	kg	0
By location		
Onsite recovery operation	kg	
Offsite recovery operation	kg	36
Onsite disposal operation	kg	
Offsite disposal operation	kg	164,654

Content Index for Philippine SEC Form 17-A Sustainability Report 2022

This report complies with the Philippine Stock Exchange Sustainability Reporting Guidelines for Publicly Listed Companies.

Contextual Information	Location and additional information
Name of Organization	Shakey's Pizza Asia Ventures Inc. (PIZZA)
Location of Headquarters	Philippines
Locations of Operations	Philippines
Report Boundary	Corporate Support Office and all primary businesses – Shakey's Pizza, Peri-Peri, R&B, Project Pie Potato Corner This includes all our company-owned stores, warehouses, and corporate support offices operating in the Philippines. For franchisees, both local and global, disclosures will indicate if these are covered.
Business Model, including Primary Activities, Brands, Products, and Services	Full-service restaurant chain, specializing in casual dining
Reporting Period	January 1, 2022 – December 31, 2022
Highest Ranking Person responsible for this report	Christopher Po, Chairman
Contact for questions regarding the report	Investor Relations, investorrelations@shakeys.biz
"Comply or Explain" Provisions	
Materiality Process	OUR SUSTAINABILITY COMMITMENT AND FOCUS – Materiality Process
Economic: Economic Performance Direct Economic Value Generation and Distributed	CREATING IMPACT ACROSS OUR BUSINESS OUR SUSTAINABILITY COMMITMENT AND FOCUS – Governing and Operationalizing Sustainability SUSTAINABILITY DATA SUMMARY SEC 17-A 2022 Annual Report - Management's Discussion and Analysis or Plan of Operation
Economic: Economic Performance Climate-related risks and opportunities	PLANET – Environmental Impact Management SUSTAINABILITY DATA SUMMARY
Economic: Procurement Practices Proportion of spending on local suppliers	SUPPLY CHAIN MANAGEMENT – Local Sourcing SUSTAINABILITY DATA SUMMARY
Economic: Anti-corruption Training on Anti-corruption Policies and Procedures, Incidents of Corruption	ANTI-CORRUPTION SUSTAINABILITY DATA SUMMARY

Environment: Resource Management Energy consumption within the organization, Reduction of energy consumption, Water consumption within the organization, Materials used by the organization	PLANET – Natural Resource Efficiency, Environmental Impact Management SUSTAINABILITY DATA SUMMARY
Environmental: Environmental Impact Management Air Emissions, Solid and Hazardous Wastes	PLANET – Natural Resource Efficiency, Environmental Impact Management SUSTAINABILITY DATA SUMMARY
Social: Employee Management Employee Hiring and Benefits, Employee Training and Development, Labor-Management Relations, Diversity and Equal Opportunity	PEOPLE– Employees SUSTAINABILITY DATA SUMMARY
Social: Workplace Conditions, Labor Standards, and Human Rights Occupational Health and Safety, Labor Laws and Human Rights	PEOPLE– Workplace Culture and Environment SUSTAINABILITY DATA SUMMARY
Social: Supply Chain Management	SUPPLY CHAIN MANAGEMENT SUSTAINABILITY DATA SUMMARY
Social: Relationship with Community Significant Impacts on Local Communities	PEOPLE – Community Engagement

ANNEX C

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Shakey's Pizza Asia Ventures, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein as at December 31, 2022 and 2021, and each of the three years in the period ended December 31, 2022, in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Christopher T. Po
Chairman of the Board

Leonardo Arthur T. Po
Treasurer

Vicente L. Gregorio
President & Chief Executive Officer

Signed this 13 APR 2023 day of April, 2023

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

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) s.s.

SUBSCRIBE AND SWORN to before me this 13 APR 2023 affiant(s) exhibiting to me the Passport Numbers, as follows:

Name	Passport No.	Date Issue	Place of Issue
Christopher T. Po	P8631182A	Sept. 6, 2018	DFA Manila
Vicente L. Gregorio	P4438672B	Jan. 18, 2020	DFA NCR South
Leonardo Arthur T. Po	P5812137A	Jan. 29, 2018	DFA Manila

Notary Public

ATTY. JOSELINO N. SUCION
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023
2746 ZENAIDA ST. POBLACION MAKATI
IBP NO. 257632/01/02/23
PTR NO. 956233/01/03/23
MCLE COMPLAINCE NO. VII-0013028/04/14/2025
ROLL NO. 60799
APPOINTMENT NO. M-078

Doc. No. 170
Page No. 34
Book No. 40
Series of 2023.

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						5	4	6	6	6

COMPANY NAME

SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
shakeyspizza.ph	(02)8839-0011	-

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
43	May 3	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Manuel Del Barrio	mtdelbarrio@shakeys.biz	(02)8839-0011	-

CONTACT PERSON's ADDRESS

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

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

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Shakey's Pizza Asia Ventures Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Impairment Assessment of Goodwill and Trademarks

Under Philippine Accounting Standards 36, *Impairment of Assets*, the Group is required to annually test for impairment the amount of goodwill and trademarks with indefinite life. The Group's goodwill amounting ₱1,324.85 million and trademarks with indefinite life amounting to ₱8,759.35 million, are considered significant to the consolidated financial statements since these account for 57% of the Group's total consolidated assets. In addition, management's assessment requires significant judgment and is based on assumptions, specifically forecasted long-term revenue growth rate, operating expenses, gross margin and discount rate. These assumptions are also subject to higher level of estimation uncertainty depending on the current and future outlook on economic conditions.

The Group's disclosures about goodwill and trademarks with indefinite life are included in Notes 6 and 14 to the consolidated financial statements.

Audit response

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

Accounting for the Acquisition of the Potato Corner Business

On March 5, 2022, the Group acquired the Potato Corner business. This transaction is a key audit matter as the amounts involved are material to the consolidated financial statements and management judgment is required to determine whether the transactions has met the requirements of a business acquisition. The transaction also involves significant judgments and estimates in the identification and determination of the fair values of the assets and liabilities acquired, key inputs, such as revenue growth and discount rates related to the valuation of the trademark and the allocation of the purchase price to these assets and liabilities.

The Group disclosed the details of the acquisition of the business in Note 6 to the consolidated financial statements.

Audit response

We obtained and reviewed the related documents, including any arrangements entered into in connection with the transaction. We reviewed management's analysis and assessment of the transaction and reviewed the purchase price allocation prepared by the Group. We also involved our internal specialists in reviewing the valuation methodology and key inputs, such as revenue growth and discount rates related to the valuation of the trademark. We compared the revenue growth to the historical performance of the Potato Corner business and industry data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the disclosures in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to date of this auditor's report, and the SEC Form 20 IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2022, which are expected to be made available to us after that date.

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Christine G. Vallejo.

SYCIP GORRES VELAYO & CO.

Christine G. Vallejo
Partner
CPA Certificate No. 99857
Tax Identification No. 206-384-906
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 99857-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-105-2022, November 7, 2022, valid until November 6, 2025
PTR No. 9566010, January 3, 2023, Makati City

April 13, 2023

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

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash (Notes 6, 8 and 31)	**₱989,578,790**	₱485,414,521
Trade and other receivables (Notes 6, 9, 18 and 31)	**1,133,066,392**	723,983,367
Financial assets at fair value through profit or loss (Notes 12, 31 and 32)	**–**	300,000,000
Inventories (Notes 6 and 10)	**1,001,114,060**	432,876,226
Prepaid expenses and other current assets (Notes 6 and 11)	**730,884,353**	187,556,789
Total Current Assets	**3,854,643,595**	2,129,830,903
Noncurrent Assets		
Property and equipment (Notes 6 and 13)	**1,764,723,405**	1,373,563,312
Intangible assets (Notes 6 and 14)	**10,339,886,416**	7,034,324,209
Right-of-use assets (Note 15)	**1,443,780,579**	1,231,516,139
Deferred input value-added tax	**9,653,323**	28,234,552
Deferred tax assets - net (Note 30)	**25,566,418**	247,956,292
Other noncurrent assets (Notes 6, 16, 31 and 32)	**270,164,541**	589,287,521
Total Noncurrent Assets	**13,853,774,682**	10,504,882,025
TOTAL ASSETS	**₱17,708,418,277**	₱12,634,712,928
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans payable (Notes 19 and 31)	**₱500,000,000**	₱–
Accounts payable and other current liabilities (Notes 6, 17, 18 and 31)	**2,132,213,295**	968,634,979
Current portion of:		
Long-term loans payable (Notes 20 and 31)	**47,932,514**	47,986,963
Contract liabilities (Note 22)	**13,445,337**	18,965,155
Lease liabilities (Note 15)	**58,902,122**	92,010,032
Income tax payable	**52,155,804**	1,557,290
Total Current Liabilities	**2,804,649,072**	1,129,154,419
Noncurrent Liabilities		
Noncurrent current portion of:		
Long-term loans payable (Notes 20 and 31)	**5,242,625,440**	3,692,570,991
Lease liabilities (Note 15)	**1,641,116,052**	1,388,726,488
Contract liabilities (Note 22)	**61,226,844**	63,232,658
Accrued pension costs (Note 27)	**86,599,794**	96,260,947
Dealers' deposits and other noncurrent liabilities (Note 32)	**146,635,403**	83,979,903
Deferred tax liabilities - net (Notes 6 and 30)	**679,788,566**	–
Total Noncurrent Liabilities	**7,857,992,099**	5,324,770,987
Total Liabilities	**10,662,641,171**	6,453,925,406
Equity		
Capital stock (Note 21)	**1,683,760,178**	1,683,760,178
Additional paid-in capital (Note 21)	**2,451,116,470**	2,451,116,470
Retained earnings (Note 21)	**2,877,362,495**	2,053,473,219
Other components of equity (Note 27)	**33,537,963**	(7,562,345)
Total Equity	**7,045,777,106**	6,180,787,522
TOTAL LIABILITIES AND EQUITY	**₱17,708,418,277**	₱12,634,712,928

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2022	2021	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS (Notes 18 and 22)	**₱10,142,024,578**	₱5,480,427,588	₱5,296,771,546
COST OF SALES (Notes 18 and 23)	**(7,546,508,401)**	(4,206,711,163)	(4,364,157,309)
GROSS INCOME	**2,595,516,177**	1,273,716,425	932,614,237
GENERAL AND ADMINISTRATIVE EXPENSES (Note 24)	**(1,222,810,270)**	(837,345,396)	(972,712,600)
INTEREST EXPENSE (Note 28)	**(323,971,110)**	(292,179,579)	(333,303,573)
INTEREST INCOME (Note 8)	**504,742**	1,276,273	2,886,826
OTHER INCOME - NET (Note 29)	**49,175,399**	85,211,847	2,003,935
INCOME (LOSS) BEFORE INCOME TAX	**1,098,414,938**	230,679,570	(368,511,175)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)			
Current	**140,130,584**	24,222,135	73,691,665
Deferred	**83,882,273**	83,477,277	(188,613,552)
	224,012,857	107,699,412	(114,921,887)
NET INCOME (LOSS)	**874,402,081**	122,980,158	(253,589,288)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods (net of tax) - Actuarial gain (loss) on defined benefit obligation (Note 27)	**54,741,546**	75,856,746	(21,826,279)
Tax effect (Note 27)	**(13,641,238)**	(18,738,959)	6,586,418
	41,100,308	57,117,787	(15,239,861)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱915,502,389**	₱180,097,945	(₱268,829,149)
Basic/Diluted Earnings (Loss) Per Share (Note 35)	**₱0.52**	₱0.08	(₱0.17)

See accompanying Notes to Consolidated Financial Statements.

SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital Stock (Note 21)	**Additional Paid-in Capital** (Note 21)	**Retained Earnings** (Note 21)	**Other Components of Equity** (Note 27)	**Total**
Balances at January 1, 2022	**₱1,683,760,178**	**₱2,451,116,470**	**₱2,053,473,219**	**(₱7,562,345)**	**₱6,180,787,522**
Total comprehensive income	**–**	**–**	**874,402,081**	**41,100,308**	**915,502,389**
Cash dividends (Note 21)	**–**	**–**	**(50,512,805)**	**–**	**(50,512,805)**
Balances at December 31, 2022	**₱1,683,760,178**	**₱2,451,116,470**	**₱2,877,362,495**	**₱33,537,963**	**₱7,045,777,106**
Balances at January 1, 2021	₱1,531,321,053	₱1,353,554,797	₱1,964,168,269	(₱64,680,132)	₱4,784,363,987
Issuance of new shares (Note 21)	152,439,125	1,097,561,673	–	–	1,250,000,798
Total comprehensive income	–	–	122,980,158	57,117,787	180,097,945
Cash dividends (Note 21)	–	–	(33,675,208)	–	(33,675,208)
Balances at December 31, 2021	₱1,683,760,178	₱2,451,116,470	₱2,053,473,219	(₱7,562,345)	₱6,180,787,522
Balances at January 1, 2020	₱1,531,321,053	₱1,353,554,797	₱2,233,070,767	(₱49,440,271)	₱5,068,506,346
Total comprehensive loss	–	–	(253,589,288)	(15,239,861)	(268,829,149)
Cash dividends (Note 21)	–	–	(15,313,210)	–	(15,313,210)
Balances at December 31, 2020	₱1,531,321,053	₱1,353,554,797	₱1,964,168,269	(₱64,680,132)	₱4,784,363,987

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱1,098,414,938**	₱230,679,570	(₱368,511,175)
Adjustments for:			
Depreciation and amortization (Note 26)	**636,955,383**	499,875,646	497,433,459
Interest expense (Note 28)	**323,971,110**	292,179,579	333,303,573
Provision for (reversal of) legal and other contingencies – net (Notes 29 and 34)	**11,394,323**	(1,353,452)	34,779,970
Movement in pension costs	**45,080,393**	40,879,361	31,101,754
Loss (gain) on:			
Disposal of property and equipment (Note 29)	**(67,336)**	121,143	18,749,687
Pre-terminations of leases (Note 15)	**(18,323,273)**	(10,529,566)	(14,584,239)
Disposal of inventories	**2,630,006**	12,250,140	(5,498,534)
Accretion income (Notes 16 and 29)	**(2,000,871)**	(3,023,323)	(4,243,006)
Interest income (Notes 8 and 29)	**(504,742)**	(1,276,273)	(2,886,826)
Unrealized foreign exchange loss (gain)	**(2,212,953)**	(247,925)	332,437
Fair value gain on financial assets at fair value through profit or loss (FVPL) (Note 29)	**(404,374)**	(1,949,288)	(589,306)
Gain on reversal of liabilities (Note 29)	**–**	(24,682,991)	–
Income before working capital changes	**2,094,932,604**	1,032,922,621	519,387,794
Decrease (increase) in:			
Trade and other receivables	**(409,083,025)**	(173,290,549)	148,478,925
Inventories	**(570,867,840)**	(184,794)	37,684,338
Prepaid expenses and other current assets	**(559,930,385)**	(11,085,299)	14,740,059
Deferred input value-added tax	**18,581,229**	20,189,422	19,539,898
Increase (decrease) in			
Accounts payable and other current liabilities	**1,128,018,038**	191,067,983	(195,597,433)
Contract liabilities (Note 36)	**(10,737,004)**	(11,172,587)	(23,430,428)
Cash generated from operations	**1,690,913,617**	1,048,446,797	520,803,153
Income taxes paid (including creditable withholding taxes)	**(72,929,249)**	(63,556,930)	(175,974,315)
Interest received	**504,742**	1,276,273	2,886,826
Net cash provided by operating activities	**1,618,489,110**	986,166,140	347,715,664
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired from business combination (Note 6)	**20,503,549**	–	–
Acquisition of:			
Property and equipment (Note 13)	**(710,050,093)**	(280,137,822)	(167,168,602)
Financial assets at FVPL (Note 12)		(300,000,000)	(120,000,000)
Trademark (Note 14)	**(405,000,000)**	(1,243,186)	–
Software (Note 14)	**(56,556,757)**	–	(85,158,730)
Franchise right (Note 14)	**(2,884,236)**	–	(4,964,977)
Subsidiaries (Note 6)	**(2,063,923,182)**	–	–
Proceeds from:			
Redemption of financial assets at FVPL (Note 32)	**300,404,374**	121,949,288	120,589,306
Disposal of property and equipment	**181,013**	123,547	10,455,402
Decrease (increase) in other noncurrent assets (Note 36)	**321,123,851**	(409,172,651)	(5,432,721)
Increase (decrease) in dealers' deposits and other noncurrent liabilities (Note 35)	**62,655,500**	42,739,353	(5,368,235)
Net cash used in investing activities	**(2,533,545,981)**	(825,741,471)	(257,048,557)

(Forward)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES (Note 35)			
Proceeds from availment of:			
Short-term loans (Note 19)	**₱500,000,000**	₱–	₱1,500,000,000
Long-term loans (Note 20)	**1,600,000,000**		
Issuance of capital stock (Note 21)		1,250,000,798	–
Payments of:			
Lease liabilities (Note 15)	**(360,864,550)**	(204,302,941)	(203,225,951)
Short-term loans (Note 19)	–	(1,050,000,000)	(1,000,000,000)
Interest	**(221,614,458)**	(194,954,854)	(221,822,567)
Dividends (Note 21)	**(50,512,805)**	(33,675,208)	(15,313,210)
Long-term loans (Note 20)	**(50,000,000)**	(50,000,000)	(50,000,000)
Net cash provided by (used in) financing activities	**1,417,008,187**	(282,932,205)	9,638,272
NET INCREASE (DECREASE) IN CASH	**501,951,316**	(122,507,536)	100,305,379
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**2,212,953**	247,925	(332,437)
CASH AT BEGINNING OF YEAR (Note 8)	**485,414,521**	607,674,132	507,701,190
CASH AT END OF YEAR (Note 8)	**₱989,578,790**	₱485,414,521	₱607,674,132

See accompanying Notes to Consolidated Financial Statements.

SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

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

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

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

Approval and Authorization for the Issuance of the Consolidated Financial Statements
The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 13, 2023.

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

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

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

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

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

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

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

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

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

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

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

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

	Principal Activities	Place of Incorporation	Percentage of Ownership (%)
Bakemasters, Inc. (BMI)	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 are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- 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*

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

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

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*

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

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

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

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

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

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

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

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because the fair values to be assigned to the acquiree's identifiable assets and liabilities can be determined only provisionally, the Group accounts for the combination using provisional values. Adjustments to those provisional values as a result of completing the initial accounting shall be made within twelve (12) months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

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

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

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

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

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting date, or;
- Cash unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

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

<u>Financial Instruments</u>
<u>*Financial Assets*</u>
Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and FVPL.

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

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

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

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

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

The Group has no financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at FVOCI with recycling of cumulative gains and losses (debt instrument) as at December 31, 2022 and 2021.

Financial Assets at Amortized Cost (Debt Instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

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

As at December 31, 2022 and 2021, the Group's financial assets at amortized cost consist of cash, trade and other receivables and rental and other deposits included in "Rental deposits" in the consolidated statements of financial position (see Notes 8, 9 and 16).

Financial assets at FVPL. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are recognized as other income in the consolidated statement of comprehensive income when the right of payment has been established. A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As at December 31, 2021, the Group has investment in unit investment trust fund (UITF) classified as financial assets at FVPL (see Note 12).

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

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

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

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

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

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

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

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

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

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

The Group's financial liabilities include short-term and long-term loans payable, accounts payable and other current liabilities (excluding statutory liabilities) (see Notes 17, 19 and 20), and dealers' deposits and other noncurrent liabilities.

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

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest expense in the consolidated statements of comprehensive income.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Classification of Financial Instruments Between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

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

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

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

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

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

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

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

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

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

The fair value information is presented in Note 32.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to set-off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Cash
Cash includes cash on hand and in banks.

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

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

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

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

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

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

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

Category	Number of year(s)
Building	15-20
Leasehold improvements	2-10 or term of the lease whichever is shorter
Furniture, fixtures and equipment	2-10
Machinery and equipment	2-3
Transportation equipment	2-7
Cost of shops and maintenance tools	3-10
Glassware and utensils	2

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

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

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

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

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

Intangible assets with finite lives such as software and franchise right are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

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

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

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

Dealers' Deposits

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

Equity

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

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

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

Dividends on Capital Stock

Cash dividends on common shares are recognized as liability and deducted from retained earnings upon declaration by the BOD.

Stock dividends on common shares are measured based on the total par value of declared stock dividend. Stock dividends are deducted from retained earnings when the BOD's declaration is ratified by the shareholders.

Cash dividends are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital. The Group may declare dividends only out of its unrestricted retained earnings.

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

Revenue from Contracts with Customers

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

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

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

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

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

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

Contract Balances

Contract Assets. A contract asset is a conditional right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Group has no contract assets as at December 31, 2022 and 2021.

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

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

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

Cost and Expenses Recognition

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

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

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

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

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

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

A lessee shall account for a lease modification as a separate lease if both:
- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

- Allocate the consideration in the modified contract;
- Determine the lease term of the modified lease; and
- Remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, of the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined. The lessee shall account for the remeasurement of the lease liability by:

    - Decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to partial or full termination of the lease.
    - Making corresponding adjustment to the right-of-use asset for all other lease modifications.

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

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

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

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

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

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

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

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

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

Foreign Currency-denominated Transactions

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

Income Tax

Current Tax. Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. The Group's current tax expense is calculated using 25% regular corporate income tax (RCIT) rate in 2022 and 2021 or 1%minimum corporate income tax (MCIT) rate in 2022 and 2021, whichever is higher. BMI, SSI and SPCI use Optional Standard Deduction (OSD), while the Parent Company and the remaining subsidiaries incorporated in the Philippines use itemized deductions in the computation of their respective taxable income.

Net Operating Loss Carryover (NOLCO). NOLCO is recognized in accordance with the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(b) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2021 and 2022 can be carried over and claimed as a deduction from taxable income for the next five (5) consecutive taxable years immediately following the year of such loss.

MCIT. MCIT is calculated as 1% of gross income in 2022 and 2021 of any domestic and resident foreign corporation beginning the fourth taxable year immediately following the taxable year in which such corporation commenced its business operation. Any excess of the MCIT over the normal income tax shall be carried forward and credited against the normal income tax for three (3) immediately succeeding taxable year.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess MCIT over the RCIT and unused tax losses in the form of NOLCO, to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences, and the carryforward benefits from MCIT and NOLCO can be utilized.

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

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

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

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

Value-added Tax (VAT)

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

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

Deferred Input VAT

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

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

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

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

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

As at December 31, 2022 and 2021, the Group's right-of-use assets amounted to ₱1,443.8 million and ₱1,231.5 million, respectively, and the Group's lease liabilities as at those dates amounted to ₱1,700.0 million and ₱1,480.7 million, respectively. In 2022, 2021 and 2020, the Group recognized amortization of right-of use assets amounting to ₱287.9 million, ₱155.8 million and ₱148.4 million, respectively. Interest expense on lease liabilities recognized amounted to ₱102.8 million, ₱89.1 million, ₱105.8 million, respectively (see Note 15).

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

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

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

As at December 31, 2022 and 2021, the Group's lease liabilities amounted to ₱1,700.0 million and ₱1,480.7 million, respectively (see Note 15).

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

The fair values of financial assets and financial liabilities are disclosed in Note 32.

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

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

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

Other than the considerations on the impact of COVID-19 on macroeconomic factors used as inputs to the ECL calculation, there have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

The carrying value of trade and other receivables amounted to ₱622.9 million and ₱724.0 million as at December 31, 2022 and 2021, respectively (see Note 9). Allowance for ECL amounted to ₱9.3 million as of December 31, 2022 and ₱6.1 million as of December 31, 2021. Provision for ECL was recognized amounted to ₱3.1 million in 2022 and nil in 2021 and 2020.

The carrying value of rental and other deposits amounted to ₱254.5 million and ₱189.3 million as at December 31, 2022 and 2021, respectively (see Note 16). Allowance for unrecoverable rental and other deposits amounted to ₱3.3 million as at December 31, 2022 and 2020. No provision for unrecoverable deposits was recognized in 2022, 2021 and 2020 (see Note 16).

Evaluation of Net Realizable Value of Inventories. The Group writes down the cost of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in prices level or other causes such as the impact of COVID-19 pandemic. The lower of cost and net realizable value of inventories is reviewed at each reporting date. Inventory items identified to be obsolete and unusable are also written off and charged as expense in net income in the consolidated statement of comprehensive income.

There was no provision for (reversal of) inventory obsolescence in 2022, 2021 and 2020. The carrying values of inventories amounted to ₱1,001.1 million as of December 31, 2022 and ₱432.9 million as of December 31, 2021, net of allowance for inventory obsolescence of ₱4.33 million as at December 31, 2022 and 2021 (see Note 10).

Determination of Impairment of Nonfinancial Assets. Impairment review is performed when certain impairment indicators are present. Management considered the impact of COVID-19 in its impairment assessment on the Group's property and equipment, software, franchise right and right-of-use assets and has identified the related lease pre-termination costs, if any.

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

Based on the assessment of management, the Group's nonfinancial assets do not have any indication of impairment as at December 31, 2022 and 2021. No impairment loss was recognized in 2022 and 2021. The carrying value the Group's nonfinancial assets is as follows:

	2022	2021
Property and equipment (see Note 13)	**₱1,764,723,405**	₱1,373,563,312
Software (see Note 14)	**249,428,715**	215,612,546
Franchise right (see Note 14)	**6,253,328**	4,078,374
Right-of-use assets (see Note 15)	**1,443,780,579**	1,231,516,139
	₱3,464,186,027	₱2,824,770,371

Recoverability of Goodwill and Trademarks with Indefinite Life. The Group performs recoverability testing annually or more frequently when there are indications of impairment for goodwill and trademarks with indefinite life. Goodwill acquired through business combination has been allocated to one CGU which is also the operating entity acquired through business combination and to which the goodwill relates. Recoverability testing requires an estimation of the value in use or fair value less cost of disposal of the CGU to which goodwill and trademarks with indefinite life are allocated. Estimating the recoverable amount of the CGU involves significant assumptions about the future results of the business such as long-term revenue growth rate, operating expenses, gross margin and discount rate which were applied to cash flow forecasts. In addition, the assumptions are also subjected to a higher level of estimation uncertainty due to the current economic conditions which have been impacted by the COVID-19 pandemic. The cash flow forecasts were based on financial budgets approved by the BOD covering a five-year period.

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

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

a. Gross Revenue

   On the average, gross revenue of the CGU over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, the business growth had a direct correlation with economic growth. A 5.8% perpetuity growth rate was assumed at the end of the five-year forecast period for Shakey's Pizza Asia Ventures, International Businesses, Bake Master Inc., and Wow Brand Holdings, Inc. while a 2% perpetuity growth rate was used for the newly acquired Potato Corner as management deemed it to be the conservative approach similar to what they have used for business case.

b. Operating Expenses

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

c. Gross Margins

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

d. Discount Rate

   The discount rate used to arrive at the present value of future cash flows was the Group's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity. The discount rates applied to the cash flow projections range from 10.5% to 10.9% in 2022 and 2021.

The carrying amount of goodwill and trademarks with indefinite life are as follows:

	2022	2021
Goodwill (see Note 14)	**₱1,324,852,131**	₱1,264,082,949
Trademarks (see Note 14)	**8,759,352,242**	5,550,550,340
	₱10,084,204,373	₱6,814,633,289

The recoverable amount of the CGUs to which the goodwill and trademarks with indefinite lives are allocated is greater than its carrying amount. No impairment loss was recognized on goodwill and trademarks for the years ended December 31, 2022, 2021 and 2020

Determination of Pension Costs. The cost of defined benefit pension plans and present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Accrued pension cost amounted to ₱86.6 million and ₱96.3 million as at December 31, 2022 and 2021, respectively, (see Note 27).

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

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

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

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

Deferred tax assets recognized amounted to ₱153.5 million and ₱253.4 million as at December 31, 2022 and 2021, respectively (see Note 30).

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

The Group recognized additions amounting ₱11.4 million in 2022 and reversal amounting to ₱1.4 million in 2021 for legal and other contingencies (see Notes 29 and 34).

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

6. **Business Combination**

Acquisition of Potato Corner (PC) Business
On March 5, 2022, the Group entered into various purchase agreements (the "Agreements") with Cinco Group for the assets and intellectual property related to the PC business. The acquisition also involved owning and operating all company-owned stores, as well as serving as brand-owner and franchisor of stores being operated by franchisees both domestically and internationally. The agreements also include purchase of 100% shares in the PC offshore entities. The agreements were considered 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. As a result of the amendments, the value in exchange for the fair value of the net assets acquired related to the transaction amounted to ₱2,603.9 million. The purchase price consideration has been allocated based on relative fair values at date of acquisition. The fair value of the identifiable net assets acquired amounted to ₱2,540.0 million at date of acquisition. The current assets acquired composed of cash, receivables, prepayments, and inventories with fair values amounting to ₱20.5 million, ₱14.5 million, ₱0.9 million and ₱39.0 million, respectively at date of acquisition. The noncurrent assets acquired composed of property and equipment, security deposits, and trademarks with fair values amounting to ₱78.0 million, ₱42.0 million and ₱3,208.8 million, respectively at date of acquisition. The liabilities assumed composed of accounts payable and other current liabilities amounting to ₱61.5 million at date of acquisition. The carrying values of the assets and liabilities assumed is the same with its fair value at date of acquisition except for the trademarks with carrying amount of ₱2,467.4 million at date of acquisition. The purchase price allocation resulted to goodwill, trademarks and deferred tax liability amounting to ₱60.7 million, ₱3,208.8 million and ₱802.2 million, respectively.

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

As of December 31, 2022, the fair values of the assets acquired assumed 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.

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

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

7. **Segment Information**

Segment information is prepared on the following bases:

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

- Restaurant sales comprise revenues from restaurant activities and sale of merchandise and equipment to franchisees.
- Franchise and royalty fees represents payment of 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-PFRSs measures.

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

	Years Ended December 31		
	2022	2021	2020
Consolidated EBITDA	**₱2,058,836,689**	₱1,021,458,522	₱ 459,339,031
Depreciation and amortization (Note 26)	**(636,955,383)**	(499,875,646)	(497,433,459)
Benefit from (provision for) income tax (Note 30)	**(224,012,857)**	(107,699,412)	114,921,887
Interest expense (Note 28)	**(323,971,110)**	(292,179,579)	(333,303,573)
Interest income (Note 8)	**504,742**	1,276,273	2,886,826
Consolidated net income (loss)	**₱874,402,081**	₱122,980,158	(₱253,589,288)

Business Segment Data

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

	Restaurant			Franchise and Royalty Fees			Commissary and Others			Eliminations			Consolidated		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Revenue from contracts with customers	**₱12,009,059,163**	₱5,388,587,125	₱6,248,779,788	**₱723,803,089**	₱305,720,125	₱255,117,257	**₱517,245,262**	₱405,281,225	₱370,489,536	**(₱3,108,082,936)**	(₱619,160,887)	(₱1,577,615,035)	**₱10,142,024,578**	₱5,480,427,588	₱5,296,771,546
Net income (loss)	**₱752,854,428**	(₱143,550,674)	(₱292,343,354)	**₱579,770,208**	₱218,664,056	₱182,651,564	**₱54,355,160**	₱50,397,202	₱34,863,740	**(₱512,577,715)**	(₱2,530,426)	(₱178,761,238)	**₱874,402,081**	₱122,980,158	(₱253,589,288)
Interest expense	**312,287,074**	281,935,664	324,239,685	**3,642,826**	3,132,434	736,725	**8,041,210**	7,111,481	8,327,163	**–**	–	–	**323,971,110**	292,179,579	333,303,573
Interest income	**(271,268)**	(1,231,358)	(2,700,192)	**(5,781)**	(6,668)	(1,641)	**(227,693)**	(38,247)	(184,993)	**–**	–	–	**(504,742)**	(1,276,273)	(2,886,826)
Income tax	**64,817,471**	24,570,587	(197,578,504)	**145,017,283**	74,533,570	61,628,337	**14,178,103**	10,186,506	18,339,731	**–**	(1,591,251)	2,688,549	**224,012,857**	107,699,412	(114,921,887)
Depreciation and amortization	**603,231,555**	462,050,114	462,862,745	**–**	–	–	**32,569,233**	36,670,937	34,570,714	**1,154,595**	1,154,595	–	**636,955,383**	499,875,646	497,433,459
EBITDA	**₱1,732,919,260**	₱623,774,333	₱294,480,380	**₱728,424,536**	₱296,323,392	₱245,014,985	**₱108,916,013**	₱104,327,879	₱95,916,355	**(₱511,423,120)**	(₱2,967,082)	(₱176,072,689)	**₱2,058,836,689**	₱1,021,458,522	₱459,339,031
EBITDA Margin													**20.3%**	18.6%	8.67%
Assets and Liabilities															
Operating assets	**₱20,178,457,308**	₱12,859,819,534	₱12,360,967,559	**₱3,566,668,451**	₱1,386,435,005	₱81,988,104	**₱703,041,886**	₱626,455,376	₱1,844,940,471	**(₱6,765,315,786)**	(₱2,485,953,280)	(₱2,418,076,485)	**₱17,682,851,859**	₱12,386,756,635	₱11,869,819,649
Deferred tax assets -net	**25,566,418**	248,857,614	347,966,523	**–**	–	–	**–**	454,384	5,152,962	**–**	(1,355,706)	(2,946,957)	**25,566,418**	247,956,293	350,172,528
Total assets	**₱20,204,023,726**	₱13,108,677,148	₱12,708,934,082	**₱3,566,668,451**	₱1,386,435,005	₱81,988,104	**₱703,041,886**	₱626,909,760	₱1,850,093,433	**(₱6,765,315,786)**	(₱2,487,308,986)	(₱2,421,023,442)	**₱17,708,418,277**	₱12,634,712,928	₱12,219,992,177
Operating liabilities	**₱9,266,733,516**	₱3,145,415,483	₱4,044,255,616	**₱463,038,268**	₱199,492,313	₱193,377,235	**₱231,468,528**	₱207,294,615	₱184,477,811	**(₱5,768,945,661)**	(₱838,834,959)	(₱775,079,841)	**₱4,192,294,651**	₱2,713,367,452	₱3,647,030,821
Interest-bearing loans and borrowings	**5,790,557,954**	3,740,557,954	3,788,597,369	**–**	–	–	**–**	–	–	**–**	–	–	**5,790,557,954**	3,740,557,954	3,788,597,369
Deferred tax liabilities-net	**–**		–	**–**	–	–	**–**	–	–	**679,788,566**	–	–	**679,788,566**	–	–
Total liabilities	**₱15,057,291,470**	₱6,885,973,437	₱7,832,852,985	**₱463,038,268**	₱199,492,313	₱193,377,235	**₱231,468,528**	₱207,294,615	₱184,477,811	**(₱5,089,157,095)**	(₱838,834,959)	(₱775,079,841)	**₱10,662,641,171**	₱6,453,925,406	₱7,435,628,190

Restaurant sales are attributable to revenues from the general public, which are generated through the Group's store outlets while franchise and royalty fees and commissary and others are derived from various franchisees of the Group's trade names. Consequently, the Group has no concentrations of revenues from a single customer or franchisee in 2022 and 2021.

As of December 31, 2022 and 2021, the Group's international operations are considered to be not material in relation to the consolidated financial statements.

The following are the percentage of total assets and revenues in 2022, 2021 and 2020, of the consolidated assets and revenues, respectively, of the Group:

	Years Ended December 31		**Years Ended December 31**		
	Total Assets		**Revenue**		
	2022	2021	**2022**	2021	2020
Shakey's International Limited (SIL)	**0.01%**	0.00%	**0.03%**	0.07%	0.9%
Shakey's Pizza Regional Foods Limited (SPRFL)	**0.00%**	0.06%	**0.08%**	0.07%	0.09%
PC International Limited (PCIL)	**0.64%**	–	**1.29%**	–	–
Queensview International Limited (QIL)	**10%**	–	**0.00%**	–	–

8. Cash

	2022	2021
Cash on hand	**₱323,566,155**	₱153,112,015
Cash in banks	**666,012,635**	332,302,506
	₱989,578,790	₱485,414,521

Cash in banks earn interest at the respective bank deposit rates. Interest income on cash amounted to ₱0.5 million and ₱1.3 million or the years ended December 31, 2022, 2021 and 2020 respectively.

9. Trade and Other Receivables

	2022	2021
Trade:		
Franchisee	**₱379,564,504**	₱234,363,067
Third parties	**334,644,122**	203,929,298
Related parties (see Note 18)	**24,913,919**	25,928,331
Royalty receivable	**170,138,255**	85,992,882
Nontrade receivable from:		
National Advertising Fund (NAF)	**50,225,215**	35,583,471
Franchisees	**63,775,172**	52,442,190
Employees	**31,425,291**	18,854,882
Others	**87,645,560**	73,008,253
	1,142,332,038	730,102,374
Less allowance for ECL	**(9,265,646)**	(6,119,007)
	₱1,133,066,392	₱723,983,367

Below are the terms and conditions of the financial assets:

- Trade receivables are non-interest 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.
- For terms and conditions of related party receivables, refer to Note 18.

The movements of allowance for ECL are as follows:

	2022			2021		
	Trade and Others	**Receivables from Employees**	**Total**	Trade and Others	Receivables from Employees	Total
Balance at beginning of year	**₱4,873,440**	**₱1,245,567**	**₱6,119,007**	₱4,873,440	₱1,245,567	₱6,119,007
Provision (see Note 24)	**3,146,639**	**–**	**3,146,639**	–	–	–
Balance at year-end	**₱8,020,079**	**₱1,245,567**	**₱9,265,646**	₱4,873,440	₱1,245,567	₱6,119,007

For the years ended December 31, 2022, 2021 and 2020, the Group used the simplified provision matrix approach in estimating the ECL on trade and other receivables.

10. **Inventories**

	2022	2021
At cost:		
Finished goods	**₱10,117,799**	₱6,345,557
Raw materials - food	**43,882,543**	47,225,394
Raw materials - packaging	**7,973,034**	7,424,562
At NRV-		
Merchandise	**939,140,684**	371,880,713
	₱1,001,114,060	₱432,876,226

The cost of the merchandise inventories carried at NRV amounted to ₱943.5 million and ₱376.1 million as at December 31, 2022 and 2021, respectively.

The cost of merchandise and materials charged to cost of sales in the consolidated statements of comprehensive income amounted to ₱4,469.3 million in 2022 and ₱2,231.6 million in 2021 (see Note 23).

Allowance for inventory obsolescence amounted to ₱4.3 million as at December 31, 2022, 2021 and 2020.

No provision (reversal) for inventory obsolescence was recognized in 2022, 2021 and 2020.

11. Prepaid Expenses and Other Current Assets

	2022	2021
Advances to suppliers	**₱623,699,846**	₱79,635,553
Input VAT	–	19,052,627
Prepaid expenses	**58,823,884**	23,905,166
Prepaid taxes	**48,360,623**	64,963,443
	₱730,884,353	₱187,556,789

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

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

12. Financial Assets at FVPL

Movements of this account are as follows:

	2022	2021
Cost:		
Balance at beginning of year	**₱300,000,000**	₱120,000,000
Additions	–	300,000,000
Redemption	**(300,000,000)**	(120,000,000)
Balance at end of year	–	300,000,000
Accumulated Unrealized Fair Value Change		
Balance at beginning of year	–	–
Fair value gain (see Note 29)	**404,374**	1,949,288
Redemption	**(404,374)**	(1,949,288)
Balance at end of year	–	–
Net carrying value	**₱–**	₱300,000,000

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

Fair value gain on financial assets at FVPL included in “Other income” in the consolidated financial statements amounted to ₱0.4 million in 2022 and ₱1.9 million in 2021 (see Note 29).

13. **Property and Equipment**

	Building	Leasehold Improvements (Note 6)	Furniture, Fixtures and Equipment	Machinery and Equipment	Transportation Equipment	Cost of Shops and Maintenance Tools	Glassware and Utensils	Construction in-progress	Total
Cost									
Balance at December 31, 2020	₱257,100,633	₱1,203,501,707	₱1,151,895,613	₱225,782,037	₱25,584,990	₱17,189,945	₱18,329,085	₱47,518,417	₱2,946,902,427
Additions	–	89,510,308	71,510,977	1,550,560	850,000	8,848,206	3,185,493	104,682,278	280,137,822
Disposals	–	(8,578,070)	(168,393)	(6,521,954)	–	–	–	–	(15,268,417)
Reclassification	7,840,386	13,877,556	–	–	–	–	–	(21,717,942)	–
Balance at December 31, 2021	**264,941,019**	**1,298,311,501**	**1,223,238,197**	**220,810,643**	**26,434,990**	**26,038,151**	**21,514,578**	**130,482,753**	**3,211,771,832**
Additions	**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)**
Balance at December 31, 2022	**264,977,352**	**1,647,293,440**	**1,428,884,616**	**236,418,036**	**37,895,667**	**38,678,600**	**37,330,448**	**225,384,737**	**3,916,862,896**
Accumulated Depreciation									
Balance at December 31, 2020	47,879,657	686,340,678	643,780,347	105,247,302	16,218,412	10,594,280	17,207,528	–	1,527,268,204
Depreciation (see Notes 23, 24 and 26)	18,442,868	116,310,445	151,076,002	26,958,119	168,791	10,826,163	2,181,659	–	325,964,047
Disposals	–	(8,348,288)	(146,240)	(6,529,203)	–	–	–	–	(15,023,731)
Balance at December 31, 2021	**66,322,525**	**794,302,835**	**794,710,109**	**125,676,218**	**16,387,203**	**21,420,443**	**19,389,187**	**–**	**1,838,208,520**
Depreciation (see Notes 23, 24 and 26)	**17,039,423**	**116,176,728**	**144,751,454**	**18,519,486**	**4,575,404**	**9,802,475**	**5,528,346**	**–**	**316,393,316**
Disposals	**–**	**(83,333)**	**(789,726)**	**–**	**(1,589,286)**	**–**	**–**	**–**	**(2,462,345)**
Balance at December 31, 2022	**83,361,948**	**910,396,230**	**938,671,837**	**144,195,704**	**19,373,321**	**31,222,918**	**24,917,533**	**–**	**2,152,139,491**
Net Book Value									
Balance at December 31, 2021	₱198,618,494	₱504,008,666	₱428,528,088	₱95,134,425	₱10,047,787	₱4,617,708	₱2,125,391	₱130,482,753	₱1,373,563,312
Balance at December 31, 2022	**₱181,615,402**	**₱736,897,210**	**₱490,212,779**	**₱92,222,332**	**₱18,522,346**	**₱7,455,682**	**₱12,412,915**	**₱225,384,737**	**₱1,764,723,405**

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

Net book value of property and equipment transferred to franchisees as part of the franchising agreement amounted to ₱4.6 million in 2022 and ₱6.9 million in 2021.

14. **Intangible Assets**

The Group's intangible assets consist of:

	2022	2021
Goodwill (see Note 6)	**₱1,324,852,131**	₱1,264,082,949
Trademarks (see Note 6)	**8,759,352,242**	5,550,550,340
Software	**249,428,715**	215,612,546
Franchise right	**6,253,328**	4,078,374
	₱10,339,886,416	₱7,034,324,209

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

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

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

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

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

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

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

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

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

On June 1, 2019 (the acquisition date), SPAVI and WBHI, a newly-incorporated subsidiary, executed a deed of assignment, wherein SPAVI, assigned, transferred and conveyed all its rights under the Agreement, except with respect to SPAVI's rights under the Agreement pertaining to Trademarks, Know-How and Confidential Information, and Intellectual Properties (collectively, the "Intangible

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

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

Increase in trademarks and goodwill as of December 31, 2022 amounting to ₱3,208.8 million and ₱60.85 million, respectively, pertains to PC acquisition. Further details are discussed in Note 6.

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

	Software	Franchise Right
Cost		
Balance at December 31, 2020	₱263,318,449	₱4,964,977
Additions	–	–
Balance at December 31, 2021	263,318,449	4,964,977
Additions	**56,556,757**	**2,884,236**
Balance at December 31, 2022	**319,875,206**	**7,849,213**
Accumulated Amortization		
Balance at December 31, 2020	29,987,206	177,321
Amortization (see Note 25)	17,718,697	709,282
Balance at December 31, 2021	47,705,903	886,603
Amortization (see Note 25)	**22,740,588**	**709,282**
Balance at December 31, 2022	**70,446,491**	**1,595,885**
Net Book Value		
Balance at December 31, 2022	**₱249,428,715**	**₱6,253,328**
Balance at December 31, 2021	215,612,546	4,078,374

15. Right-of-Use Assets and Lease Liabilities

Group as a lessee

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

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

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

	2022	2021
Cost		
Balance at beginning of year	**₱1,967,648,594**	₱1,808,953,814
Additions	**611,244,521**	221,482,193
Pre-terminations	**(202,078,421)**	(50,533,071)
Balance at end of year	**2,376,814,694**	1,979,902,936
Accumulated Amortization		
Balance at beginning of year	**736,132,455**	497,489,754
Amortization (see Notes 23, 24 and 26)	**287,944,102**	155,831,173
Lease concessions	–	117,008,801
Pre-terminations	**(91,042,442)**	(21,942,931)
Balance at end of year	**933,034,115**	748,386,797
Net Book Value	**₱1,443,780,579**	₱1,231,516,139

The rollforward analysis of lease liabilities follows:

	2022	2021
Balance at beginning of year	**₱1,480,736,519**	₱1,530,603,019
Additions	**610,225,027**	221,482,194
Interest expense (see Note 28)	**102,828,224**	89,082,753
Payments	**(360,864,550)**	(204,302,941)
Pre-terminations	**(130,225,864)**	(39,119,704)
Lease concessions	**(2,681,182)**	(117,008,801)
Balance at end of year	**1,700,018,174**	1,480,736,
Current portion of lease liabilities	**58,902,122**	92,010,032
Lease liabilities - net of current portion	**₱1,641,116,052**	₱1,388,726,488

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

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

	As at December 31, 2021		
	Fixed Payments	Variable Payments	Total
Fixed	₱146,034,622	₱–	₱146,034,622
Variable rent with minimum payment	67,074,019	60,932,766	128,006,785
Variable rent only	–	1,226,875	1,226,875
	₱213,108,641	₱62,159,641	₱275,268,282

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

	2022	2021
1 year	**₱352,714,066**	₱305,123,153
more than 1 years to 2 years	**305,708,932**	261,491,608
more than 2 years to 3 years	**269,378,506**	223,842,918
more than 3 years to 4 years	**246,411,328**	183,727,478
more than 5 years	**1,331,472,556**	1,282,603,145

Rent expense on short-term leases and leases of low-value assets amounted to ₱246.5 million, ₱88.0 million and ₱93.1 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Notes 23 and 24).

16. **Other Noncurrent Assets**

	2022	2021
Rental deposits (net of allowance for unrecoverable deposits of ₱3.3 million in 2022 and 2021)	**₱270,164,541**	₱189,287,521
Advances to suppliers	**–**	400,000,000
	₱270,164,541	₱589,287,521

Advances to suppliers are the Group's initial payment for future investments such as acquisition of assets. These were realized in 2022.

The Group's rental deposits are refundable at the end of the lease term which range from 3 years to 15 years. Accordingly, rental deposits are discounted based on comparable rates for similar financial instruments with rates ranging from 1.08% to 4.95% for the years ended December 31, 2022, 2021 and 2020. The excess of the principal amount of the deposit over its fair value is accounted for as right-of-use asset and amortized over the lease term on a straight-line basis while interest on the deposit is accounted for using the effective interest rate method.

The Group uses a provision matrix to calculate ECLs for rental and other deposits. No provision was recognized in 2022, 2021 and 2020.

The accretion income from rental deposits amounted to ₱2.0 million, ₱3.0 million and ₱4.2 million in 2022, 2021 and 2020, respectively (see Note 29).

17. **Accounts Payable and Other Current Liabilities**

	2022	2021
Trade:		
Suppliers	**₱1,442,515,377**	₱483,151,890
Related parties (see Note 18)	**127,047,981**	61,264,356
Nontrade-		
Suppliers	**87,883,647**	106,073,835
Accrued expenses:		
Suppliers	**169,771,074**	127,941,624

(Forward)

	2022	2021
Utilities	**₱48,513,378**	₱29,544,774
Salaries and wages	**23,907,449**	24,646,206
Customers loyalty	**15,635,843**	20,994,474
Interest	–	7,656,566
Others	**1,536,472**	5,569,866
Others	**215,402,074**	101,791,388
	₱2,132,213,295	₱968,634,979

Below are the terms and conditions of the financial liabilities:

- Trade payables are non-interest bearing and are normally settled in 30 to 90 days' term.
- Nontrade payables consist mainly of reimbursable expenses to officers and employees, payable to contractors and employment agencies which are normally settled in 30 to 90 days' term.
- Accrued expenses, which consist mainly of accrual of rent expense of stores, utilities, employee benefits and incentives, freight, commissions and storage costs are normally settled in 30 to 90 days' term.
- Customers loyalty pertain to accumulated points which are generally applied to customer purchases within the next financial year. Revenue is recognized upon actual usage or expiration whichever comes first.
- Other payables are normally settled in 15 to 45 days' term.
- For terms and conditions of related party payables, refer to Note 17.

Other payables consist of the following:

	2022	2021
Customers' deposits	**₱79,152,364**	₱10,492,490
Provision (see Note 34)	**47,073,871**	35,679,548
Withholding tax payable	**36,709,532**	9,386,172
Output VAT	**18,251,158**	30,589,527
Retention payable	**12,712,780**	6,312,771
Fun certificates payable	**11,877,495**	6,452,560
Others	**9,624,874**	2,878,320
	₱215,402,074	₱101,791,388

18. Related Party Transactions

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

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

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

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

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

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2022 and 2021, the Group has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance Receivable (see Note 8)	Outstanding Balance Payable (see Note 16)	Terms	Conditions
Century Pacific Group Inc. (CPGI, Ultimate Parent Company)							
Sales	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	**2022**	**₱8,489,353**	**₱3,082,080**	**₱–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	**7,685,937**	2,389,537	–		
		2020	3,219,631		–		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	**2022**	**-**	**-**	**–**	30-day; non-interest bearing	Unsecured
		2021	-	-	**-**		
		2020	-	-	–		
Companies with common members of BOD and stockholders as the Group							
The Pacific Meat Company Inc. (PMCI)							
Sales	Sale of goods at prices (normally on cost-plus basis) mutually agreed upon by both parties	**2022**	**17,898,896**	**9,693,410**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	17,510,534	14,349,478	–		
		2020	27,510,242				
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	**2022**	**248,948,140**	**–**	**121,785.346**	30-day; non-interest bearing	Unsecured
		2021	130,969,714	–	51,919,361		
		2020	45,847,763	–			
DBE Project Inc. (DBE)							
Trade sales and service income	Sale of goods at prices (normally on cost-plus basis) mutually agreed upon by both parties	**2022**	**-**	**2,778,786**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	99,814	2,778,786	–		
		2020	534,411				
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	**2022**	**-**	**–**	**293,488**	30-day; non-interest bearing	Unsecured
		2021	1.392.369	–	293.488		
		2020	–				
Snow Mountain Dairy Corporation (SMDC)							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	**2022**	**–**	**–**	**–**	30-day; non-interest bearing	Unsecured
		2021	–	–	**–**		
		2020	**1,142,575**				

(Forward)

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance Receivable (see Note 8)	Payable (see Note 16)	Terms	Conditions
Century Pacific Food Inc. (CPFI)							
Sales	Sale of goods at prices (normally on cost-plus basis) mutually agreed upon by both parties	**2022**	**₱20,536,620**	**₱9,359,643**	**₱–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	22,184,403	6,410,531	–		
		2020	10,870,848				
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	**2022**	**29,380,586**	**–**	**4,969,147**	30-day; non-interest bearing	Unsecured
		2021	19,680,597	–	9,051,507		
		2020	10,188,271				
		2022		**₱24,913,919**	**₱127,047,981**		
		2021		25,928,331	61,264,356		

Compensation of Key Management Personnel
The salaries and pension costs of key management personnel in 2022, 2021 and 2020 are as follows:

	2022	2021	2020
Salaries	**₱157,370,825**	₱147,128,102	₱130,971,613
Pension costs	**43,299,391**	50,828,697	42,533,969
	₱200,670,216	₱197,956,799	₱173,505,582

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

19. Short-term Loans Payable

	2022	2021
Balance at beginning of year	**₱–**	₱1,050,000,000
Additions	**500,000,000**	–
Payments	**–**	(1,050,000,000)
Balance at end of year	**₱500,000,000**	₱–

The Parent Company availed of several short-term loans amounting to ₱1,500.0 million with interest ranging from 3.50% to 5.50% annum in 2020.

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

Interest expense pertaining to short-term loans amounting to ₱9.5 million, ₱30.9 million and ₱39.5 million was recognized for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 28).

20. Long-term Loans Payable

Long-term facility loans:

BDO Unibank, Inc. (BDO) Loan
On June 8, 2016, the Group entered into an Omnibus Loan and Security Agreement (OLSA) with BDO (the Lender) and SAFHI. The lender provided a term loan facility in the principal amount of ₱5,000.0 million. The loan is payable within 10 years to commence on the 12th month following the availment date. Payments shall be made in 18 consecutive semi-annual installments of ₱25.0 million and a final payment of ₱4,550.0 million.

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

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

On December 22, 2016, the Group notified BDO of its intention to prepay the loan amounting to ₱1,000.0 million. The exercise of the prepayment option resulted in the revision of estimated future payments and change in the carrying amount of the financial liability. On January 3, 2017, the Group prepaid portion of the loan amounting to ₱1,000.0 million and the corresponding break funding fee and prepayment penalty amounting to ₱21.4 million.

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

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

b. The net proceeds from the loan shall be used for the purpose of refinancing the bridge loan.

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

   The foregoing financial covenant shall be tested every six months based on annual audited or unaudited semi-annual consolidated financial statements. On January 27, 2017, the OLSA was amended to include June 30, 2017 as the commencement date for the testing for the financial covenant ratios.

d. Within the period required, open and establish the Debt Service Reserve Account (DSRA); and ensure that the funds deposited in the DSRA is at all times maintained in accordance with the agreement. As at December 31, 2022 and 2021, the balances of DSRA has been applied to the loan balance.

e. Prior to the assignment or transfer of any trade names, copyrights, trademarks, patents and other intellectual property rights or licenses currently held by the Group or any wholly-owned subsidiary of the Group, the Group shall pledge in favor of the Lender, under the terms and conditions of the Pledge under the Omnibus loan and security Agreement, all the outstanding shares of the Group in such wholly-owned subsidiary.

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

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

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

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

The breakdown of the loans follows:

	2022	2021
BDO loan - principal	**₱3,697,986,963**	₱3,750,000,000
Less unamortized debt issue costs	**7,429,009**	9,442,046
BDO loan - net of unamortized debt issue costs	**3,690,557,954**	3,740,557,954
BPI loan	**1,600,000,000**	–
Less current portion of loan payable	**47,932,514**	47,986,963
Noncurrent portion	**₱5,242,625,440**	₱3,692,570,991

Interest expense amounting to ₱205.9 million, ₱166.4 million and ₱181.6 million were recognized for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 28).

21. **Equity**

Capital Stock

Authorized capital stock
The authorized capital stock of the Parent Company is 2,000,000,000 shares at ₱1 par value in 2022 and 2021.

Issued and outstanding

	2022		2021	
	No. of shares	**Amount**	No. of shares	Amount
Beginning of year	**1,683,760,178**	**₱1,683,760,178**	1,531,521,053	₱1,531,321,053
Additions	**–**	**–**	152,439,125	152,439,125
End of year	**1,683,760,178**	**₱1,683,760,178**	1,683,760,178	₱1,683,760,178

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

Date of SEC Order Rendered Effective or Permit to Sell	Event	Authorized Capital Stock	Issued Shares	Issue Price
December 1, 2016	Registered and Listed Shares (Original Shares)	2,000,000,000	1,179,321,053	₱1.00
	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 December 31, 2022 and 2021 are held by 41 and 43 equity holders, respectively.

Retained Earnings

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

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

There are no outstanding dividends payable as at December 31, 2022 and 2021. Cash dividend declared and paid amounted to ₱50.5 million in 2022 and ₱33.7 million in 2021.

Undistributed earnings of the subsidiaries included in the Group's retained earnings amounting to ₱282.4 million and ₱231.2 million as at December 31, 2022 and 2021, respectively, are not available are not available for dividend declaration by the Parent Company until these are declared by the investee companies.

APIC

Amount received in excess of the par values of the shares issued amounting to ₱2,451.1 million were recognized as "APIC" as at December 31, 2022 and 2021, respectively.

22. Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
Revenue source:			
Restaurant sales	**₱7,206,297,269**	₱3,856,896,913	₱3,829,454,422
Sale of goods	**2,535,590,654**	1,356,366,336	1,219,937,901
Royalty and franchise fees (see Note 33	**400,136,655**	267,164,339	247,379,223
	₱10,142,024,578	₱5,480,427,588	₱5,296,771,546

	2022	2021	2020
Timing of recognition:			
Goods transferred at a point in time	**₱10,123,187,575**	₱5,457,508,873	₱5,265,608,468
Services rendered over time	**18,837,003**	22,918,715	31,163,078
	₱10,142,024,578	₱5,480,427,588	₱5,296,771,546

Contract liabilities
Below are the details of contract liabilities as at December 31, 2022 and 2021:

	2022	2021
Initial franchise fee	**₱74,672,181**	₱82,197,813
Less current portion	**13,445,337**	18,965,155
Noncurrent portion	**₱61,226,844**	₱63,232,658

Movements of contract liabilities arising from initial franchise fees as at and for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Balance as at January 1	**₱82,197,813**	₱89,620,579
Amortization of initial franchise fees	**(18,837,004)**	(22,918,715)
Initial franchise fees received	**8,100,000**	11,746,128
Accretion of interest expense (see Note 27)	**3,211,372**	3,749,821
Balance as at December 31	**₱74,672,181**	₱82,197,813

As at December 31, 2022, the amounts of initial franchise fees allocated to remaining performance obligations, its accretion of interest expense in the succeeding years, and contract liabilities arising from initial franchise fees are as follows:

	Unamortized initial franchise fees	Accretion of interest expense	Contract liabilities from initial franchise fees
Within one year	₱13,445,337	₱2,660,869	₱16,106,206
More than one year	61,226,844	5,200,211	66,427,055
	₱74,672,181	₱7,861,080	₱82,533,261

23. **Cost of Sales**

	2022	2021	2020
Inventory costs (see Note 10)	**₱4,469,334,367**	₱2,231,590,400	₱2,204,553,069
Salaries, wages and benefits	**854,700,420**	564,090,965	827,031,643
Depreciation and amortization (see Note 26)	**590,989,960**	464,894,144	453,025,380
Utilities	**436,806,339**	285,447,117	265,342,629
Outside services	**239,770,198**	113,920,696	109,040,201
Rent (see Note 15)	**246,132,289**	87,675,542	92,206,787
Delivery call fees	**176,298,984**	145,684,145	106,666,672
Supplies	**157,112,346**	86,613,779	86,344,075
Gas expenses	**133,789,783**	75,972,071	67,597,940

(Forward)

	2022	2021	2020
Repairs and maintenance	**₱57,686,408**	₱60,903,968	₱54,643,476
Card charges	**30,957,572**	15,829,245	17,982,948
Pension costs (see Note 27)	**21,322,594**	20,500,279	16,806,284
Seminar and training	**12,095,750**	942,877	634,622
Commissary costs	**4,822,778**	1,733,483	721,408
Dues and subscription	**4,005,890**	22,343,628	20,060,633
Others	**110,682,723**	28,568,824	41,499,542
	₱7,546,508,401	₱4,206,711,163	₱4,364,157,309

24. **General and Administrative Expenses**

	2022	2021	2020
Salaries, wages and benefits	**₱361,312,638**	₱241,493,636	₱330,577,851
Advertising and promotions	**283,890,781**	176,819,913	150,360,713
Outside services	**164,348,824**	95,298,364	130,858,533
Taxes and licenses	**98,087,732**	105,122,992	149,853,823
Transportation and travel	**47,674,426**	34,930,982	32,783,940
Depreciation and amortization (see Note 25)	**45,965,423**	34,981,502	44,408,079
Supplies	**34,735,283**	31,301,760	33,783,403
Pension costs (see Note 26)	**26,510,801**	32,379,082	25,343,893
Utilities	**19,878,150**	13,619,760	13,487,441
Start-up costs	**18,961,866**	2,064,058	1,245,117
Gas expenses	**15,207,420**	7,669,083	5,304,639
Senior citizen discount	**10,717,139**	2,794,443	–
Card charges	**6,438,226**	2,034,205	1,042,342
Insurance	**6,228,656**	4,852,364	7,756,866
Royalty	**4,358,479**	29,648,015	12,782,481
Professional fees	**3,929,849**	1,036,054	1,601,077
Repairs and maintenance	**3,472,341**	4,238,478	3,806,594
Provision for ECL (see Note 8)	**3,146,639**	–	–
Directors' fees	**1,378,947**	1,249,123	1,371,930
Dues and subscriptions	**809,884**	515,344	565,143
Rent (see Note 14)	**368,136**	367,260	881,081
Others	**65,388,630**	14,928,978	24,897,654
	₱1,222,810,270	₱837,345,396	₱972,712,600

25. **Personnel Expenses**

	2022	2021	2020
Salaries, wages, bonuses and allowances:			
Cost of sales (see Note 23)	**₱834,621,934**	₱526,987,995	₱771,835,204
General and administrative expense (see Note 24)	**329,261,032**	227,555,296	317,237,561
SSS, Pag-ibig, Medicare and other contributions:			
Cost of sales (see Note 23)	**20,078,486**	37,102,970	55,196,439
General and administrative expense (see Note 24)	**28,915,874**	13,938,340	13,340,290
Pension costs:			
Cost of sales (see Notes 23 and 26)	**21,322,593**	20,500,279	16,806,284
General and administrative expense (see Notes 24 and 26)	**28,609,595**	32,379,082	25,343,893
	₱1,262,809,514	₱858,463,962	₱1,199,759,671

26. **Depreciation and Amortization**

	2022	2021	2020
Property and equipment:			
Cost of sales (see Note 23)	**₱372,179,083**	₱309,207,492	₱304,794,400
General and administrative expense (see Note 23)	**23,745,266**	16,409,002	28,827,053
Right-of-use assets:			
Cost of sales (see Note 23)	**218,810,877**	155,686,652	148,230,980
General and administrative expense (see Note 24)		144,521	137,600
Software -			
General and administrative expense (see Note 24)	**21,510,874**	17,718,697	15,266,105
Franchise right -			
General and administrative expense (see Note 24)	**709,283**	709,282	177,321
	₱636,955,383	₱499,875,646	₱497,433,459

27. **Pension Costs**

The Group has a funded, noncontributory defined benefit pension plan covering substantially all of its qualified employees. The benefits are based on years of service and percentage of compensation during the last year of employment. Based on the Group's retirement plan, employees who completed at least five (5) years of service qualify in the early retirement plan of the Group. Current service cost and interest cost were computed using the financial assumptions at the beginning of the year reflecting the benefits offered under the plan amendment. Any changes in that effect, excluding amount in net interest, are recognized in OCI. Past service cost recognized as a result of the plan amendment amounted to ₱19.0 million for the year ended December 31, 2019.

The following tables summarize the components of net pension costs in the consolidated statements of comprehensive income in 2022 and 2021 and accrued pension costs in the consolidated statements of financial position as at December 31, 2022 and 2021. The latest actuarial valuation is as at December 31, 2022.

	2022	2021	2020
Pension costs:			
Current service cost	**₱40,276,683**	₱47,905,273	₱48,373,849
Net interest cost	**12,133,009**	5,704,427	3,954,215
Past service cost due to plan amendment	**–**	–	(10,177,887)
	₱52,409,692	₱53,609,700	₱42,150,177

	2022	2021
Accrued pension costs:		
Present value of benefit obligation (PVBO)	**₱242,014,435**	₱262,655,508
Fair value of plan assets (FVPA)	**(155,414,641)**	(166,394,561)
	₱86,599,794	₱96,260,947

Movements in the PVBO are as follows:

	2022	2021
Balance at beginning of year	**₱262,655,508**	₱297,527,903
Current service cost	**40,276,683**	47,905,273
Interest cost	**13,098,993**	11,270,636
Net actuarial loss (gain)	**(61,589,972)**	(82,084,789)
Benefits paid:		
From plan assets	**(12,426,777)**	(11,963,515)
Balance at end of year	**₱242,014,435**	₱262,655,508

Movements in the FVPA are as follows:

	2022	2021
Balance at beginning of year	**₱166,394,561**	₱166,289,571
Interest income	**8,295,283**	6,296,548
Contributions	**–**	12,000,000
Net actuarial gain (loss)	**–**	(5,588,630)
Remeasurement – plan asset	**(6,848,426)**	(639,413)
Benefits paid -		
From plan assets	**(12,426,777)**	(11,963,515)
Balance at end of year	**₱155,414,641**	₱166,394,561

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

	2022	2021
Balance at beginning of year	**₱96,260,947**	₱131,238,332
Pension costs	**45,080,393**	52,879,361
Contributions	**–**	(12,000,000)
Actuarial loss gain	**(54,741,546)**	(75,856,746)
Balance at end of year	**₱86,599,794**	₱96,260,947

Amount recognized in OCI are as follows:

	2022	2021	2020
Actuarial gain (loss) - PVBO	**₱61,589,972**	₱82,084,789	(₱23,528,245)
Actuarial gain (loss) - FVPA	**(6,848,426)**	(6,228,043)	1,701,966
Deferred income tax	**(13,641,238)**	(18,738,959)	6,586,418
	₱41,100,308	₱57,117,787	(₱15,239,861)

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

	2022	2021
Investments:		
Government securities	**₱100,425,675**	₱130,391,924
Stocks	**6,451,827**	18,587,019
Deposit in banks	**4,875**	6,379
Money market investment in trust funds	**29,257,033**	448,426
Other securities	**18,483,181**	16,042,396
Total investments	**154,622,591**	165,476,144
Other assets:		
Interest receivable	**683,671**	1,164,826
Receivable	**228,479**	–
Total other assets	**912,150**	1,164,826
Total assets	**155,534,741**	166,640,970
Less due to broker	**120,100**	246,409
Net asset value	**₱155,414,641**	₱166,394,561

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

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

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

	2022	2021
Discount rates at beginning of year	**7.12%**	4.99%
Rate of compensation increase	**5.00%**	5.00%
Average future working years of service	**30**	25

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

	2022		2021	
	Increase (decrease)	**Amount**	Increase (decrease)	Amount
Discount rates	**0.50%**	**(₱6,243,145)**	0.50%	(₱15,619,039)
	(0.50%)	**8,221,974**	(0.50%)	20,451,805
Salary increase rate	**1.00%**	**17,086,849**	1.00%	44,227,023
	(1.00%)	**(11,418,866)**	(1.00%)	(29,383,618)

Shown below is the maturity profile of the undiscounted benefit payments as of December 31, 2022 and 2021:

	2022	2021
1 year and less	**₱21,268,123**	₱17,439,824
more than 1 years to 5 years	**5,858,556**	1,852,532
more than 5 years to 10 years	**92,368,558**	90,216,303
more than 10 years to 15 years	**136,461,424**	113,643,272
more than 15 years to 20 years	**415,338,387**	341,569,190
more than 20 years	**7,542,694,338**	6,117,941,026

The Group expects to contribute ₱57.86 million to the Fund in 2023.

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

28. **Interest Expense**

	2022	2021	2020
Long-term loan payables (see Note 19)	**₱205,879,581**	₱166,437,238	₱181,577,312
Lease liabilities (see Note 14)	**102,828,224**	89,082,753	105,789,642
Short-term loan payables (see Note 18)	**9,548,194**	30,896,730	39,481,097
Contract liabilities (see Note 21)	**3,642,826**	3,749,821	3,881,048
Debt issue cost	**2,067,486**	2,013,037	1,879,066
Others	**4,799**	–	695,408
	₱323,971,110	₱292,179,579	₱333,303,573

29. **Other Income (Charges) -** Net

	2022	2021	2020
Service fee and expired loyalty fund points	**₱19,689,335**	₱6,045,697	₱7,323,836
Gain (loss) on:			
Pre-termination of leases (see Note 15)	**18,323,273**	10,529,566	14,584,239
Disposal of inventories	**(2,630,006)**	(12,250,140)	5,498,534
Reversal of long outstanding liabilities	–	24,682,991	–
Recovery of receivables	–	23,210,194	–
Disposal of property and equipment	**67,336**	(121,143)	(18,749,687)
Net reversal (provisions for) legal and other contingencies (see Note 34)	**(11,394,323)**	1,353,452	(34,779,970)
Unrealized foreign exchange gain (loss)	**10,146,394**	247,925	(332,437)
Other income from franchisees	**7,040,034**	23,310,805	19,070,063
Accretion income from dealers' deposits (see Note 16)	**2,000,871**	3,023,323	4,243,006
Fair value gain on financial assets at FVPL (see Note 12)	**404,374**	1,949,288	589,306
Others - net	**5,528,111**	3,229,889	4,224,608
	₱49,175,399	₱85,211,847	₱2,003,935

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

30. **Income Taxes**

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

	2022	2021
Deferred tax assets:		
NOLCO	**₱21,072,622**	₱89,424,217
Accrued bonus and other expense	**2,011,581**	3,194,577
Unamortized past service cost	**818,647**	3,172,954
Lease liabilities	**618,357**	64,278,496
Accrued pension costs	**654,022**	24,245,537
Loyalty points	**406,176**	2,470,314
Difference in depreciation due to adoption of lease standard	–	36,447,503
Contract liabilities	–	5,391,146
Allowance for:		
Expected credit losses	–	1,228,669
Inventory obsolescence	–	1,064,150
Unrecoverable deposits	–	824,323
Unrealized profit	–	1,159,804
MCIT	–	20,545,761
	25,581,405	253,447,451
Deferred tax liabilities:		
Excess of fair value over cost of net identifiable assets acquired in business combination	–	2,515,511
Debt issuance cost	–	2,360,512
Unrealized foreign exchange gain	–	61,980
Pension asset	**14,987**	553,156
	14,987	5,491,159
	₱25,566,418	₱247,956,292

The details of the Group's net deferred tax liabilities as of December 31, 2022 are as follows:

	2022
Deferred tax assets:	
Lease liabilities	**₱59,025,906**
Difference in depreciation due to adoption of lease standard	**31,551,183**
Accrued pension costs	**20,841,349**
Contract liabilities	**6,543,943**
Accrued bonus and other expense	**4,543,819**
Unamortized past service cost	**1,855,309**
Allowance for:	
Inventory obsolescence	**1,064,150**
Expected credit losses	**1,228,669**
Unrecoverable deposits	**824,323**
Loyalty points	**407,102**
MCIT	–
	127,885,753

(Forward)

	2022
Deferred tax liabilities:	
Excess of fair value over cost of net identifiable assets acquired in business combination (see Note 6)	**₱805,565,467**
Debt issuance cost	**1,857,252**
Unrealized foreign exchange gain	**251,600**
	807,674,319
	(₱679,788,566)

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

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

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

Year Incurred	Availment Period	Amount	Applied in Previous Year/s	Expired	Applied in Current Year	Unapplied
2020	2021-2025	**569,472,013**	**203,932,152**	**₱–**	**303,544,146**	**₱61,995,715**
2022	2023-2025	**21,072,622**	**–**	**–**	**–**	**21,072,622**
		₱590,544,635	**₱203,932,152**	**₱–**	**₱303,544,146**	**₱83,068,337**

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

			MCIT			
Year Incurred	Availment Period	Amount	Applied in Previous Year/s	Expired	Applied in Current Year	Unapplied
2020	2021-2023	**₱12,149,016**	**₱–**	**₱–**	**₱12,149,016**	**₱–**
2021	2022-2024	**8,396,745**	**–**	**–**	**8,396,745**	**–**
		₱20,545,761	**₱–**	**₱–**	**₱20,545,761**	**₱–**

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

	2022	2021	2020
RCIT	**₱139,882,917**	₱16,918,486	₱61,554,768
MCIT	**–**	11,252,265	11,958,316
Final withholding taxes	**247,667**	298,948	178,581
	₱140,130,584	₱28,469,699	₱73,691,665

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

	2022	2021	2020
Provision for (benefit from) income tax computed at statutory income tax rate of 25% in 2022 and 2021, and 30% in 2020	**₱274,603,734**	₱57,669,893	(₱110,553,353)
Tax effects of:			
Nondeductible expenses	**156,655,363**	17,963,800	32,816,355
Reversal of provision for claims and contingencies	–	(9,258,250)	–
Application of OSD	**(70,519,749)**	(8,131,888)	(39,329,484)
Nontaxable:			
Dividend income	**(127,547,786)**	–	–
Amortization of franchise fees	**(3,495,276)**	(3,302,588)	(5,974,147)
Interest accretion	**(93,627)**	(626,458)	(1,272,902)
Income subject to final tax:			
Interest income	**(373,587)**	(405,026)	(865,555)
Fair value gain on financial assets at FVPL	**(101,094)**	(461,346)	(176,792)
Provisions for legal and other contingencies	**–**	–	10,433,991
Other income subject to 25%	**(5,115,121)**	–	
Change in tax rate	**–**	54,251,275	–
Provision for (benefit from) income tax	**₱224,012,857**	₱107,699,412	(₱114,921,887)

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, President Rodrigo Duterte signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

31. **Financial Risks Management Objectives and Policies**

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

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

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

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

	2022	2021
Cash*	**₱666,012,635**	₱332,302,506
Financial assets at FVPL	**–**	300,000,000
Trade and other receivables:	**1,142,332,038**	730,102,374
Rental and other deposits	**254,504,587**	189,287,521
Total credit risk exposure	**₱2,062,849,260**	₱1,551,692,401

**Excluding cash on hand.*

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

	2022					
	Neither Past Due	**Past Due but not Impaired**				
	nor Impaired	**1–180 Days**	**Over 181 days**	**Subtotal**	**Expected Credit Loss**	**Total**
Cash*	**₱666,012,635**	**₱**	**₱–**	**₱**	**₱–**	**₱666,012,635**
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**
	₱1,664,536,247	**₱330,806,687**	**₱65,217,066**	**₱396,023,753**	**₱9,265,646**	**₱2,051,294,354**

**Excluding cash on hand.*

	2021					
	Neither Past Due	Past Due but not Impaired				
	nor Impaired	1–180 Days	Over 181 days	Subtotal	Expected Credit Loss	Total
Cash*	₱332,302,506	₱–	₱–	₱–	₱–	₱332,302,506
Financial assets at FVPL	300,000,000	–	–	–	–	300,000,000
Trade and other receivables	601,713,863	108,041,329	203,515,696	311,557,025	9,416,300	903,854,588
Rental and other deposits	–	–	189,287,521	189,287,521	3,297,293	192,584,814
	₱1,234,016,369	₱108,041,329	₱392,803,217	₱500,844,546	₱12,713,593	₱1,728,741,908

Excluding cash on hand.

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

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

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash*	**₱666,012,635**	**₱–**	**₱–**	**₱666,012,635**
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**
	₱1,238,890,492	**₱424,028,503**	**₱320,998,160**	**₱1,983,917,155**

**Excluding cash on hand.*

	2021			
	Stage 1	Stage 2	Stage 3	Total
Cash*	₱332,302,506	₱–	₱–	₱332,302,506
Financial assets at FVPL	300,000,000	–	–	300,000,000
Trade and other receivables:				
Trade receivables	433,899,839	25,928,331	–	459,828,170
Royalty receivable	85,992,882	–	–	85,992,882
Receivable from NAF	–	–	35,583,471	35,583,471
Receivable from franchisee	–	–	52,442,190	52,442,190
Receivable from employees	–	–	17,609,315	17,609,315
Other receivables	72,527,339	–	–	72,527,339
Rental and other deposits	–	–	189,287,521	189,287,521
	₱1,224,722,566	₱25,928,331	₱294,922,497	₱1,545,573,394

**Excluding cash on hand.*

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

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

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

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

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

	2022					
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	Total
Cash	₱989,578,790	₱–	₱–	₱–	₱–	₱989,578,790
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	–	–	–	65,217,066	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	₱1,940,169,888	(₱2,133,250,876)	₱240,994,284	₱-	(₱5,314,532,297)	(₱5,266,619,002)

**Excluding statutory payables.*
***Including future interest payments.*

	2021					
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	Total
Cash	₱485,414,521	₱–	₱–	₱–	₱–	₱485,414,521
Financial assets at FVPL	300,000,000	–	–	–	–	300,000,000
Trade and other receivables						
Trade	348,263,898	97,449,797	14,114,475	–	4,392,526	464,220,696
Royalty receivables	85,992,882	–	–	–	–	85,992,882
Receivable from NAF	35,583,471	–	–	–	–	35,583,471
Receivable from franchisees	52,442,190	–	–	–	–	52,442,190
Receivables from employees	8,587,856	9,021,459	–	–	1,245,567	18,854,882
Other receivables	70,843,566	1,570,073	–	113,700	480,914	73,008,253
Rental and other deposits	189,287,521	–	–	–	192,584,814	381,872,335
	1,576,415,905	108,041,329	14,114,475	113,700	198,703,821	1,897,389,230
Accounts payable and other current liabilities:						
Trade payables	–	544,416,246	–	–	–	544,416,246
Nontrade payables	–	106,073,835	–	–	–	106,073,835
Accrued expenses	–	195,359,036	–	–	–	195,359,036
Other payables*	–	101,791,388	–	–	–	101,791,388
Dealers’ deposit and other noncurrent payables	–	–	–	–	92,389,568	92,389,568
Long-term loans payable**	–	–	24,002,940	24,046,183	3,692,570,991	3,740,620,114
	–	947,640,505	24,002,940	24,046,183	3,784,960,559	4,780,650,187
Liquidity gap	₱1,576,415,905	(₱839,599,176)	(₱9,888,465)	(₱23,932,483)	(₱3,586,256,738)	(₱2,883,260,957)

**Excluding statutory payables.*
***Including future interest payments.*

Capital Management

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

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

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

	2022	2021
Total liabilities	**₱10,662,641,171**	₱6,453,925,406
Total equity	**7,045,777,106**	6,180,787,522
	1.51:1	1.04:1

32. **Fair Value Information**

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

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

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

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

	As at December 31, 2021			
			Fair Value	
	Date of Valuation	Carrying Value	Level 1 Quoted	Level 2 Significant Observable Input
Assets for which fair values are disclosed -				
Financial assets at FVPL	December 31, 2021	₱300,000,000	₱–	₱300,000,000
Rental deposits	December 31, 2021	189,287,521	–	162,575,604
		₱489,287,521	₱–	₱462,575,604
Liabilities for which fair values are disclosed:				
Long-term loans payable	December 31, 2021	₱3,740,557,954	₱–	₱4,478,403,943
Dealers' deposits	December 31, 2021	24,274,585	–	19,715,844
		₱3,764,832,539	₱–	₱4,498,119,787

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

Rental Deposits. The fair values were obtained by discounting the instruments' expected cash flows using interest rates of 3.62% to 6.14% as at December 31, 2022 and of 1.08% to 4.95% as at December 31, 2021.

Long-term loans Payable. The fair value of loan payable which was discounted using prevailing market rate of 4.29% and 2.57% as at December 31, 2022 and 2021, respectively, approximates the carrying value since these bear interest at current market rates. Fair value category is Level 2, significant observable inputs.

Dealers' Deposits. The fair values were obtained by discounting the instruments' expected cash flows using interest rates of 4.69% and 4.46% as at December 31, 2022 and 2021, respectively.

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

33. **Commitments**

Trademark Licensing and Franchise Agreements

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

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

The Group recognized royalty and franchise fees amounting to ₱400.1 million in 2022, ₱267.2 million in 2021 and 247.4 million in 2020 (see Note 22). Royalty receivables as at December 31, 2022 and 2021 amounted ₱170.1 million and ₱86.0 million, respectively (see Note 8).

34. **Provisions**

	2022	2021
Balance at beginning of year	**₱35,679,548**	₱37,033,000
Addition (see Note 29)	**12,653,061**	35,679,548
Reversal (see Note 29)	**(1,258,738)**	(37,033,000)
Balance at end of year	**₱47,073,871**	₱35,679,548

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

35. **Earnings (Loss) per Share (EPS)**

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

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

The Group's EPS were computed as follows:

	2022	2021	2020
(a) Net income (loss)	**₱874,402,081**	₱122,980,158	(₱253,589,288)
(b) Weighted average number of shares outstanding	**1,683,760,178**	1,594,837,355	1,531,321,053
Basic/diluted EPS (a/b)	**₱0.52**	₱0.08	(₱0.17)

36. **Notes to Consolidated Statements of Cash Flows**

The following are the noncash activities for the years ended December 31, 2022 and 2021:

	2022			
	January 1	**Net cash flows**	**Noncash changes**	**December 31**
Rental and other noncurrent assets (a)	**₱589,287,521**	**(₱321,123,851)**	**₱2,000,871**	**₱270,164,541**
Long-term loans payable (b)	**3,740,557,954**	**1,550,000,000**	–	**5,290,557,954**
Contract liabilities (c)	**82,197,813**	**(10,737,004)**	**3,211,372**	**74,672,181**

	2021			
	January 1	Net cash flows	Noncash changes	December 31
Rental and other noncurrent assets (a)	₱173,125,540	(₱407,896,378)	₱8,265,603	₱589,287,521
Long-term loans payable (b)	3,788,597,369	(50,000,000)	1,960,585	3,740,557,954
Contract liabilities (c)	89,620,579	(11,172,587)	3,749,821	82,197,813

Details of the noncash changes are as follows:

(a) Pertains to accretion of interest expense and interest income on long-term rental deposits included in "Rental and other noncurrent assets" and long-term dealer's deposits included in "Dealer's deposits and other noncurrent liabilities", respectively.

(b) Pertains to amortization of debt issuance cost during the year amounting to ₱2.1 million and ₱2.0 million in 2022 and 2021, respectively.

(c) Pertains to the accretion of the significant financing component of contract liabilities during the year amounting to ₱3.2 million and ₱3.7 million in 2022 and 2021, respectively.

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

	2022						
	January 1	**Additions**	**Proceeds**	**Payments**	**Interest expense**	**Other movements**	**December 31**
Lease liabilities*	**₱1,480,736,520**	**₱610,225,027**	**₱–**	**(₱360,864,550)**	**₱102,828,224**	**(₱132,907,047)**	**₱1,700,018,174**
Loans payable	**3,740,557,954**	**–**	**2,100,000,000**	**(50,000,000)**	**–**	**–**	**5,790,557,954**
Dividends	**–**	**50,512,806**	**–**	**(50,512,806)**	**–**	**–**	**–**
Accrued interest**	**7,656,566**	**–**	**–**	**(221,614,458)**	**323,971,110**	**(110,013,218)**	**–**
Total liabilities from financing activities	**₱5,228,951,040**	**₱660,737,833**	**₱2,100,000,000**	**(₱682,991,814)**	**₱426,799,334**	**(₱242,920,265)**	**₱7,490,576,128**

**Other movements pertain to the gain on lease concession and derecognition of lease liability*
***Other movements pertain to interest accretion for PFRS 15*

	2021						
	January 1	Additions	Proceeds	Payments	Interest expense	Other movements	December 31
Lease liabilities*	₱1,530,603,019	₱221,482,193	₱–	(₱204,302,941)	₱89,082,753	(₱156,128,505)	₱1,480,736,519
Loans payable	4,838,597,369	–	–	(1,100,000,000)	1,960,585	–	3,740,557,954
Dividends	–	33,675,208	–	(33,675,208)	–	–	–
Accrued interest**	5,225,000	–	–	(194,954,854)	291,583,953	(94,197,533)	7,656,566
Total liabilities from financing activities	₱6,374,425,388	₱255,157,401	₱–	(₱1,532,933,003)	₱382,627,291	(₱250,326,038)	₱5,228,951,039

**Other movements pertain to the gain on lease concession and derecognition of lease liability*
***Other movements pertain to interest accretion for PFRS 15*

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Shakey's Pizza Asia Ventures Inc. and ubsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated April 13, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Christine G. Vallejo
Partner
CPA Certificate No. 99857
Tax Identification No. 206-384-906
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 99857-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-105-2022, November 7, 2022, valid until November 6, 2025
PTR No. 9566010, January 3, 2023, Makati City

April 13, 2023

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

SHAKEY'S PIZZA ASIA VENTURES, INC.
Schedule A. Financial Assets
December 31, 2022

Name of Issuing Entity and Association of each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
BDO Unibank, Inc.	-	-	-	404,374
	-	**-**	**-**	**404,374**

SHAKEY'S PIZZA ASIA VENTURES, INC.
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2022

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions: Amount Collected	Deductions: Amount Reclassified	Deductions: Amount Written-Off	Current	Non Current	Balance at End of Period
DBE Project Inc. (DBE)	431,120			-	-	431,120	-	431,120
Century Pacific Food Inc. (CPFI)	416,069	419,190	833,759	-		1,500	-	1,500
The Pacific Meat Company Inc. (PMCI)	4,066,709	3,537,602	4,968,309	-	-	2,636,001	-	2,636,001
Receivables from employees	987,797	369,306	580,299	-		776,804	-	776,804
	₱ 5,901,695	**₱ 4,326,098**	**₱ 6,382,367**	**-**	**₱ -**	**₱ 3,845,426**	**₱ -**	**₱ 3,845,426**

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

SHAKEY'S PIZZA ASIA VENTURES, INC.
Schedule C. Accounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2022

			Deductions				
Name and Designation of Debtor	**Balance at Beginning of Period**	**Additions**	**Amount Collected**	**Amount Written-Off**	**Current**	**Non Current**	**Balance at End of Period**
Shakey's Seacrest Inc. (SSI)	₱ 5,879,754	₱ 206,021,249	₱	₱ -	₱ 211,901,003	₱ -	₱ **211,901,003**
Shakey's International Ltd. (SIL)	52,790,520	5,507,132		-	58,297,652	-	**58,297,652**
Shakeys Pizza Commerce Inc (SPCI)	238,108,143	1,080,247,112	46,416,422	-	1,271,938,833	-	**1,271,938,833**
Bakemasters, Inc. (BMI)	12,306,080	21,731,874		-	34,037,954	-	**34,037,954**
Wow Brand Holdings, Inc. (WBHI)	220,027,500	709,984,054	403,192,568	-	526,818,986	-	**526,818,986**
	₱ 529,111,997	**₱ 2,023,491,422**	**₱ 449,608,990**	**₱ -**	**₱ 2,102,994,429**	**₱ -**	**₱ 2,102,994,429**

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SHAKEY'S PIZZA ASIA VENTURES, INC.
Schedule D. Intangible Assets - Other Assets
December 31, 2022

Description	Beginning Balance	Additions At Cost	Deductions: Charged to Costs and Expenses	Deductions: Charged to Other Accounts	Other Changes- Additions (Deductions)	Ending Balance
Trademarks	567,519,112	393,910,629	709,282	-	-	960,720,458
Softwares- net	209,503,848	7,603,510	21,510,874	-	-	195,596,485
	777,022,960	**401,514,140**	**22,220,156**	**-**	**-**	**1,156,316,943**
	(0)					

SHAKEY'S PIZZA ASIA VENTURES, INC.
Schedule E. Long-Term Debt
December 31, 2022

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current Portion of Long-Term Debt" in related Balance Sheet	Amount shown under Caption "Long-Term Debt" in related Balance Sheet
Omnibus Loan and Security Agreement-	₱	₱	₱
BDO Unibank Inc.	3,700,000,000	50,000,000	3,650,000,000
Unamortized debt issue costs	(9,442,045)	(2,067,486)	(7,374,559)
Borrowings for working capital requirements			
Bank of the Philippine Islands (BPI)	2,100,000,000	500,000,000	1,600,000,000
	₱ 5,790,557,955	**₱ 547,932,514**	**₱ 5,242,625,441**

SHAKEY'S PIZZA ASIA VENTURES, INC.
Schedule F. **Indebtedness to Related Parties (Long-Term Loans from Related Companies)**
December 31, 2022

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Not applicable: The Company has no indebtedness to related parties as at December 31, 2022.		
	₱ -	₱ -

SHAKEY'S PIZZA ASIA VENTURES, INC.
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2022

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
Not applicable: The Company has no guarantees of securities of other issuers as at December 31, 2022.				
		₱ -	₱ -	

SHAKEY'S PIZZA ASIA VENTURES, INC.
Schedule H. Capital Stock
December 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	1,683,760,178	-	1,288,848,698	3,943,838	390,967,642

-

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

	2022	2021
REVENUES FROM CONTRACTS WITH CUSTOMER	**8,567,883,241**	5,188,341,726
COSTS OF SALES	**(6,657,078,192)**	(4,061,801,935)
GROSS INCOME	**1,910,805,049**	**1,126,539,791**
GENERAL AND ADMINISTRATIVE EXPENSES	**(1,208,286,776)**	(760,051,218)
INTEREST EXPENSES	**(302,318,948)**	(279,002,224)
OTHER INCOME - Net	**553,579,009**	81,516,065
INCOME BEFORE INCOME TAX	**953,778,334**	**169,002,414**
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**35,442,406**	11,544,079
Deferred	**92,345,747**	77,260,917
	127,788,153	88,804,996
NET INCOME	**825,990,182**	80,197,418
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods (net of tax) -		
Actuarial loss on defined benefit obligation	**51,029,284**	71,325,950
Tax effect	**(12,757,321)**	(17,831,488)
TOTAL OTHER COMPREHENSIVE INCOME	**38,271,963**	53,494,462
TOTAL COMPREHENSIVE INCOME	**864,262,145**	133,691,880
Basic/Diluted Earnings Per Share	**0.52**	0.05

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

	2022	2021
ASSETS		
Current Assets		
Cash and Cash Equivalents	**385,015,940**	309,829,604
Trade and other receivables	**2,425,371,829**	1,011,559,118
Financial assets at FVOCI	**-**	300,000,000
Inventories	**169,598,512**	376,316,432
Prepaid and other current assets	**616,296,572**	66,873,000
Total Current Assets	**3,596,282,853**	2,064,578,154
Noncurrent Assets		
Property and equipment - net	**1,020,358,176**	983,550,983
Intangible Assets	**1,170,290,552**	777,022,960
Right-of-use Assets	**911,570,203**	959,393,320
Investment in subsidiaries	**8,521,958,629**	6,458,035,448
Other noncurrent assets	**165,581,892**	556,069,120
Deferred input value-added tax	**8,015,159**	12,752,033
Deferred tax assets	**125,776,901**	230,879,969
Total Noncurrent Assets	**11,923,551,512**	9,977,703,833
TOTAL ASSETS	**15,519,834,365**	12,042,281,987

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	**1,545,322,511**	925,572,639
Current portion of lease liability	**58,482,418**	58,482,418
Current portion of loan payable	**547,932,514**	47,986,963
Current portion of contract liabilities	**13,445,337**	16,382,802
Income tax payable	**-**	-
Total Current Liabilities	**2,165,182,780**	1,048,424,822
Noncurrent Liabilities		
Loan payable - net of current portion	**5,242,625,440**	3,692,570,991
Contract liabilities - net of current portion	**47,959,133**	50,740,702
Accrued pension costs	**83,365,397**	94,231,021
Lease liability	**1,076,037,499**	1,128,055,173
Dealer's deposits and other noncurrent liabilities	**146,154,383**	83,498,884
Total Noncurrent Liabilities	**6,596,141,852**	5,049,096,771
Total Liabilities	**8,761,324,632**	6,097,521,593
Equity		
Capital stock	**1,683,760,178**	1,683,760,178
Additional Paid In Capital	**2,451,116,470**	2,451,116,470
Retained Earnings	**2,594,937,323**	1,819,459,947
Other components of equity	**28,695,762**	(9,576,201)
Total Equity	**6,758,509,733**	5,944,760,394
	15,519,834,366	12,042,281,987
	1	0

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

Retained earnings, at December 31, 2021		**1,819,459,947**
Less:		
Deferred Tax Assets		204,827,113
Unappropriated retained earnings, as adjusted, as at December 31, 2021		**1,614,632,834**
Add (less):		
Net Income	825,990,181	
Changes in deferred tax assets	(101,746,870)	724,243,311
		2,338,876,145
Dividends declared during the year		(50,512,805)
Retained earnings available for additional dividend distribution as at December 31, 2022		**2,288,363,340**

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Shakey's Pizza Asia Ventures Inc. and its subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 13, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Christine G. Vallejo
Partner
CPA Certificate No. 99857
Tax Identification No. 206-384-906
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 99857-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-105-2022, November 7, 2022, valid until November 6, 2025
PTR No. 9566010, January 3, 2023, Makati City

April 13, 2023

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Transaction Code:
AFS-0-97CHDD8506C979DC8NW4P3ZTN02W344QSP

Submission Date/Time:
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Transaction Code: **AFS-0-97CHDD8506C979DC8NW4P3ZTN02W344QSP**
Submission Date/Time: **Apr 17, 2023 10:11 AM**
Company TIN: **000-163-396**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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ANNEX D

PARENT FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS

The management of Shakey's Pizza Asia Ventures, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein as at December 31, 2022 and 2021, in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Christopher T. Po
Chairman of the Board

Leonardo Arthur T. Po
Treasurer

Vicente L. Gregorio
President & Chief Executive Officer

13 APR 2023

Signed this ______ day of April, 2023

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) s.s.

SUBSCRIBE AND SWORN to before me this 1 3 APR 2023 affiant(s) exhibiting to me the Passport Numbers, as follows:

Name	Passport No.	Date Issue	Place of Issue
Christopher T. Po	P8631182A	Sept. 6, 2018	DFA Manila
Vicente L. Gregorio	P4438672B	Jan. 18, 2020	DFA NCR South
Leonardo Arthur T. Po	P5812137A	Jan. 29, 2018	DFA Manila

Notary Public

ATTY. JOSELINO N. SUCION
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023
2746 ZENAIDA ST. POBLACION MAKATI
IBP NO. 257632/01/02/23
PTR NO. 956233/01/03/23
MCLE COMPLAINCE NO. VII-0013028/04/14/2025
ROLL NO. 60799
APPOINTMENT NO. M-078

Doc. No. 169
Page No. 34
Book No. 40
Series of 2023.

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						5	4	6	6	6

C O M P A N Y   N A M E

SHAKEY'S PIZZA ASIA VENTURES INC.

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AIFS	CRMD	NA

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
shakeyspizza.ph	(02) 8839-0011	NA

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
43	May 3	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Manuel Del Barrio	mtdelbarrio@shakeys.biz	(02) 839-0011	NA

CONTACT PERSON's ADDRESS

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

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

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Shakey's Pizza Asia Ventures Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2022 and 2021, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 37 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Shakey's Pizza Asia Ventures Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Christine G. Vallejo

SYCIP GORRES VELAYO & CO.

Christine G. Vallejo
Partner
CPA Certificate No. 99857
Tax Identification No. 206-384-906
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 99857-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-105-2022, November 7, 2022, valid until November 6, 2025
PTR No. 8854379, January 3, 2023, Makati City

April 13, 2023

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

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash (Notes 7 and 31)	**₱385,015,940**	₱309,829,604
Trade and other receivables (Notes 8 and 31)	**2,425,371,829**	1,011,559,118
Financial assets at value through profit or loss (Notes 11, 31 and 32)	**–**	300,000,000
Inventories (Note 9)	**169,598,512**	376,316,432
Prepaid expenses and other current assets (Note 10)	**616,296,572**	66,873,000
Total Current Assets	**3,596,282,853**	2,064,578,154
Noncurrent Assets		
Investment in subsidiaries (Note 12)	**8,521,958,629**	6,458,035,448
Property and equipment (Note 13)	**1,020,358,176**	983,550,983
Right-of-use assets (Note 15)	**911,570,203**	959,393,320
Intangible assets (Note 14)	**1,170,290,552**	777,022,960
Deferred tax assets - net (Note 30)	**125,776,901**	230,879,969
Deferred input value - added tax	**8,015,159**	12,752,033
Other noncurrent assets (Notes 16, 31 and 32)	**165,581,892**	556,069,120
Total Noncurrent Assets	**11,923,551,512**	9,977,703,833
TOTAL ASSETS	**₱15,519,834,365**	₱12,042,281,987
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans payable (Notes 19 and 31)	**₱500,000,000**	₱–
Accounts payable and other current liabilities (Notes 17 and 31)	**1,545,322,511**	925,572,639
Current portion of:		
Long-term loans payable (Notes 20, 31 and 32)	**47,932,514**	47,986,963
Lease liabilities (Note 15)	**58,482,418**	58,482,418
Contract liabilities (Note 22)	**13,445,337**	16,382,802
Total Current Liabilities	**2,165,182,780**	1,048,424,822
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term loans payable (Notes 20, 31 and 32)	**5,242,625,440**	3,692,570,991
Lease liabilities (Note 15)	**1,076,037,499**	1,128,055,173
Contract liabilities (Note 22)	**47,959,133**	50,740,702
Accrued pension costs (Note 27)	**83,365,397**	94,231,021
Dealer's deposits and other noncurrent liabilities (Note 31)	**146,154,383**	83,498,884
Total Noncurrent Liabilities	**6,596,141,852**	5,049,096,771
Total Liabilities	**8,761,324,632**	6,097,521,593
Equity		
Capital stock (Note 21)	**₱1,683,760,178**	₱1,683,760,178
Additional paid-in capital (Note 21)	**2,451,116,470**	2,451,116,470
Retained earnings (Note 21)	**2,594,937,323**	1,819,459,947
Other components of equity (Note 27)	**28,695,762**	(9,576,201)
Total Equity	**6,758,509,733**	5,944,760,394
TOTAL LIABILITIES AND EQUITY	**₱15,519,834,365**	₱12,042,281,987

See accompanying Notes to the Parent Company Financial Statements.

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

	Years Ended December 31	
	2022	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS (Notes 18, 22 and 33)	**₱8,567,883,241**	₱5,188,341,726
COSTS OF SALES (Notes 18 and 23)	**(6,657,078,192)**	(4,061,801,935)
GROSS INCOME	**1,910,805,049**	1,126,539,791
GENERAL AND ADMINISTRATIVE EXPENSES (Note 24)	**(1,208,286,776)**	(760,051,218)
INTEREST EXPENSE (Note 28)	**(300,712,861)**	(279,002,224)
DIVIDEND INCOME (Note 12)	**510,191,144**	–
INTEREST INCOME (Note 7)	**175,137**	1,122,171
OTHER INCOME - Net (Note 29)	**40,600,240**	80,145,969
FOREIGN EXCHANGE GAIN-Net	**1,006,402**	247,925
INCOME BEFORE INCOME TAX	**953,778,335**	169,002,414
PROVISION FOR INCOME TAX (Note 30)		
Current	**35,442,406**	11,544,079
Deferred	**92,345,747**	77,260,917
	127,788,153	88,804,996
NET INCOME	**825,990,182**	80,197,418
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax) -		
Actuarial gain on defined benefit obligation (Note 27)	**51,029,284**	71,325,950
Tax effect (Note 27)	**(12,757,321)**	(17,831,488)
	38,271,963	53,494,462
TOTAL COMPREHENSIVE INCOME	**₱864,262,145**	₱133,691,880
Basic/Diluted Earnings Per Share (Note 35)	**₱0.52**	₱0.05

See accompanying Notes to the Parent Company Financial Statements.

SHAKEY'S PIZZA ASIA VENTURES INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital Stock (Note 21)	**Additional Paid-in Capital** (Note 21)	**Retained Earnings** (Note 21)	**Other Components of Equity** (Note 27)	**Total**
Balances at December 31, 2021	**₱1,683,760,178**	**₱2,451,116,470**	**₱1,819,459,947**	**(₱9,576,201)**	**₱5,944,760,394**
Total comprehensive income	–	–	**825,990,182**	**38,271,963**	**864,262,145**
Cash dividends (Note 21)	–	–	**(50,512,806)**	**–**	**(50,512,806)**
Balances at December 31, 2022	**₱1,683,760,178**	**₱2,451,116,470**	**₱2,594,937,323**	**₱28,695,762**	**₱6,758,509,733**
Balances at December 31, 2020	₱1,531,321,053	₱1,353,554,797	₱1,772,937,737	(₱63,070,663)	₱4,594,742,924
Issuance of new shares	152,439,125	1,097,561,673	–	–	1,250,000,798
Total comprehensive income	–	–	80,197,418	53,494,462	133,691,880
Cash dividends (Note 21)	–	–	(33,675,208)	–	(33,675,208)
Balances at December 31, 2021	₱1,683,760,178	₱2,451,116,470	₱1,819,459,947	(₱9,576,201)	₱5,944,760,394

See accompanying Notes to the Parent Company Financial Statements.

SHAKEY'S PIZZA ASIA VENTURES INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱953,778,335**	₱169,002,414
Adjustments for:		
Interest expense (Note 28)	**300,712,861**	279,002,224
Depreciation and amortization (Note 26)	**227,296,898**	433,687,233
ROU - Amortization (Note 15)	**213,568,316**	–
Movement in accrued pension costs	**40,163,660**	36,119,556
Loss (gain) on:		
Pre-termination of leases (Notes 15 and 29)	**(18,918,131)**	(10,529,565)
Disposal of property and equipment (Note 29)	**(172,237)**	180,145
Disposal of inventory	**9,938,870**	12,250,140
Accretion income (Notes 16 and 29)	**(2,000,871)**	(2,505,833)
Unrealized foreign exchange loss (gain) - net	**(1,006,402)**	(247,925)
Fair value gain on financial assets at fair value through profit or loss (FVPL) (Note 29)	**(404,374)**	(1,845,385)
Interest income	**(175,137)**	(1,122,171)
Provision for legal and other contingencies (Note 34)	–	(37,033,000)
Income before working capital changes	**1,722,781,788**	876,957,833
Decrease (increase) in:		
Trade and other receivables	**(1,413,812,711)**	(207,834,866)
Inventories	**196,779,050**	24,203,402
Prepaid expenses and other current assets	**(541,416,439)**	(5,944,314)
Increase (decrease) in:		
Accounts payable and other current liabilities	**621,632,965**	140,653,607
Contract liabilities (Notes 22 and 36)	**(8,330,732)**	(8,025,356)
Net cash generated from operations	**577,633,921**	820,010,306
Income taxes paid (including creditable withholding taxes)	**(27,435,273)**	(21,449,130)
Interest received	**175,137**	1,122,171
Net cash provided by operating activities	**550,373,785**	799,683,347
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in financial assets at FVPL (Note 11)	–	(300,000,000)
Acquisition of:		
Investment in subsidiaries	**(2,063,923,181)**	–
Property and equipment (Note 13)	**(264,123,747)**	(136,898,992)
Trademark (Note 14)	**(405,000,000)**	(1,243,186)
Franchise right (Note 14)	**(2,884,239)**	–
Proceeds from:		
Redemption of financial assets at FVPL	**300,404,374**	101,845,385
Disposals of property and equipment	**191,893**	64,545
Increase in dealers' deposits and other noncurrent liabilities	**62,655,499**	42,739,354
Decrease (increase):		
Advances to third party (Note 16)	**400,000,000**	(400,000,000)
Deferred input value added tax	**4,736,874**	21,175,190
Rental and other deposits (Note 36)	**(7,511,901)**	1,792,541
Net cash used in investing activities	**(1,975,454,428)**	(670,525,163)

(Forward)

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES (Note 36)		
Proceeds from issuance of shares (Note 21)	**₱–**	₱1,250,000,798
Proceeds from:		–
Short-term loans (Note 19)	**500,000,000**	–
Long-term loans (Note 20)	**1,600,000,000**	–
Payments of:		
Short-term loans	**–**	(1,050,000,000)
Interest	**(220,819,029)**	(195,023,604)
Lease liabilities (Note 15)	**(279,407,588)**	(184,267,549)
Long-term loans	**(50,000,000)**	(50,000,000)
Dividends (Note 21)	**(50,512,806)**	(33,675,208)
Net cash provided by (used in) financing activities	**1,499,260,577**	(262,965,563)
NET INCREASE (DECREASE) IN CASH	**74,179,934**	(133,807,379)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**1,006,402**	247,925
CASH AT BEGINNING OF YEAR	**309,829,604**	443,389,058
CASH AT END OF YEAR (Note 7)	**₱385,015,940**	₱309,829,604

See accompanying Notes to the Parent Company Financial Statements.

1. General Information

Corporate Information

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

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

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

Approval and Authorization for the Issuance of the Parent Company Financial Statements

The parent company financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 13, 2023.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

The Parent Company prepares and issues consolidated financial statements for the same period as the parent company financial statements in accordance with PFRS 10, *Consolidated Financial Statements.* The consolidated financial statements of the Company are filed to the SEC and may be obtained from the Company's registered office address.

Statement of Compliance

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

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2022. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- 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*

Standards Issued but Not Yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its parent company financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

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

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

Current versus Noncurrent Classification
The Parent Company presents assets and liabilities in the parent company statement of financial position based on current/non-current classification.

An asset is current when:
- It is expected to be realized or intended to be sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realized within twelve months after the reporting period, or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Parent Company classifies all other liabilities as noncurrent.

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

Financial Instruments

Financial Assets
Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and FVPL.

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

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

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

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

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVPL.

The Parent Company has no financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at FVOCI with recycling of cumulative gains and losses (debt instrument) as at December 31, 2022 and 2021.

Financial Assets at Amortized Cost (Debt Instruments). The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

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

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

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

As at December 31, 2022 and 2021, the Parent Company's financial assets at amortized cost consist of cash, trade and other receivables and rental and other deposits (see Notes 7, 8, 10 and 16).

Financial assets at FVPL. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Parent Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are recognized as other income in the statement of comprehensive income when the right of payment has been established. A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The Parent Company has investment in unit investment trust fund (UITF) classified as financial assets at FVPL (see Note 11).

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

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

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

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

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

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

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

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

<u>*Financial liabilities*</u>
Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Parent Company's financial liabilities include loans payable, accounts payable and other current liabilities (excluding statutory liabilities), lease liabilities, and dealers' deposit and other noncurrent payables (see Notes 15, 17, 19 and 20).

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

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest expense in the statements of comprehensive income.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of comprehensive income.

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

Classification of Financial Instruments Between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Parent Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

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

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value information is presented in Note 32.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Cash
Cash includes cash on hand and in banks.

Inventories
Inventories are stated at lower of cost and net realizable value. Cost is determined using the moving average method. Net realizable value is the estimated selling price less estimated costs necessary to make the sale.

Investment in Subsidiaries
A subsidiary is an entity which the Parent Company has control. An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee. Thus, an investor controls an investee if, and only if, the investee has all the following:

- power over 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 the amount of the investor's returns.

Investment in subsidiaries are accounted for and presented at cost less any impairment in value. Under the cost method, the Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the subsidiaries. The Parent Company recognizes dividend income from its subsidiaries when its right to receive the dividend is established.

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

Property and Equipment

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

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

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

Depreciation and amortization are computed using the straight-line basis over the following estimated useful lives of the property and equipment:

Category	Number of year(s)
Building	15-20
Leasehold improvements	2 - 10 or term of the lease whichever is shorter
Furniture, fixtures and equipment	2-10
Transportation equipment	5-7
Maintenance tools	3-10
Glasswares and utensils	2

Leasehold improvements are amortized based on the lower of the estimated useful life of 2-10 years or the lease term which considers the enforceability of renewal options and limits on the use of the leasehold improvement using PFRS 16.

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

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

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

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

Intangible Assets
The cost of intangible assets acquired in a business combination such as trademark with indefinite life is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses. Intangible assets with finite lives such as software and franchise right are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

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

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

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

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

Impairment of Nonfinancial Assets
The Parent Company assesses at each reporting date whether there is an indication that property and equipment, software, franchise right and right-of-use asset are impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash

generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, an appropriate valuation model is used. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in net income in the parent company statement of comprehensive income in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

Such reversal is recognized in net income in the parent company statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is recognized in other comprehensive income in the parent company statement of comprehensive income and in the parent company statement of changes in equity. After such a reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

Trademark with indefinite life. Trademark with indefinite life is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for trademarks with indefinite life by assessing the recoverable amount of the CGU, to which the trademarks with indefinite life relates. Where the recoverable amount of the cash-generating unit (or group of CGUs) is less than the carrying amount of the cash-generating unit (or group of CGUs) to which the trademarks with indefinite life has been allocated, an impairment loss is recognized in the parent company statement of comprehensive income. The Parent Company performs its annual impairment test of trademarks with indefinite life on December 31 of each year.

Dealers' Deposits

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

Equity

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

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

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

Dividends on Capital Stock
Cash dividends on common shares are recognized as liability and deducted from retained earnings upon declaration by the BOD.

Stock dividends on common shares are measured based on the total par value of declared stock dividend. Stock dividends are deducted from retained earnings when the BOD's declaration is ratified by the shareholders.

Cash dividends are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital. The Parent Company may declare dividends only out of its unrestricted retained earnings.

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

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

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

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

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

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

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

Contract Balances
Contract Assets. A contract asset is a conditional right to consideration in exchange for goods or services transferred to the customer. If the Parent Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Parent Company has no contract assets as at December 31, 2022 and 2021.

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

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

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

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

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

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

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of nonfinancial assets.

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

In calculating the present value of lease payments, the Parent Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets. The Parent Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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

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

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

- Allocate the consideration in the modified contract;
- Determine the lease term of the modified lease; and
- Remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, of the lessee’s incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined. The lessee shall account for the remeasurement of the lease liability by:

    - Decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to partial or full termination of the lease.

- Making corresponding adjustment to the right-of-use asset for all other lease modifications.

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

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

Foreign Currency-denominated Transactions

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

Income Tax

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

Net Operating Loss Carryover (NOLCO). NOLCO is recognized in accordance with the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(b) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from taxable income for the next five (5) consecutive taxable years immediately following the year of such loss.

MCIT. MCIT is calculated as 1% of gross income of any domestic and resident foreign corporation beginning the fourth taxable year immediately following the taxable year in which such corporation commenced its business operation. Any excess of the MCIT over the normal income tax shall be carried forward and credited against the normal income tax for three (3) immediately succeeding taxable year.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused tax losses in the form of net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences, and the carryforward benefits from MCIT and NOLCO can be utilized.

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

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

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

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

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

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of sales tax except:
- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

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

Deferred Input VAT
In accordance with the Revenue Regulations No. 13-2018, input VAT on purchases or imports of the Parent Company of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of input VAT) in a calendar month which exceeds ₱1.0 million, regardless of the acquisition cost of each capital good, shall be claimed as credit against output tax in the following manner:

a. If the estimated useful life of a capital good is five (5) years or more, the input tax shall be spread evenly over a period of 60 months and the claim for input tax credit will commence in the calendar month when the capital good is acquired. The total input taxes on purchases or importations of this type of capital goods shall be divided by 60 and the quotient will be the amount to be claimed monthly.
b. If the estimated life of a capital good is less than five (5) years, the input tax shall be spread evenly on a monthly basis by dividing the input tax by the actual number of months comprising the estimated useful life of the capital good. The claim for input tax credit shall commence in the calendar month that the capital goods were acquired.

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

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

Segment Reporting
The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 6 to the parent company financial statements.

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

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

Events After the Reporting Period
Post year-end events that provide additional information about the Parent Company's financial position at reporting period (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements, when material.

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

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

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

As at December 31, 2022 and 2021, the Parent Company's right-of-use assets amounted to ₱911.6 million and ₱959.4 million, respectively, while its lease liabilities amounted to ₱1,134.5 million and ₱1,186.5 million, respectively. For the years ended December 31, 2022 and 2021, the Parent Company recognized amortization of right-of use assets amounting to ₱213,6 million and ₱141.5 million , respectively, and interest expense on lease liabilities amounting to ₱80.6 million and ₱76.6 million, respectively (see Note 15).

Estimates and Assumptions

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

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

As at December 31, 2022 and 2021, the Parent Company's right-of-use assets amounted to ₱911.6 million and ₱959.4 million, respectively, while its lease liabilities amounted to ₱1,134.5 million and ₱1,186.5 million, respectively (see Note 15).

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

The fair values of financial assets and financial liabilities are disclosed in Note 32.

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

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

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

Other than the considerations on the impact of COVID-19 on macroeconomic factors used as inputs to the ECL calculation, there have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

The carrying value of trade and other receivables amounted to ₱2,425.4 million and ₱1,011.6 million as at December 31, 2022 and 2021, respectively (see Note 8). Allowance for ECL amounted to ₱4.9 million as at December 31, 2022 and 2021. No provision for nor recovery from was recognized in 2022 and 2021.

The carrying value of rental and other deposits amounted to ₱165.6 million and ₱159.4 million as at December 31, 2022 and 2021, respectively (see Note 16). Allowance for unrecoverable deposits of rental and other deposits amounted to ₱3.3 million as at December 31, 2022 and 2021 (see Note 16).

Evaluation of Net Realizable Value of Inventories. The Parent Company writes down the cost of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in prices level or other causes such as the impact of COVID-19 pandemic. The lower of cost and net realizable value of inventories is reviewed at each reporting date. Inventory items identified to be obsolete and unusable are also written off and charged as expense in net income in the parent company statement of comprehensive income.

The carrying values of inventories amounted to ₱169.6 million and ₱376.3 million, net of allowance for inventory obsolescence of ₱4.3 million as at December 31, 2022 and 2021 (see Note 9).

Determination of Impairment of Nonfinancial Assets. Impairment review is performed when certain impairment indicators are present. Management considered the impact of COVID-19 in its impairment assessment on the Parent Company's Property and equipment, software, franchise right and right-of-use assets and has identified the related lease pre-termination costs, if any.

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

Based on the assessment of management, the Parent Company's property and equipment, right-of-use assets, software and franchise right do not have any indication of impairment as at December 31, 2022 and 2021. No impairment loss was recognized for the years ended December 31, 2022 and 2021. The carrying value of nonfinancial assets are as follows:

	2022	2021
Property and equipment (see Note 13)	**₱1,020,358,176**	₱983,550,983
Software (see Note 14)	**195,596,485**	209,503,848
Franchise right (see Note 14)	**6,253,328**	4,078,374
Right-of-use assets (see Note 15)	**911,570,203**	959,393,320
	₱2,133,778,192	₱2,156,526,525

Recoverability Intangible Assets with Indefinite Life. The Parent Company performs recoverability testing annually or more frequently when there are indications of impairment for goodwill and trademark with indefinite lives. Goodwill acquired through business combination has been allocated to one CGU which is also the operating entity acquired through business combination and to which the goodwill relates. Recoverability testing requires an estimation of the value in use or fair value less cost of disposal of the CGU to which goodwill and trademark with indefinite life are allocated. Estimating the recoverable amount of the CGU involves significant assumptions about the future results of the business such as long-term revenue growth rate, operating expenses, gross margin and discount rate which were applied to cash flow forecasts. In addition, the assumptions are also subjected to a higher level of estimation uncertainty due to the current economic conditions which have been impacted by the COVID-19 pandemic. The cash flow forecasts were based on financial budgets approved by the BOD covering a five-year period.

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

The key assumptions used in the impairment test of trademark with indefinite life are as follows:

a. Gross Revenue

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

b. Operating Expenses

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

c. Gross Margins

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

d. Discount Rate

   The discount rate used to arrive at the present value of future cash flows was the Parent Company's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity. The discount rates applied to the cash flow projections ranges from 10.5% to 10.9% in 2022 and 2021.

The carrying amount of trademark with indefinite life as of December 31, 2022 and 2021 amounted to ₱954.5 million and ₱563.4 million, respectively (see Note 14).

The recoverable amount of the CGUs to which the trademark with indefinite lives are allocated is greater than its carrying amount. No impairment loss was recognized on trademark with indefinite life for the years ended December 31, 2022 and 2021.

Determination of Pension Costs. The cost of defined benefit pension plans and present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Accrued pension cost amounted to ₱83.4 million and ₱94.2 million as at December 31, 2022 and 2021, respectively (see Note 27).

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

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

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

Recoverability of Deferred Tax Assets. The Parent Company performs an annual evaluation of the realizability of deferred tax assets in determining the portion of deferred tax assets which should be recognized. The Parent Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the following period. This forecast is based on the Parent Company's past results and future expectations on revenue and expenses. The effect of COVID-19 pandemic on the macroeconomic factors are also used in developing the assumptions.

Deferred tax assets recognized amounted to ₱127.9 million and ₱233.3 million as at December 31, 2022 and 2021, respectively (see Note 30).

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

In 2022, the Parent Company did not recognize any provision for legal and other contingencies. In 2021, the Parent Company recognized a reversal of provision for legal and other contingencies amounting to ₱37.0 million (see Notes 29 and 34).

6. Segment Information

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

- Restaurant sales comprise revenues from restaurant activities and sale of merchandise and equipment to franchisees.
- Franchise and royalty fees represent payment of subdealers for the use of the Shakey's, Peri-Peri's and "Potato Corner" brands.

The Parent Company'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 parent company financial statements.

The Parent Company's performance is evaluated based on 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 EBITDA to net income:

	Years Ended December 31	
	2022	2021
EBITDA	**₱1,717,401,435**	₱880,569,700
Depreciation and amortization (Note 26)	**(463,085,376)**	(433,687,233)
Interest expense (Note 28)	**(300,712,861)**	(279,002,224)
Benefit from (provision for) income tax (Note 30)	**(127,788,153)**	(88,804,996)
Interest income	**175,137**	1,122,171
Net income	**₱825,990,182**	₱80,197,418

Business Segment Data

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

	Restaurant Sales		Franchise and Royalty Fee		Total	
	2022	2021	**2022**	2021	**2022**	2021
Revenue	**₱ 8,110,239,153**	₱4,890,207,448	**₱457,644,088**	₱298,134,278	**₱8,567,883,241**	₱5,188,341,726
Net income	**₱ 485,411,870**	(₱143,403,291)	**₱340,578,312**	₱223,600,709	**₱825,990,182**	₱80,197,418
Provision for income tax	**13,377,130**	14,271,426	**114,411,023**	74,533,570	**127,788,153**	88,804,996
Interest expense	**298,058,107**	275,933,228	**2,654,754**	3,068,996	**300,712,861**	279,002,224
Interest income	**(175,137)**	(1,122,171)	**–**	–	**(175,137)**	(1,122,171)
Depreciation and amortization	**463,085,376**	433,687,233	**–**	–	**463,085,376**	433,687,233
EBITDA	**₱1,259,757,346**	₱579,366,425	**₱457,644,089**	₱301,203,275	**₱1,717,401,435**	₱880,569,700
EBITDA Margin					**20.04%**	16.97%
Assets and Liabilities						
Operating assets	**₱6,872,098,835**	₱5,353,366,570	**₱–**	₱–	**₱6,872,098,835**	₱5,353,366,570
Investment in subsidiaries	**8,521,958,629**	6,458,035,448	**–**	–	**8,521,958,629**	6,458,035,448
Deferred tax assets	**125,776,901**	230,879,969	**–**	–	**125,776,901**	230,879,969
Total assets	**₱15,519,834,365**	₱12,042,281,987	**₱–**	₱–	**₱15,519,834,365**	₱12,042,281,987
Operating liabilities	**₱2,970,766,678**	₱2,356,963,639	**₱–**	₱–	**₱2,970,766,678**	₱2,356,963,639
Interest-bearing loans and borrowings	**5,790,557,954**	3,740,557,954	**–**	–	**5,790,557,954**	3,740,557,954
Total liabilities	**₱8,761,324,632**	₱6,097,521,593	**₱–**	₱–	**₱8,761,324,632**	₱6,097,521,593

7. Cash

	2022	2021
Cash on hand	**₱73,039,974**	₱28,176,549
Cash in banks	**311,975,966**	281,653,055
	₱385,015,940	₱309,829,604

Cash in banks earn interest at the respective bank deposit rates. Interest income on cash in banks amounted to ₱0.2 million and ₱1.1 million for the years ended December 31, 2022 and 2021, respectively.

8. Trade and Other Receivables

	2022	2021
Trade:		
Stores	**₱256,875,221**	₱234,363,067
Related parties (see Note 18)	**1,131,269,004**	475,394,460
Receivable from National Advertising Fund (NAF)	**50,225,215**	35,583,471
Royalty receivable	**170,138,255**	85,992,882
Receivable from franchisees	**63,775,172**	52,442,190
Receivables from employees	**21,242,652**	16,258,209
Dividend receivable (see Note 18)	**510,191,144**	–
Others:		
Third parties	**79,491,650**	57,808,078
Related parties (see Note 18)	**147,078,190**	58,631,435
	2,430,286,503	1,016,473,792
Less allowance for ECL	**4,914,674**	4,914,674
	₱2,425,371,829	₱1,011,559,118

Below are the terms and conditions of the above assets:

- Trade receivables are non-interest bearing and are normally collectible within 10 to 30 days.
- Royalty receivable is being collected from dealers on the 20th day of the following month.
- Receivable from NAF pertains to reimbursable advertising and promotion expenses from dealers which will be applied on future dealer remittances.
- Receivable from franchisees pertains to receivables for transactions other than sale of goods such as management fees, freight and gas expenses, 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.
- For terms and conditions of related party receivables, refer to Note 18.

The Parent Company used the simplified provision matrix approach in estimating the expected credit losses on trade and other receivables. There were no provisions for (reversal of) ECL in 2022 and 2021. Details of allowance for ELC as of December 31, 2022 and 2021 are as follows:

	Trade and Others	Receivables from Employees	Total
Balance at beginning and end of year	₱3,765,624	₱1,149,050	₱4,914,674

9. **Inventories**

Merchandise inventories at NRV amounted to ₱169.6 million and ₱376.3 million as at December 31, 2022 and 2021, respectively, while the cost of merchandise amounted to ₱173.9 million and ₱380.6 million and as at December 31, 2022 and 2021, respectively.

The cost of inventories charged to Cost of sales amounting to ₱4,547.8 million and ₱2,369.6 million was recognized under cost of sales in the parent company statement of comprehensive income for the years ended December 31, 2022 and 2021, respectively (see Note 23).

Allowance for inventory obsolescence amounted to ₱4.3 million as at December 31, 2022 and 2021.

No provision for inventory obsolescence was recognized in 2022 and 2021.

10. **Prepaid Expenses and Other Current Assets**

	2022	2021
Advances to suppliers	**₱549,419,458**	₱32,850,906
Input VAT	**13,415,364**	–
Prepaid expenses	**44,757,785**	17,517,306
Prepaid taxes	**8,703,965**	16,504,788
	₱616,296,572	₱66,873,000

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.

11. **Financial Assets at FVPL**

Movements of this account are as follows:

	2022	2021
Cost:		
Balance at beginning of year	**₱300,000,000**	₱100,000,000
Additions	–	300,000,000
Redemption	**(300,000,000)**	(100,000,000)
Balance at end of year	**₱–**	₱300,000,000
Accumulated Unrealized Fair Value Change		
Balance at beginning of year	–	–
Fair value gain (see Note 29)	**404,374**	1,845,385
Redemption	**(404,374)**	(1,845,385)
Balance at end of year	–	–
Net carrying value at end of year	**₱–**	₱300,000,000

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

Fair value gain on financial assets at FVPL included in "Other income - net" of the parent company financial statements amounted to ₱0.4 million and ₱1.8 million in 2022 and 2021, respectively (see Note 29).

12. Investment in Subsidiaries

The following are the Parent Company's investment in shares of stocks carried at cost:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective interest 2022	Effective interest 2021	Amount 2022	Amount 2021
SIL	Hong Kong	Holding company for trademark rights of Shakey's in the Middle East, Asia (except Japan and Malaysia), Australia and Oceania.	Hong Kong Dollar (HKD)	**100%**	100%	**₱3,500,000,000**	₱3,500,000,000
BMI	Philippines	Manufacturing and distribution of bread, pastries and other confectionery products	Philippine Peso (PHP)	**100%**	100%	**1,397,535,450**	1,397,535,450
SSI	Philippines	Holding company for trademark and other intellectual property rights of Shakey's in the Philippines	PHP	**100%**	100%	**1,285,500,000**	1,285,500,000
SPCI	Philippines	Buying, selling, distributing and marketing, at wholesale or retail of goods, commodities and merchandise	PHP	**100%**	100%	**24,999,995**	24,999,995
SPRFL	Hong Kong	Holding company for sublicense of Shakey's brand in the Middle East.	HKD	**100%**	100%	**8**	8
WBHI	Philippines	Restaurant company of Peri-Peri Charcoal & Sauce Bar and franchising and operation of Potato Corner branches in the Philippines	PHP	**100%**	100%	**249,999,995**	249,999,995
PCIL	Singapore	Franchising and operation of Potato Corner branches in Singapore.	SGD	**100%**	–	**164,552,077**	–
QIL	British Virgin Islands	Holding company for trademarks rights of Potato Corner	US Dollar	**100%**	–	**1,899,371,104**	–
						₱8,521,958,629	₱6,458,035,448

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

The movements of the investment in subsidiaries are as follows:

	2022	2021
Beginning of year	**₱6,458,035,448**	₱6,458,035,448
Additions	**2,063,923,181**	–
End of year	**₱8,521,958,629**	₱6,458,035,448

13. Property and Equipment

	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Maintenance Tools	Glasswares and Utensils	Building	Construction in - progress	Total
Cost								
At December 31, 2020	₱1,072,787,387	₱1,102,436,136	₱22,724,383	₱17,189,945	₱17,001,370	₱253,305,991	₱33,968,665	₱2,519,413,877
Additions	17,521,575	28,225,541	850,000	8,848,206	806,958	–	80,646,712	136,898,992
Disposals	(8,578,070)	(68,926)	–	–	–	–	–	(8,646,996)
Reclassifications	13,877,556	–	–	–	–	7,840,386	(21,717,942)	–
At December 31, 2021	**1,095,608,448**	**1,130,592,751**	**23,574,383**	**26,038,151**	**17,808,328**	**261,146,377**	**92,897,435**	**2,647,665,873**
Additions	**109,419,527**	**69,328,976**	**10,005,446**	**12,640,449**	**3,440,189**	**201,487**	**59,087,673**	**264,123,747**
Disposals	**(700,040)**	**(1,678,669)**	**(243,481)**	**–**	**–**	**(165,153)**	**–**	**(2,787,343)**
Reclassifications	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2022	**₱1,204,327,935**	**₱1,198,243,058**	**₱33,336,348**	**₱38,678,600**	**₱21,248,517**	**₱261,182,711**	**₱151,985,108**	**2,909,002,277**
Accumulated Depreciation and Amortization								
At December 31, 2020	₱681,805,100	₱628,754,548	₱13,520,752	₱10,594,280	₱15,973,865	₱47,405,327	₱–	₱1,398,053,872
Depreciation and amortization (see Note 26)	101,862,577	139,523,623	2,823,986	10,826,163	1,363,571	18,063,404	–	274,463,324
Disposals	(8,348,288)	(54,018)	–	–	–	–	–	(8,402,306)
At December 31, 2021	**775,319,389**	**768,224,153**	**16,344,738**	**21,420,443**	**17,337,436**	**65,468,731**	**–**	**1,664,114,890**
Depreciation and amortization (see Note 26)	**77,880,477**	**117,655,967**	**3,749,297**	**9,802,474**	**1,383,572**	**16,825,111**	**–**	**227,296,898**
Disposals	**(694,059)**	**(1,664,992)**	**(243,482)**			**(165,154)**	**–**	**(2,767,687)**
Balance at December 31, 2022	**852,505,807**	**884,215,128**	**19,850,553**	**31,222,917**	**18,721,008**	**82,128,688**	**–**	**1,888,644,101**
Net Book Value								
Balance at December 31, 2021	₱320,289,059	₱362,368,598	₱7,229,645	₱4,617,708	₱470,892	₱195,677,646	₱92,897,435	₱983,550,983
Balance at December 31, 2022	**351,822,128**	**314,027,930**	**13,485,795**	**7,455,683**	**2,527,509**	**179,054,023**	151,985,108	**1,020,358,176**

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

Net book value of property and equipment transferred to franchisees as part of the franchising agreement amounted to ₱4.6 million in 2022 and ₱11.6 million in 2021.

14. **Intangible Assets**

	2022	2021
Trademark	**₱968,440,738**	₱563,440,738
Software	**195,596,485**	209,503,848
Franchise right	**6,253,329**	4,078,374
	₱1,170,290,552	₱777,022,960

Trademark amounting to ₱562.2 million pertains to the Parent Company's acquisition of the Peri-Peri business in 2019.

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

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

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

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

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

On March 5, 2022, the Parent Company (the "Assignee") executed a deed of assignment with Cinco Corporation (the "Assignor"). The assignor and PCIL (the "Licensee") are parties to a deed of trademark license. The assignor granted its consent for the license to use the "Potato Corner" trademark, including all logotype and stylized versions, composite marks and other formatives thereof, in connection with the Potato Corner business which it shall offer for franchise in Singapore. The deed of assignment between the assignor and assignee transferred the Potato Corner trademark to the Parent Company. The increase in trademark as at December 31, 2022 pertains to the acquisition cost of the trademark acquired on March 5, 2022.

The details of the Parent Company's intangible assets with finite life are as follows:

	Software	Franchise Right
Cost		
At December 31, 2020	₱255,277,661	₱4,964,977
Additions	–	–
Balance at December 31, 2021	255,277,661	4,964,977
Additions	7,700,296	2,884,236
Balance at December 31, 2022	**262,977,957**	**7,849,213**
Accumulated Amortization		
At December 31, 2020	28,768,182	177,321
Amortization (see Note 26)	17,005,631	709,282
At December 31, 2021	**45,773,813**	**886,603**
Amortization (see Note 26)	**21,607,659**	**709,281**
Balance at December 31, 2022	**67,381,472**	**1,595,884**
Net Book Value		
Balance at December 31, 2021	₱209,503,848	₱4,078,374
Balance at December 31, 2022	**195,596,485**	**6,253,329**

15. Right-of-Use Assets and Lease Liabilities

Parent Company as a lessee

The Parent Company has lease contracts for land for the use of its office spaces and stores . Leases of co-owned stores usually has terms of 3 to 15 years. The Parent Company's obligations under its leases are secured by the lessor's title to the leased assets.

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

The rollforward analysis of this account follows:

	2022	2021
Cost		
Balance at beginning of year	**₱1,622,992,066**	₱1,592,139,591
Additions	**267,805,704**	87,512,717
Pre-termination	**(146,001,059)**	(56,660,242)
Balance at end of year	**1,744,796,711**	1,622,992,066
Accumulated Amortization		
Balance at beginning of year	**663,598,746**	454,385,661
Amortization (see Note 26)	**213,568,316**	141,508,996
Lease concession	–	95,774,190
Pre-termination	**(43,490,554)**	(28,070,101)
Balance at end of year	**833,226,508**	663,598,746
Net Book Value	**₱911,570,203**	₱959,393,320

The rollforward analysis of lease liabilities follows:

	2022	2021
Balance at beginning of year	**₱1,186,537,591**	₱1,341,600,096
Additions	**267,805,704**	87,512,717
Interest expense (see Note 28)	**80,562,846**	76,586,223
Payments	**(279,407,588)**	(184,267,549)
Pre-termination	**(120,978,636)**	(39,119,706)
Gain on lease concession	**–**	(95,774,190)
Balance at end of year	**1,134,519,917**	1,186,537,591
Less current portion of lease liabilities	**58,482,418**	58,482,418
Lease liabilities - net of current portion	**₱1,076,037,499**	₱1,128,055,173

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

	As at December 31, 2022		
	Fixed Payments	**Variable Payments**	**Total**
Fixed	**₱205,432,971**	**₱–**	**₱205,432,971**
Variable rent with minimum payment	**96,424,533**	**84,115,027**	**180,539,560**
Variable rent only	**–**	**2,733,420**	**2,733,420**
	₱301,857,504	**₱86,848,447**	**₱388,705,951**

	As at December 31, 2021		
	Fixed Payments	Variable Payments	Total
Fixed	₱139,265,192	₱–	₱139,265,192
Variable rent with minimum payment	62,015,752	47,991,144	110,006,896
Variable rent only	–	1,226,875	1,226,875
	₱201,280,944	₱49,218,019	₱250,498,963

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

	2022	2021
1 year	**₱252,179,539**	₱229,092,550
more than 1 years to 2 years	**209,742,313**	194,695,713
more than 2 years to 3 years	**179,963,865**	153,405,165
more than 3 years to 4 years	**171,296,104**	129,607,176
more than 5 years	**866,838,084**	822,733,999

Rent expense on short-term leases and leases of low-value assets amounted to ₱113.1 million and ₱73.8 million as of December 31, 2022 and 2021, respectively (see Notes 23 and 24)

16. **Other Noncurrent Assets**

	2022	2021
Rental deposits	**₱168,879,185**	₱159,366,413
Less allowance for unrecoverable deposits	**(3,297,293)**	(3,297,293)
Advances to third party	–	400,000,000
	₱165,581,892	₱556,069,120

Advances to third party represent the Parent Company's initial payment for future investments. These were realized upon acquisition of the Potato corner business in 2022 (see Notes 12 and 14) .

The Parent Company's rental deposits are refundable at the end of the lease term which range from three years to 15 years. Accordingly, rental deposits are discounted based on comparable rates for similar financial instruments with rates ranging from and 8% to 25% and 1.08% to 4.95% for the years ended December 31, 2022 and 2021, respectively. The excess of the principal amount of the deposit over its fair value is accounted for as right-of-use asset and amortized over the lease term on a straight-line basis while interest on the deposit is accounted for using the effective interest rate method.

The Parent Company's rental deposits are refundable at the end of the lease term which range from three years to 15 years. Accordingly, rental deposits are discounted based on comparable rates for similar financial instruments with rates ranging from and 0.08% to 2.5%.

The Parent Company uses a provision matrix to calculate ECLs for rental and other deposits. There were no provisions for unrecoverable deposits in 2022 and 2021.

Accretion income on rental deposits amounted to ₱0.87 million and ₱2.5 million in 2022 and 2021 (see Note 29).

17. **Accounts Payable and Other Current Liabilities**

	2022	2021
Trade:		
Related parties (see Note 18)	**₱826,405,914**	253,037,369
Third parties	**57,084,107**	₱290,897,363
Nontrade:		
Third parties	**34,017,572**	85,289,282
Related parties (see Note 18)	**308,256,346**	35,768,506
Accrued expenses:		
Suppliers	**146,000,683**	97,225,645
Utilities	**48,513,378**	29,191,488
Salaries and wages	**19,551,233**	48,337,258
Customer's loyalty	**15,635,843**	20,673,626
Interest	–	7,656,566
Others	–	2,354,686
Others	**89,857,435**	55,140,850
	₱1,545,322,511	₱925,572,639

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 of payable to contractors and employment agencies and are normally settled in 30 to 90 days' term.
- Accrued expenses are accrual of rent expense of stores, utilities, employee benefits and incentives, freight, commissions and storage costs which are normally settled in 30 to 90 days' term.
- Customers loyalty pertain to accumulated points which are generally applied to customer purchases within the next financial year. Revenue is recognized upon actual usage or expiration whichever comes first.
- Other payables are normally settled in 15 to 45 days' term.
- For terms and conditions of related party receivables, refer to Note 18.

Other payables consist of the following:

	2022	2021
Customers' deposits	**₱63,782,370**	₱10,492,490
Withholding tax payable	**12,029,727**	7,797,210
Fun certificates payable	**9,549,881**	5,758,088
Output VAT – net	–	27,082,765
Due to Cooperative	–	3,091,059
SSS, Philhealth and Pag-ibig payable	–	3,904
Others	**4,495,457**	474,662
	₱89,857,435	₱54,700,178

18. **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 Parent Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Parent Company and close members of the family of any such individual.

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

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

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

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

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2022 and 2021, the Parent Company 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 Parent Company, in the normal course of business, has significant transactions with the following companies which have common members of BOD and stockholders as the Parent Company:

				Outstanding Balance			
Category	Nature	Year	Amount/ Volume of transaction	Receivable (see Note 8)	Payable (see Note 17)	Terms	Conditions
Century Pacific Group Inc. (CPGI, Ultimate Parent Company)							
Advances	Cash advances for working capital purposes	**2022**	**₱722,511**	**₱–**	**₱–**	30-day; non-interest bearing	Unsecured
		2021	–	–	–		

(Forward)

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance Receivable (see Note 8)	Outstanding Balance Payable (see Note 17)	Terms	Conditions
Bakemasters, Inc. (BMI)							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	**2022**	**₱5,078,710**	**34,037,954**	**₱–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	4,729,505	12,306,080	–		
Purchases	Purchase of raw materials and goods and rental storage at agreed prices usually on a cost-plus basis	**2022**	**279,693,826**	**–**	**42,925,689**	30-day; non-interest bearing	Unsecured
		2021	309,803,412	–	144,815,259		
Advances	Advance payment for purchases of goods	**2022**	–	–	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	–	–	–		
Shakey's International Limited (SIL)							
Management fee income	Provides services (normally on cost plus basis) mutually agreed upon by both parties to manage the onshore transactions of SIL	**2022**	**5,409,812**	**58,297,652**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	4,183,033	52,790,520	–		
Shakey's Pizza Regional Food Limited (SPRFL)							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon byboth.	**2022**	**–**	**101,750**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021				30-day; non-interest bearing	Unsecured; not impaired
Collection	Pertains remittances of SPRFL's customers that are initially collected by SPAVI due to unavailability of SPRFL's bank account.	**2022**	**–**	**–**	**21,598,745**	30-day; non-interest bearing	Unsecured; not impaired
		2021	21,496,995	–	21,496,995		
Shakey's Seacrest Inc. (SSI)							
License fee	Annual remittance of royalty fee amounting to 3% of net system wide sales	**2022**	**255,052,172**	**–**	**283,478,898**	360-day; non-interest bearing	Unsecured
		2021	–	–	5,662,045		
Service income	Provides services (normally on cost plus basis) mutually agreed upon by both parties to manage the transactions of SPCI	**2022**	**–**	**8,369,646**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	3,437,558	5,879,754	–		
Rental income	Rental income on property lease	**2022**	**60,000**	**42,800**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	–	–			
Advances	Cash advances for working capital purposes	**2022**	**–**	**1,100,174**	**2,772,562**	30-day; non-interest bearing	Unsecured
		2021	14.271.511	–	14.271.511		
Dividend Income	Receipt of cash dividends from a subsidiary	**2022**	**203,488,558**	**203,488,558**	**–**		
		2021					

(Forward)

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance Receivable (see Note 8)	Outstanding Balance Payable (see Note 17)	Terms	Conditions
Shakey's Pizza Commerce, Inc. (SPCI)							
Sales	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	**2022**	**₱690,634,755**	**₱963,054,759**	**₱–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	₱–	₱238,108,143	₱–		
Service income	Provides services (normally on cost plus basis) mutually agreed upon by both parties to manage the transactions of SPCI	**2022**	**–**	**–**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	–	–	–		
Advances	Pertains to advances for purchase of inventories	**2022**	**–**	**–**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	–	–	–		
Rental income	Rental income on property lease	**2022**	**30,000**	**-**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	–	–	–		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	**2022**	**702,045,912**	**–**	**742,954,814**	30-day; non-interest bearing	Unsecured; not impaired
		2021	882,826,855	–	52,865,416		
Dividend income	Receipt of cash dividends from a subsidiary	**2022**	**306,702,585**	**306,702,585**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021		–	–		
Wow Brand Holdings, Inc. (WBHI)							
License fee	Annual remittance of royalty fee amounting to 6% of net system wide sales	**2022**	**633,914,334**	**138,911,656**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	274,979,955	187,313,235	–		
Service income	Provide services mutually agreed upon by both parties to manage the transactions of WBHI	**2022**		**54,532,449**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	3,818,400	32,311,065	–		
Rental income	Rental income on property lease	**2022**	**-**	**10,230,260**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	360,000	403,200	–		
Advances		**2022**	**-**	**-**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	–	–	–		
Advances	Pertains to cash advances in relation to the acquisition of Peri-Peri Business	**2022**	**-**	**-**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	**64,831,286**	**6,263,761**	**112,653**		
The Pacific Meat Company Inc. (PMCI) (v)							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	**2022**	**3,158,573**	**2,973,214**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	–	4,066,709	–		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	**2022**	**141,140,173**	**-**	**38,792,440**	30-day; non-interest bearing	Unsecured; not impaired
		2021	116,032,754	–	46,009,290		

(Forward)

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance Receivable (see Note 8)	Outstanding Balance Payable (see Note 17)	Terms	Conditions
DBE Project Inc. (DBE)							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	**2022**	**₱**	**₱431,120**	**₱–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	–	431,120	–		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	**2022**	**–**	**–**	**293,488**	30-day; non-interest bearing	Unsecured; not impaired
		2021	1,392,369	–	293,488		
Snow Mountain dairy Corporation (SMDC)							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	**2022**	**–**	**–**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	–	–	–		
Century Pacific Food Inc. (CPFI)							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	**2022**	**374,276**	**–**	**–**	30-day; non-interest bearing	Unsecured; not impaired
		2021	558,295	416,069	–		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	**2022**	**8,029,623**	**–**	**1,732,971**	30-day; non-interest bearing	Unsecured; not impaired
		2021	3,924,846	–	3,391,871		
		2022	**–**	**₱1,788,538,338**	**₱1,134,662,260**		
		2021	–	534,025,895	288,805,875		

Compensation of Key Management Personnel
The salaries and pension costs of key management personnel are as follows:

	2022	2021
Salaries	**₱131,728,491**	₱120,388,442
Pension costs	**40,163,660**	48,119,556
	₱171,892,151	₱168,507,998

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

19. **Short-term Loans Payable**

The outstanding balance of the short-term loans is as follows:

	2022	2021
Balance at beginning of year	**₱–**	₱1,050,000,000
Payments	**–**	(1,050,000,000)
Additions	**500,000,000**	–
Balance at end of year	**₱500,000,000**	₱–

The Parent Company availed of several short-term loans amounting to ₱1,500.0 million with interest ranging from 3.50% to 5.50% annum in 2020.

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

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

20. **Long-term Loans Payable**

On June 8, 2016, the Parent Company entered into an Omnibus Loan and Security Agreement (OLSA) with BDO Unibank, Inc. (the Lender) and SAFHI. The lender provided a term loan facility in the principal amount of ₱5,000.0 million.
The loan is payable within 10 years to commence on the 12th month following the availment date. Payments shall be made in 18 consecutive semi-annual installments of ₱25.0 million and a final payment of ₱4,550.0 million.

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

The loan facility also contains a prepayment provision which allows the Parent Company 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 Parent Company 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.

So long as any portion of the loan is outstanding and until payment in full of all amounts payable by the Parent Company under the loan documents are made, the Parent Company covenants and agrees that, unless the Lender shall otherwise consent in writing, it shall among others comply with the following affirmative covenants:

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

b. The net proceeds from the loan shall be used for the purpose of refinancing the bridge loan.

c. Financial covenant during the term of the Term Loan:
   i. its Debt date of determination, the ratio of EBITDA less regular dividends and advances to Service Coverage Ratio is at least 1.2x. Debt Service Coverage Ratio is as of the shareholders over Debt Service. For purposes hereof, "EBITDA" means operating profit before interest, taxes, depreciation and amortization, each item determined in accordance with PFRS, and the term "Debt Service" means the aggregate amount of the succeeding year's principal amortization for the Loan, interest, fees and other financial charges made or due in respect thereof payable by the Borrower, provided that one (1) year prior to the maturity of the Loan, "Debt Service Coverage Ratio" shall mean the ratio of sum of the beginning cash balance and EBITDA less regular dividends and advances to shareholders over Debt Service;

   ii. its Debt to Equity Ratio does not exceed 5.0x within the first two years from the Borrowing under the Term Loan and 4.0x thereafter.

   The foregoing financial covenant shall be tested every six months based on annual audited or unaudited semi-annual parent company financial statements. On January 27, 2017, the OLSA was amended to include June 30, 2017 as the commencement date for the testing for the financial covenant ratios.

d. Within the period required, open and establish the Debt Service Reserve Account; and ensure that the funds deposited in the Debt Service Reserve Account is at all times maintained in accordance with the agreement. As at December 31, 2022 and 2021, the balances of DSRA has been applied to the loan balance.

e. Prior to the assignment or transfer of any trade names, copyrights, trademarks, patents and other intellectual property rights or licenses currently held by the Parent Company or any wholly-owned subsidiary of the Parent Company, the Parent Company shall pledge in favor of the Lender, under the terms and conditions of the Pledge under the Omnibus loan and security Agreement, all the outstanding shares of the Parent Company in such wholly-owned subsidiary.

As at December 31, 2022 and 2021, the Parent Company is in compliance with the aforementioned covenants. Accordingly, the noncurrent portion of the loan remains as noncurrent liability in the parent company statements of financial position as of December 31, 2022 and 2021.

Bank of the Philippines Islands (BPI) Loan
On February 24, 2022, the Parent Company 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 Parent Company 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 Parent Company is not subject to any loan covenants from BPI loan.

The breakdown of the loan is as follows:

	2022	2021
BDO loan - principal	**₱ 3,697,986,963**	₱3,750,000,000
Less unamortized debt issue costs	**(7,429,009)**	9,442,046
BDO loan – net of unamortized debt issue costs	**3,690,557,954**	3,740,557,954
BPI loan	**1,600,000,000**	–
Total	**5,290,557,954**	3,740,557,954
Less current portion of long-term loan payable	**(47,932,514)**	(47,986,963)
Noncurrent portion	**₱ 5,242,625,440**	₱3,692,570,991

Interest expense pertaining to long-term loan amounting to ₱205.9 and ₱168.1 million was recognized for the years ended December 31, 2022 and 2021, respectively (see Note 28).

21. **Equity**

Capital Stock
The details are as follows:

	Number of shares	Amount
Authorized capital stock - ₱1 par value:	2,000,000,000	₱2,000,000,000

Issued and outstanding capital stock - ₱1 par value:

	2022		2021	
	Number of shares	Amount	Number of shares	Amount
Beginning of year	**₱1,683,760,178**	**₱1,683,760,178**	1,531,321,053	₱1,531,321,053
Issuance of new shares	–	–	152,439,125	152,439,125
End of year	**₱1,683,760,178**	**₱1,683,760,178**	1,683,760,178	₱1,683,760,178

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

Date of SEC Order Rendered Effective or Permit to Sell	Event	Authorized Capital Stock	Issued Shares	Issue Price
December 1, 2016	Registered and Listed Shares (Original Shares)	2,000,000,000	1,179,321,053	₱1.00
	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 December 31, 2022 and 2021 are held by 41 and 43 equity holders, respectively.

APIC
Amount received in excess of the par values of the shares issued amounting to ₱2,451.1 million was recognized as "APIC" in the parent company statements of changes in equity as at December 31, 2022 and 2021.

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

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

There are no outstanding dividends payable as at December 31, 2022 and 2021. Cash dividend declared and paid amounted to ₱50.5 million in 2022 and ₱33.7 million in 2021.

22. Revenues from Contracts with Customers

Set out below is the disaggregation of the Parent Company's revenue from contracts with customers:

	2022	2021
Revenue from contracts with customers:		
Restaurant sales	**₱5,574,648,499**	₱3,358,517,235
Sale of goods	**2,540,301,954**	1,539,954,398
Royalty and franchise fees	**452,932,788**	289,870,093
	₱8,567,883,241	₱5,188,341,726
Timing of recognition:		
Goods transferred at a point in time	**₱8,551,452,509**	₱5,165,274,204
Services transferred over time	**16,430,732**	23,067,522
	₱8,567,883,241	₱5,188,341,726

Contract liabilities
Below are the details of contract liabilities:

	2022	2021
Initial franchise fee	**₱61,404,470**	₱67,123,504
Less current portion	**13,445,337**	16,382,802
Noncurrent portion	**₱47,959,133**	₱50,740,702

Movements of contract liabilities arising from initial franchise fees as at and for the year ended December 31, 2022 and 2021 are as follows:

	2022	2021
Beginning balance	**₱67,123,504**	₱72,079,864
Amortization of initial franchise fees	**(16,430,732)**	(16,624,253)
Initial franchise fees received	**8,100,000**	8,598,897
Accretion of interest expense	**2,611,700**	3,068,996
Ending balance	**₱61,404,470**	₱67,123,504

As at December 31, 2021, the amount of initial franchise fees allocated to remaining performance obligations, the amount of accretion of interest expense in the succeeding years, and the amount of contract liability arising from initial franchise fees are as follows:

	Unamortized initial franchise fees	Accretion of interest expense	Contract liabilities from initial franchise fees
Within one year	₱13,445,337	₱2,184,388	₱15,629,725
More than one year	47,959,133	4,478,837	52,437,970
	₱61,404,470	₱6,663,225	₱68,067,695

23. **Cost of Sales**

	2022	2021
Inventory costs (see Note 9)	**₱4,547,810,629**	₱2,369,124,045
Salaries, wages and benefits (see Note 25)	**563,116,308**	479,772,560
Depreciation and amortization (see Note 26)	**425,156,154**	401,698,803
Utilities	**315,047,711**	235,136,613
Delivery call fees	**145,220,187**	128,698,594
Outside services	**144,834,687**	101,321,060
Supplies	**124,102,173**	72,778,665
Rent	**113,093,790**	73,803,865
Gas expenses	**111,544,442**	63,751,051
Repairs and maintenance	**41,760,483**	46,412,422
Card charges	**30,957,571**	15,829,245
Pension costs (see Notes 25 and 27)	**15,671,747**	18,776,116
Seminar and training	**12,095,750**	942,877
Commissary costs	**4,822,778**	1,733,483
Dues and subscription	**4,005,890**	22,343,628
Costs of shop	–	11,607,920
Other	**57,837,892**	18,161,358
	₱6,657,078,192	₱4,061,892,305

24. **General and Administrative Expenses**

	2022	2021
Salaries, wages and benefits (see Note 25)	**₱272,774,898**	₱217,012,268
License fees (see Notes 18 and 33)	**259,459,911**	4,125,189
Advertising and promotions	**232,104,580**	176,819,913
Outside services	**149,871,915**	93,821,474
Taxes and licenses	**84,822,251**	111,699,116
Depreciation and amortization (see Note 26)	**37,929,222**	31,988,430
Transportation and travel	**36,105,361**	30,266,196
Supplies	**34,268,121**	30,778,956
Pension costs (see Notes 25 and 27)	**24,491,913**	29,343,440
Utilities	**19,878,150**	13,619,760
Gas expenses	**14,591,076**	7,669,083
Insurance	**5,718,720**	4,697,123
Directors' fees	**1,378,947**	1,249,123
Others	**34,891,711**	6,961,147
	₱1,208,286,776	₱760,051,218

25. **Personnel Expenses**

	2022	2021
Salaries, wages, bonuses and allowances		
Cost of sales (see Note 23)	**₱543,037,822**	₱445,591,344
General and administrative expense (see Note 24)	**262,065,556**	203,073,928
SSS, Pag-ibig, Medicare and other contributions		
Cost of sales (see Note 23)	**20,078,486**	34,181,216
General and administrative expense (see Note 24)	**10,709,342**	13,938,340
Retirement costs		
Cost of sales (see Notes 23 and 27)	**15,671,747**	18,776,116
General and administrative expense (see Notes 24 and 27)	**24,491,913**	29,343,440
	₱876,054,866	₱744,904,384

26. **Depreciation and Amortization**

	2022	2021
Property and equipment:		
Cost of sales (see Notes 13 and 23)	**₱211,587,835**	₱260,189,807
General and administrative expense (see Notes 13 and 24)	**15,709,063**	14,273,517
Software -		
General and administrative expense (see Notes 14 and 24)	**21,510,874**	17,005,631

(Forward)

	2022	2021
Right-of-use asset -		
Cost of sales (see Notes 15 and 23)	**₱213,568,316**	₱141,508,996
Franchise right -		
General and administrative expense		
(see Note 24)	**709,288**	709,282
	₱463,085,376	₱433,687,233

27. **Pension**

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

The following tables summarize the components of net pension costs in the parent company statements of comprehensive income as of December 31, 2022 and 2021 and accrued pension costs in the parent company statements of financial position as at December 31, 2022 and 2021. The latest actuarial valuation is as at December 31, 2022.

	2022	2021
Pension costs:		
Current service cost	**₱35,461,532**	₱43,213,878
Net interest cost	**12,031,427**	4,905,678
Expected return on plan assets	**(7,329,299)**	–
	₱40,163,660	₱48,119,556
Accrued pension costs		
Present value of benefit obligation (PVBO)	**₱219,346,354**	₱241,110,752
Fair value of plan assets (FVPA)	**(135,980,957)**	(146,879,731)
	₱83,365,397	₱94,231,021

Movements in the PVBO are as follows:

	2022	2021
Balance at beginning of year	**₱241,110,752**	₱276,303,082
Current service cost	**35,461,532**	43,213,878
Interest cost	**12,031,427**	10,471,887
Benefits paid	**(12,426,777)**	(11,963,515)
Net actuarial gain	**(56,830,580)**	(76,914,580)
Balance at end of year	**₱219,346,354**	₱241,110,752

Movements in the FVPA are as follows:

	2022	2021
Balance at beginning of year	**₱146,879,731**	₱146,865,667
Contributions	–	12,000,000
Benefits paid	**(12,426,777)**	(11,963,515)
Interest income	**7,329,299**	5,566,209
Net actuarial loss	**(5,801,296)**	(5,588,630)
Balance at end of year	**₱135,980,957**	₱146,879,731

Movements in accrued pension costs are as follows:

	2022	2021
Balance at beginning of year	**₱94,231,021**	₱129,437,415
Pension costs	**40,163,660**	48,119,556
Contributions	**–**	(12,000,000)
Actuarial loss (gain)	**(51,029,284)**	(71,325,950)
Balance at end of year	**₱83,365,397**	₱94,231,021

Amount recognized in OCI are as follows:

	2022	2021
Actuarial loss - PVBO	**₱51,029,284**	₱76,914,580
Actuarial gain - FVPA	**–**	(5,588,630)
Deferred tax	**(12,757,321)**	(17,831,488)
Total	**₱38,271,963**	₱53,494,462

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

	2022	2021
Investments		
Government securities	**₱81,099,368**	₱111,031,246
Stocks and other securities	**32,148,310**	18,587,019
Deposit in banks	**1,602**	393
Other securities	**22,043,731**	16,490,822
Other asset:	**135,293,011**	146,109,480
Receivables	**792,043**	998,719
Total assets	**136,085,054**	147,108,199
Fees payable	**(104,097)**	(228,468)
Net asset value	**₱135,980,957**	₱146,879,731

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

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

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

	2022	2021
Discount rates at beginning of year	**7.12%**	4.99%
Rate of compensation increase	**5%**	5.00%
Average future working years of service	**30**	25

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

	2022		2021	
	Increase (decrease)	**Amount**	Increase (decrease)	Amount
Discount rates	**0.5%**	**(₱5,623,147)**	0.5%	(₱15,628,926)
	(0,5%)	**6,783,888**	(0.5%)	19,450,749
Salary increase rate	**1.0%**	**15,201,552**	1.0%	42,120,773
	(1.0%)	**(10,259,278)**	(1.0%)	(28,066,900)

Shown below is the schedule of expected future benefit payments:

1 year and less	**₱4,279,095**	₱3,940,110
More than 1 year to 5 years	**5,858,556**	–
More than 5 year to 10 years	**90,378,387**	89,485,341
More than 10 year to 15 years	**126,061,036**	105,676,552
More than 15 year to 20 years	**390,946,887**	326,106,034
More than 20 years	**6,002,282,394**	5,389,813,322
	₱6,619,806,355	₱5,915,021,359

The Parent Company expects to contribute of ₱48.7 million to its retirement fund in 2023.

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

28. **Interest Expense**

	2022	2021
Long-term loan payables (see Note 20)	**₱184,531,045**	₱166,437,238
Lease liabilities (see Note 15)	**80,562,846**	76,586,223
Short-term loan payables (see Note 19)	**30,896,730**	30,896,730
Contract liabilities (see Note 22)	**2,654,754**	3,068,996
Debt issue cost	**2,067,486**	2,013,037
	₱300,712,861	₱279,002,224

29. **Other Income –** Net

	2022	2021
Other income from franchisees	**₱6,299,868**	₱20,194,299
Gain (loss) on:		
Pre-termination of leases	**18,918,131**	10,529,566
Disposal of inventory	**(9,938,870)**	(12,250,140)
Disposal of property and equipment	**172,237**	(180,145)
Reversal of provision for legal and other contingencies (see Note 34)	**–**	37,033,000
Service fee	**9,132,142**	6,730,995
Expired points from loyalty points	**11,569,669**	6,699,522
Income from accretion of deposits (see Note 13)	**2,000,871**	2,505,833
Realized gain from institutional cash reserve fund	**793,826**	336,975
Fair value gain on financial assets at FVPL (see Note 11)	**404,374**	1,845,385
Others – net	**1,247,992**	6,700,679
	₱40,600,240	₱ 80,145,969

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

30. **Income Taxes**

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

	2022	2021
Deferred tax assets:		
Lease liabilities	**₱59,025,906**	₱60,389,838
Difference in depreciation due to adoption of lease standard	**31,551,183**	36,447,503
Accrued pension costs	**20,841,349**	23,557,755
Contract liabilities	**6,543,943**	5,391,146
Accrued bonus and other expense	**4,543,819**	3,082,076
Unamortized past service cost	**1,855,309**	2,495,101
Allowance for:		
Expected credit losses	**1,228,669**	1,228,669
Inventory obsolescence	**1,064,150**	1,064,150
Unrecoverable deposits	**824,323**	824,323
Accrued loyalty points fund	**407,102**	2,390,102
MCIT	**–**	20,545,761
NOLCO	**–**	75,886,037
	₱127,885,753	₱233,302,461
Deferred tax liabilities:		
Debt issuance cost	**₱1,857,252**	₱2,360,512
Unrealized foreign exchange gain	**251,600**	61,980
	2,108,852	2,422,492
	₱125,776,901	₱230,879,969

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

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

As at December 31, 2022, the Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

			NOLCO			
Year Incurred	Availment Period	Amount	Applied in Previous Year/s	Expired	Applied in Current Year	Unapplied
2020	2021-2025	**₱501,247,933**	**₱197,703,787**	**₱–**	**₱303,544,146**	**₱–**

The details of the MCIT as at December 31, 2022, of which excess over regular corporate income tax (RCIT) shall be carried forward and credited against RCIT for three (3) immediately succeeding taxable year, is as follows:

			MCIT			
Year Incurred	Availment Period	Amount	Applied in Previous Year/s	Expired	Applied in Current Year	Unapplied
2020	2021-2023	**₱12,149,016**	**₱–**	**₱–**	**₱12,149,016**	**₱–**
2021	2022-2024	**8,396,745**	**–**	**–**	**8,396,745**	**–**
		₱20,545,761	**₱–**	**₱–**	**₱20,545,761**	**₱–**

The provision for current income tax represents RCIT, MCIT and final withholding taxes on interest income are as follows:

	2022	2021
RCIT	**₱35,200,165**	₱–
MCIT	**–**	11,252,265
Final withholding taxes	**242,241**	291,814
	₱35,442,406	₱11,544,079

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

	2022	2021
Provision for (benefit from) income tax computed at 25% statutory income tax rate	**₱238,444,584**	₱42,250,603
Tax effects of:		
Dividend income subjected to final tax	**(127,547,786)**	–
Nontaxable income already subjected to final tax in prior years	**(3,596,370)**	(3,302,588)
Interest income already subjected to final tax	**(242,241)**	(364,768)
Reversal of provision for claims and contingencies	**–**	(9,258,250)
Nontaxable gain on sale of financial assets at FVPL	**–**	(461,346)
Other nondeductible expenses - net	**20,729,966**	8,816,921
Change in tax rate	**–**	51,124,424
Provision for (benefit from) income tax	**₱127,788,153**	₱88,804,996

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, President Rodrigo Duterte signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

31. **Financial Risk Management Objectives and Policies**

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

The main risks arising from the Parent Company's financial instruments are credit risk, liquidity risk and equity price risk on financial assets at FVPL 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 Parent Company will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Parent Company manages and controls credit risk by trading only with recognized, creditworthy third parties. It is the Parent Company'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 Parent Company's exposure to bad debts is not significant.

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

	2022	2021
Cash*	**₱311,975,966**	₱281,653,055
Financial assets at FVPL	**–**	300,000,000
Trade and other receivables	**2,425,371,829**	1,011,559,118
Rental and other deposits	**165,581,892**	156,069,120
Total credit risk exposure	**₱2,902,929,687**	₱1,749,281,293

**Excluding cash on hand.*

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

	2022					
	Neither Past Due nor Impaired	**Past Due but not Impaired**				
		1–180 Days	**More than 180 days**	**Subtotal**	**Impaired**	**Total**
Cash*	**₱311,975,966**	**₱–**	**₱–**	**₱–**	**₱–**	**₱311,975,966**
Trade and other receivables	**1,971,499,515**	**448,957,640**	**–**	**448,957,640**	**4,914,674**	**2,425,371,829**
Rental and other deposits	**162,284,599**	**–**	**–**	**–**	**3,297,293**	**165,581,892**
	₱2,445,760,080	**₱448,957,640**	**₱–**	**₱448,957,640**	**₱8,211,967**	**₱2,902,929,687**

**Excluding cash on hand.*

	2021					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		1–180 Days	More than 180 days	Subtotal	Impaired	Total
Cash*	₱281,653,055	₱–	₱–	₱–	₱–	₱281,653,055
Financial assets at FVPL	300,000,000	–	–	–	–	300,000,000
Trade and other receivables	885,811,788	121,309,150	–	121,309,150	4,914,674	1,011,559,118
Rental and other deposits	152,771,827	–	–	–	3,297,293	156,069,120
	₱1,619,760,176	₱121,309,150	₱–	₱121,309,150	₱8,211,967	₱1,749,281,293

**Excluding cash on hand.*

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

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

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash*	**₱311,975,966**	**₱–**	**₱–**	**₱311,975,966**
Trade and other receivables:	**–**	**1,971,499,515**	**448,957,640**	**2,420,457,155**
Rental and other deposits	**–**	**–**	**162,284,599**	**162,284,599**
	₱385,015,940	**₱1,971,499,515**	**₱611,242,239**	**₱2,894,717,720**

**Excluding cash on hand.*

	2021			
	Stage 1	Stage 2	Stage 3	Total
Cash*	₱281,653,055	₱–	₱–	₱281,653,055
Financial assets at FVPL	300,000,000	–	–	300,000,000
Trade and other receivables:	–	885,335,294	121,309,150	1,006,644,444
Rental and other deposits	–	–	152,771,827	152,771,827
	₱667,645,937	₱885,335,294	₱274,080,977	₱1,741,069,326

**Excluding cash on hand.*

Financial assets classified as "high grade" are those cash 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 Parent Company may encounter difficulties in raising funds to meet or settle its obligations at a reasonable price.

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

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

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

	2022					
	Due and Demandable	**< 90 Days**	**91–180 Days**	**181–365 Days**	**Over 365 Days**	**Total**
Cash	**₱385,015,940**	**₱–**	**₱–**	**₱–**	**₱–**	**₱385,015,940**
Trade and other receivables	**794,329,786**	**439,106,125**	**1,191,931,498**	**–**	**4,919,094**	**2,430,286,503**
Rental and other deposits	**165,581,892**	**–**	**–**	**–**	**3,297,293**	**168,879,185**
	1,344,927,618	**439,106,125**	**1,191,931,498**	**–**	**8,216,387**	**2,984,181,628**
Accounts payable and other current liabilities:						
Trade payables	**–**	**883,490,021**	**–**	**–**	**–**	**883,490,021**
Nontrade payables	**–**	**342,273,918**	**–**	**–**	**–**	**342,273,918**
Accrued expenses	**–**	**229,701,137**	**–**	**–**	**–**	**229,701,137**
Other payables*	**–**	**77,827,708**	**–**	**–**	**–**	**77,827,708**
Dealers' deposit and other noncurrent liabilities	**–**	**–**	**–**	**–**	**146,154,383**	**146,154,383**
Short-term loans payable**	**–**	**9,500,000**	**9,500,000**	**1,058,854,167**	**–**	**1,077,854,167**
Long-term loans payable**	**–**	**7,031,250**	**32,031,250**	**38,968,750**	**3,850,312,500**	**3,928,343,750**
	–	**1,549,824,034**	**41,531,250**	**1,097,822,917**	**3,996,466,880**	**6,685,645,084**
Liquidity gap	**₱1,344,927,618**	**(1,110,717,909)**	**₱1,150,400,248**	**(₱1,097,822,917)₱**	**(₱3,988,250,496)**	**(₱3,701,463,456)**

**Excluding statutory payables.*
***Including future interest payments.*

	2021					
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	Total
Cash	₱309,829,604	₱–	₱–	₱–	₱–	₱281,653,055
Financial assets at FVPL	300,000,000	–	–	–	–	300,000,000
Trade and other receivables	174,018,543	436,258,384	401,277,771	–	4,919,094	1,016,473,792
Rental and other deposits	156,069,120	–	–	–	3,297,293	159,366,413
	939,917,267	436,258,384	401,277,771	–	8,216,387	1,785,669,809
Accounts payable and other current liabilities:						
Trade payables	–	503,204,112	40,730,620	–	–	543,934,732
Nontrade payables	–	86,457,487	20,769,462	–	–	107,226,949
Accrued expenses	–	219,710,780	–	–	–	219,710,780
Other payables*	–	19,816,299	–	–	–	19,816,299
Dealers' deposit and other noncurrent liabilities	–	–	–	–	83,498,884	83,498,884
Short-term loans payable**	–	9,500,000	9,500,000	1,058,854,167	–	1,077,854,167
Long-term loans payable**	–	7,031,250	32,031,250	38,968,750	3,850,312,500	3,928,343,750
	–	845,719,928	103,031,332	1,097,822,917	3,933,811,384	5,980,385,561
Liquidity gap	₱939,917,267	(₱409,461,544)	₱298,246,439	(₱1,097,822,917)	(₱3,925,594,997)	(₱4,194,715,752)

**excluding statutory payables.*
***Including future interest payments.*

Capital Management

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

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

	2022	2021
Total liabilities	**₱8,761,324,632**	₱6,097,521,593
Total equity	**6,758,509,733**	5,944,760,394
	1.30:1	1.03:1

32. Fair Value Information

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

Financial Instruments Whose Carrying Amounts Approximate Fair Value. Management has determined that the carrying amounts of cash, trade and other receivables, advances to related parties, 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 Parent Company's financial instruments other than those described above:

		As at December 31, 2022		
			Fair Value	
	Date of Valuation	Carrying Value	Level 1 Quoted	Level 2 Significant Observable Input
Assets for which fair values are disclosed:				
Rental deposits	December 31, 2022	**₱165,581,892**	**₱–**	**₱167,472,175**
		₱165,581,892	**₱–**	**₱167,472,175**
Liabilities for which fair values are disclosed:				
Loan payable	December 31, 2022	**₱5,290,557,954**	**₱–**	**₱6,334,150,117**
Dealers' deposits	December 31, 2022	**160,080,740**	**–**	**130,017,749**
		₱5,450,638,694	**₱–**	**₱6,464,167,866**

		As at December 31, 2021		
			Fair Value	
	Date of Valuation	Carrying Value	Level 1 Quoted	Level 2 Significant Observable Input
Assets for which fair values are disclosed:				
Financial assets at FVPL	December 31, 2021	₱300,000,000	₱–	₱300,000,000
Rental deposits	December 31, 2021	155,355,828	–	157,129,370
		₱455,355,828	₱–	₱457,129,370
Liabilities for which fair values are disclosed:				
Loan payable	December 31, 2021	₱3,788,597,369	₱–	₱4,478,403,943
Dealers' deposits	December 31, 2021	24,274,585	–	19,257,642
		₱3,812,871,954	₱–	₱4,547,661,585

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 December 31, 2022 and of 1.08% to 4.95% as at December 31, 2022 and 2021, respectively. Fair value category is Level 2, significant observable inputs.

Loans Payable. The fair value of loan payable which was discounted using prevailing market rate of 4.29 % and 2.75% as at December 31, 2022 and 2021, respectively. 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% and 4.46% as at December 31, 2022 and 2021, respectively. Fair value category is Level 2, significant observable inputs.

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

33. **Commitments**

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

The franchisees also pay management fees for various services, including maintenance services and advertising rendered by the Parent Company.

Royalty and franchise fees amounted to ₱452.9 million in 2022 and ₱289.9 million in 2021 (see Note 22). As at December 31, 2022 and 2021, royalty receivable amounted to ₱170.1 million and ₱86.0 million, respectively (see Note 8).

Territorial Licensing Agreement
The Parent Company has a territorial licensing agreement with SSI, the licensor, for the exclusive right to license other individuals and/or establishments to use the "Shakey's" brand name, method and concept of the licensor in the production, merchandising, packaging and sale of certain food products in the Philippines. In consideration for the exclusive territorial license, the Parent Company is liable to the licensor for a license fee based on sales of each of the dealers of the Parent Company. The agreement, which was drawn on August 1, 2017, is renewable at the option of the Parent Company, from term to term, each term being a period of ten (10) years under the same terms and conditions.

SPAVI is required to pay annual license fees to SSI amounting to 1.5% of net system wide sales. On December 1, 2020, SSI waived its 1.5% monthly license fee to SPAVI for the entire year of 2020 and the year after until 2023. On the other hand, SPAVI waived the rental fees of SSI for the entire year of 2020 and the year after until 2023. These initiatives aim to mitigate the COVID-19 pandemic's adverse impact on the restaurant business of SPAVI (see Note 18).

Outstanding balance of incurred license fees amounted to ₱283.5 million and ₱5.7 million as at December 31, 2022 and 2021, respectively (see Note 18).

34. Provisions

	2022	2021
Balance at beginning of year	**₱–**	₱37,033,000
Reversal (see Note 29)	–	(37,033,000)
Balance at end of year	**₱–**	₱–

Provisions amounting to ₱37.0 millon was reversed in 2021. As of December 31, 2022 and 2021, the Parent Company has no outstanding provisions for asserted claims which are normal to the Parent Company's business. These include estimates settlement amounts and other costs of claims made against the Parent Company. As allowed by PAS 37, the Parent Company does not provide further information on these provisions and contingencies in order not to impair the outcome of the litigations, claims and disputes.

35. Earnings 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 for the years ended December 31, 2022 and 2021, hence, diluted EPS is the same as the basic EPS.

The Parent Company's EPS were computed as follows:

	2022	2021
(a) Net income (loss)	**₱864,262,145**	₱80,197,418
(b) Weighted average number of shares outstanding	**1,683,760,178**	1,594,837,355
Basic/ diluted EPS (a/b)	**₱0.52**	₱0.05

36. Notes to the Parent Company Statements of Cash Flows

The following are the noncash activities for the years ended December 31, 2022 and 2021:

	2022			
	January 1	**Net cash flows**	**Noncash changes**	**December 31**
Rental and other noncurrent assets (a)	**₱156,069,120**	**₱7,511,901**	**₱2,000,871**	**₱165,581,892**
Loans payable (b)	**3,740,557,954**	**2,050,000,000**	–	**5,790,557,954**
Contract liabilities (a)	**67,123,504**	**(8,330,733)**	**2,611,699**	**61,404,470**
Lease liabilities (c)	**1,186,537,591**	**(279,407,588)**	**227,389,914**	**1,134,519,917**

	2021			
	January 1	Net cash flows	Noncash changes	December 31
Rental and other noncurrent assets (a)	₱155,355,828	₱1,792,541	(₱1,079,249)	₱156,069,120
Loans payable (b)	4,838,597,369	(1,100,000,000)	1,960,585	3,740,557,954
Contract liabilities (a)	72,079,864	(8,025,356)	3,068,996	67,123,504
Lease liabilities (c)	1,341,600,096	(184,267,549)	29,205,044	1,186,537,591

Details of the noncash changes are as follows:

(a) Pertains to accretion of interest expense on long term rental and other deposits and contract liabilities.
(b) Pertains to amortization of debt issue costs
(c) Changes are presented under Note 15.

The changes in the Parent Company's liabilities arising from financing activities are as follows:

	2022						
	January 1	Additions	Proceeds	Payments	Interest expense	Other movements	December 31
Lease liabilities*	**₱1,186,537,591**	**₱267,805,704**	**₱–**	**(279,407,588)**	**₱80,562,846**	**(₱120,978,636)**	**₱1,134,519,917**
Loans payable	**3,740,557,954**	**–**	**2,100,000,000**	**(50,000,000)**	**–**	**–**	**5,790,557,954**
Dividends	**–**	**50,512,806**	**–**	**(50,512,806)**	**–**	**–**	**–**
Accrued interest**	**7,656,566**	**–**	**–**	**(220,819,029)**	**300,712,861**	**(87,550,398)**	**–**
Total liabilities from financing activities	**₱4,934,752,111**	**₱318,318,510**	**₱2,100,000,000**	**(₱600,739,423)**	**₱381,275,707**	**(₱208,529,034)**	**₱6,925,077,871**

**Other movements pertain to the gain on lease concession and derecognition of lease liability*
***Other movements pertain to interest accretion for PFRS 15*

	2021						
	January 1	Additions	Proceeds	Payments	Interest expense	Other movements	December 31
Lease liabilities*	₱1,341,600,096	₱87,512,717	₱–	(₱184,267,549)	₱76,586,223	(₱134,893,896)	₱1,186,537,591
Loans payable	4,838,597,369	–	–	(1,100,000,000)	1,960,585	–	3,740,557,954
Dividends	–	33,675,208	–	(33,675,208)	–	–	–
Accrued interest**	5,225,000	–	–	(195,023,604)	279,002,224	(81,547,054)	7,656,566
Total liabilities from financing activities	₱6,185,422,465	₱121,187,925	₱–	₱(1,512,966,361)	₱357,549,032	₱(216,440,950)	₱4,934,752,111

**Other movements pertain to the gain on lease concession and derecognition of lease liability*
***Other movements pertain to interest accretion for PFRS 15*

37. **Supplementary Information Required Under RR 15-2010**

The Parent Company reported and/or paid the following types of taxes in 2022:

VAT

The Parent Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

a. Output VAT

Sales and output VAT declared in the Parent Company's VAT returns for 2022 are as follows:

	Net Sales/ Receipts	Output VAT
Taxable sales of goods	₱8,700,160,997	₱1,044,019,320
Zero-rated sales/receipts	26,169,585	–
Exempt sales	331,006,660	–
	₱9,057,337,242	₱1,044,019,320

The Parent Company has exempt sales pursuant to the provision of RR 7-2010 "Implementing the Tax Privileges Provisions of Republic Act No. 9994, otherwise known as the 'Expanded Senior Citizen Act of 2010', and Prescribing the Guidelines for the Availment."

"Zero-rated - sale of goods" are based on invoice on revenues from export sales which are entitled to VAT zero-rating under Section 106(A)(2) and Section 108(B)(7) of the 1997 Tax Code, lodged under the account "Revenue" in the books of the Company. Zero-rated sales pertain to export sales of goods

b. Input VAT

As at December 31, 2022, the details of the Parent Company's input VAT are as follows:

	Tax Amount
Balance at beginning of the year	₱–
Current year's purchase of goods other than capital goods:	
Domestic purchase of goods	478,363,870
Importation of goods	65,062,380
Current year's domestic purchase of services	147,411,045
Input VAT allocable to exempt sales	(27,497,676)
Other adjustments on input VAT	73,956,097
Input VAT claimed against output VAT	(737,295,716)
Balance at end of year	₱–

Information on the Parent Company's Importations

In 2022, the Parent Company's transactions which are subject to broker's and other fees are as follows:

Taxable value	₱487,967,852
Broker's fee and others	54,218,650
Total landed cost of imports	542,186,502
Input VAT	₱65,062,380

Taxes and Licenses

Taxes and licenses, local and national, include real estate taxes, business licenses and permit fees and fringe benefit taxes for 2022:

License and permit fees	₱76,341,277
Realty tax payment	5,613,853
Barangay/DTI and other fees	1,051,310
Documentary stamp taxes (DST)	1,083,196
Fringe benefit taxes	602,898
Others	129,717
	₱84,822,251

Documentary Stamp Taxes

DST paid by the Parent Company in 2022 amounting to ₱1,083,196, breakdown are as follows:

Lease contracts	₱1,024,196
Penalty Payment expired	59,000
	₱1,083,196

Withholding Taxes

Movements in withholding taxes for 2022 are as follows:

	Final withholding taxes	Tax on Compensation and Benefits	Expanded Withholding Taxes
Balance at beginning of year	₱–	₱1,140,042	₱6,966,768
Additions	1,590,272	41,988,624	90,884,545
Applications/remittances	(1,590,272)	(42,571,019)	(89,557,534)
Balance at end of year	₱–	₱ 557,647	₱8,293,779

Tax Assessments and Tax Cases

The Parent Company is currently not involved in any tax cases and tax assessments in Final Assessment Notice Stage as at December 31, 2022.

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