

SECURITIES AND EXCHANGE COMMISSION

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

1. For the quarterly period ended **September 30, 2020**
2. Commission identification number **54666**
3. BIR Tax Identification No. **000-163-396**
4. **SHAKEY'S PIZZA ASIA VENTURES INC.**
Exact name of issuer as specified in its charter
5. **MANILA, PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **15KM EAST SERVICE ROAD CORNER MARIAN ROAD 2,**
BARANGAY SAN MARTIN DE PORRES, PARANAQUE CITY **1700**
Address of issuer's principal office Postal Code
8. **(632) 867-7602**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	<u>COMMON SHARES</u>
Number of shares of common stock outstanding	<u>1,531,321,053</u>

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

Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

PHILIPPINE STOCK EXCHANGE; COMMON SHARES

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited interim consolidated financial statements of Shakey's Pizza Asia Ventures Inc., and its wholly owned subsidiaries Bakemasters, Inc., Shakey's International Limited, Golden Gourmet Limited, Shakey's Seacrest Incorporated, Shakey's Pizza Regional Foods Limited, Shakey's Pizza Commerce, Inc., Wow Brand Holdings Inc. and Anchor Wood International Ltd (collectively, the 'Company' or 'PIZZA') as of and for the period ended September 30, 2020 and the comparative period in 2019 is attached to this 17-Q report, comprising of the following:

- 1.1 Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019
- 1.2 Consolidated Statement of Income for the period ended September 30, 2020 and September 30, 2019
- 1.3 Consolidated Statement of Cash Flows for the period ended September 30, 2020 and September 30, 2019
- 1.4 Consolidated Statement of Changes in Shareholder's Equity for the period ended September 30, 2020 and September 30, 2019
- 1.5 Notes to Consolidated Financial Statements for the period ended September 30, 2020

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations (Based on the unaudited consolidated financial statements for the period ended September 30, 2020)

Business Overview

Shakey's Pizza Asia Ventures Inc. (SPAVI) or PIZZA, is the market leader in both chained pizza full service restaurant and chained full service restaurant according to Euromonitor. Originally an American brand established in 1954, Shakey's expanded into the Philippines in 1975, and has since become a household name to generations of Filipinos. PIZZA is a strong brand because of its unique products paired with excellent guest service. It is best known for its original thin crust pizza and iconic Chicken N' Mojos.

PIZZA owns the trademarks and licenses to operate the Shakey's brand in the Philippines, thus it has full control over the management and execution of Shakey's Philippine operations. Since PIZZA owns the brand, it generates additional revenue from franchising while not having to pay royalty fees for the use of the Shakey's name. PIZZA also owns the rights and trademarks in Asia (except Malaysia and Japan), China, Middle East, Australia and Oceania.

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

PIZZA is spread nationwide through its five store formats. These formats differ in size ranging from 120 sqm to 400 sqm. Smaller stores tend to need lower capital investment. This allows

PIZZA flexibility to serve the demand of a specific market, while still achieving the desired profitability.

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

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

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

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

Results of Operations

The following table summarizes the reported key financial information for PIZZA for the nine months ending September 30, 2020 and 2019, respectively:

In ₱ Mill	Nine months ending September 30, 2020	Nine months ending September 30, 2019	Change YoY
System-wide sales	4,795	7,427	-35%
Net Revenue	3,826	5,897	-35%
Cost of Sales	3,192	4,234	-25%
Gross Profit	634	1,663	-62%
Operating Expense	774	743	4%
Operating Income	(140)	920	-115%
EBITDA	235	1,347	-83%
Net income before tax	(401)	705	-157%
Net income after tax	(462)	550	-184%
<u>Margins</u>			
Gross profit margin	16.6%	28.2%	-11.6 pps
EBITDA margin	-3.6%	15.6%	-19.2 pps
Net income margin	-12.1%	9.3%	-21.4 pps

Results of Operation

- Shakey's Pizza Asia Ventures Inc (PSE: PIZZA), the Philippines' leading chained full-service restaurant, saw third quarter EBITDA, excluding one-off costs, revert to positive territory - at Php78 million - after posting a negative figure for the second quarter of the year.

- This brings the Company's year-to-date EBITDA to Php381 million, following an improvement in systemwide sales in the third quarter –up 23% versus the previous three months.
- PIZZA systemwide sales for the three months ending September 2020 stood at Php1.4 billion, equivalent to 56% of last year's sales. Year-to-date, same-store sales growth stood at negative 28%.
- Recovery rate in the third quarter has been better than expected, mainly driven by the sustained healthy growth of the off-premise business and a marked improvement in dine-in sales.
- Since dine-in resumed in June, the Company has seen a gradual increase in store traffic thanks to strict implementation of health and safety protocols within its stores and a gradual easing of mobility and capacity restrictions by the government.
- Gross profit margin during the third quarter stood at 14.4% versus 2.8% in the second. EBITDA margin likewise turned positive quarter-on-quarter to 0.5% from -12.7% in the prior period. Excluding one-off costs, third quarter EBITDA margin stood at 7.3%.
- As a result, the Company's recurring net loss in the most recent three months narrowed to Php100 million, from Php281 million in Q2 2020 and Php167 million in the first half. One-off charges amounted to Php72 million during the third quarter

Financial Condition

The Company's financial stability and financial position as of September 30, 2020, is as follows:

- Cash and cash equivalents stood at ₱481 million. Operating activities generated a net inflow of ₱118 million, with operating cash more than enough to cover changes in working capital. Net cash used in investing activities totaled ₱182 million, while net cash generated by financing activities amounted to ₱37 million.
- Current ratio increased to 0.85x as of September 30, 2020, relative to 2019's 1.03x. The cash conversion cycle increased to 16 days from 1 day as of end-2019. Receivable and inventory days stood at 42 and 29 respectively, while accounts payable came in at 55 days.
- Net property, plant and equipment, amounted to ₱1.516 billion as of September 30, 2020. Capital expenditures for the first nine months of the year totaled ₱248 million.
- As of September 30, 2020, the Company had ₱4.8 billion in interest-bearing debt, comprised mainly of the ₱3.8 billion long-term loan incurred for the acquisition of its wholly-owned subsidiaries and the remaining portion from the interest-bearing loan used primarily for the acquisition of Peri and emergency loan related to the ongoing COVID-19 pandemic.

- Total stockholders' equity decreased by ₱477 million, from ₱5.1 billion as of year-end 2019 to ₱4.6 billion as of September 30, 2020. The decrease came mainly from net loss incurred during the first nine months of 2020.
- Net debt-to-equity ratio is measured at 1.47x as of September 30, 2020, higher than year-end 2019's 1.33. Considering only interest-bearing liabilities, the Company's net gearing ratio stood at 0.93x as of September 30, 2020.

Key Performance Indicators (KPIs)

	Unaudited 1 st Nine Months 2020	Unaudited 1 st Nine Months 2019
Gross Profit Margin	17%	28%
Before Tax Return on Sales	-10%	12%
Return on Sales	-12%	9%
Interest-Bearing Debt-to-Equity	1.0x	0.9x
Current Ratio	0.9x	1.1x

Notes:

1 *Gross Profit margin = Gross Profit / Net Revenue*

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

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

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

5 *Current Ratio = Total Current Assets / Total Current Liabilities*

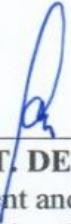
SIGNATURES

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

SHAKEY'S PIZZA ASIA VENTURES INC.



VICENTE L. GREGORIO
President and Chief Executive Officer
Date: November 9, 2020



MANUEL T. DEL BARRIO
Vice President and Chief Finance Officer
Date: November 9, 2020

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	P480,974,302	P507,701,190
Trade and other receivables	709,717,187	709,483,495
Financial assets at fair value through profit and loss	–	120,000,000
Inventories	381,771,877	477,127,376
Prepaid expenses and other current assets	109,991,982	123,970,333
Total Current Assets	1,682,455,348	1,938,282,394
Noncurrent Assets		
Property and equipment	1,515,586,570	1,615,292,163
Intangible assets	6,985,658,687	6,976,828,720
Right-of-use assets	1,288,998,785	1,413,623,270
Deferred input value-added tax	40,582,331	67,963,872
Deferred tax assets	117,380,072	154,972,558
Rental and other noncurrent assets	196,346,340	165,662,780
Total Noncurrent Assets	10,144,552,785	10,394,343,363
TOTAL ASSETS	P11,827,008,134	P12,332,625,757
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans payable	P950,000,000	P550,000,000
Accounts payable and other current liabilities	722,887,594	962,058,086
Current portion of:		
Long-term loans payable	48,120,934	48,120,934
Contract liabilities	18,517,499	18,517,499
Lease liabilities	224,333,251	224,333,251
Income tax payable	6,502,867	82,626,816
Total Current Liabilities	1,970,362,145	1,885,656,586
Noncurrent Liabilities		
Noncurrent current portion of:		
Long-term loans payable	3,763,309,469	3,788,597,369
Contract liabilities	85,322,064	90,652,460
Lease liabilities	1,276,651,878	1,374,293,912
Accrued pension costs	84,028,645	78,310,299
Dealers' deposits and other noncurrent liabilities	56,052,191	46,608,785
Total Noncurrent Liabilities	5,265,364,246	5,378,462,825
Total Liabilities	7,235,726,391	7,264,119,411
Equity		
Capital stock	1,531,321,053	1,531,321,053
Additional paid-in capital	1,353,554,797	1,353,554,797
Retained earnings	1,755,846,165	2,233,070,767
Other components of equity	(49,440,271)	(49,440,271)
Total Equity	4,591,281,743	5,068,506,346
TOTAL LIABILITIES AND EQUITY	P11,827,008,134	P12,332,625,757

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

SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	2020 (Unaudited)	2019 as restated* (Unaudited)
REVENUES		
Net sales	₱3,667,431,977	₱5,639,079,705
Royalty and franchise fees	158,559,359	257,746,432
	3,825,991,335	5,896,826,137
COSTS OF SALES	(3,191,662,806)	(4,233,811,747)
GROSS INCOME	634,328,529	1,663,014,390
GENERAL AND ADMINISTRATIVE EXPENSES	(773,909,117)	(743,154,767)
INTEREST EXPENSE	(219,177,527)	(226,124,435)
OTHER INCOME- Net	(42,147,703)	11,602,332
INCOME (LOSS) BEFORE INCOME TAX	(400,905,819)	705,337,521
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	61,005,573	164,310,226
Deferred	–	(9,399,737)
	61,005,573	154,910,490
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱461,911,392)	₱550,427,031
Basic/Diluted Earnings Per Share	(₱0.30)	₱0.36

**Restated to reflect the impact of PFRS 16 adoption beginning January 1, 2019*

SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	2020 (Unaudited)	2019 as restated* (Unaudited)
REVENUES		
Net sales	₱1,023,792,845	₱1,959,505,247
Royalty and franchise fees	40,588,829	84,432,684
	1,064,381,674	2,043,937,931
COSTS OF SALES	(911,285,357)	(1,498,469,325)
GROSS INCOME	153,096,318	545,468,606
GENERAL AND ADMINISTRATIVE EXPENSES	(245,325,898)	(261,509,339)
INTEREST EXPENSE	(63,943,153)	(79,564,370)
OTHER INCOME (EXPENSES)- Net	(3,544,702)	3,396,774
INCOME (LOSS) BEFORE INCOME TAX	(159,717,435)	207,791,670
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	12,235,143	49,115,469
Deferred	–	(3,133,246)
	12,235,143	45,982,223
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱171,952,579)	₱161,809,447
Basic/Diluted Earnings Per Share	(₱0.11)	₱0.11

**Restated to reflect the impact of PFRS 16 adoption beginning January 1, 2019*

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Cumulative Actuarial Gain (Loss)- Net of Tax	Total
Balances at January 1, 2020 (Audited)	₱1,531,321,053	₱1,353,554,797	₱2,233,070,767	(₱49,440,271)	₱5,068,506,346
Total comprehensive loss	–	–	(461,911,392)	–	(461,911,392)
Cash dividends			(15,313,211)		(15,313,211)
Balances at September 30, 2020 (Unaudited)	₱1,531,321,053	₱1,353,554,797	₱1,755,846,165	(₱49,440,271)	₱4,591,281,743
Balances at January 1, 2019 (Audited)	₱1,531,321,053	₱1,353,554,797	₱1,668,017,627	₱16,927,656	₱4,569,821,133
Effect of adoption of PFRS 16	–	–	(110,288,267)	–	(110,288,267)
Balances at January 1, 2019, as restated	1,531,321,053	1,353,554,797	1,557,729,361	16,927,656	4,459,532,867
Total comprehensive income	–	–	550,427,031	–	550,427,031
Cash dividends	–	–	(153,132,105)	–	(153,132,105)
Balances at September 30, 2019, as restated* (Unaudited)	₱1,531,321,053	₱1,353,554,797	₱1,955,024,286	₱16,927,656	₱4,856,827,792

**Restated to reflect the impact of PFRS 16 adoption beginning January 1, 2019*

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020 (Unaudited)	2019 as restated* (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(P400,905,819)	P705,337,521
Adjustments for:		
Depreciation and amortization	369,908,006	416,104,646
Interest expense	219,177,527	226,124,435
Movements in:		
Accrued rent	–	(76,389,791)
Accrued pension costs	6,098,149	(13,858,055)
Interest income	(2,035,262)	(477,323)
Loss (gain) on disposal of property and equipment	54,805,623	(1,123,083)
Unrealized foreign exchange loss (gain)	82,538	(437,923)
Income before working capital changes	247,130,763	1,255,280,427
Decrease (increase) in:		
Trade and other receivables	41,779,840	(75,386,394)
Inventories	95,573,649	(2,376,229)
Prepaid expenses and other current assets	38,709,472	(98,124,572)
Deferred input value added tax	32,481,194	(26,689,687)
Increase (decrease) in:		
Accounts payable and other current liabilities	(205,539,244)	(40,455,699)
Contract liabilities	(6,407,111)	8,352,000
Net cash generated from operations	243,728,563	1,020,599,846
Income taxes paid	(127,535,947)	(154,006,013)
Interest received	2,035,262	477,323
Net cash provided by operating activities	118,227,878	867,071,156
Decrease (increase) in:		
Rental and other deposits	(30,683,560)	(13,330,807)
Dealer's deposits and other noncurrent liabilities	9,443,404	11,505,256
Acquisition of trademark	–	(562,197,551)
Acquisition of property and equipment	(248,453,910)	(592,510,678)
Acquisition of softwares	(32,320,321)	–
Proceeds from redemption of financial assets at FVPL	120,000,000	–
Proceeds from disposals of property and equipment	–	4,463,911
Net cash used in investing activities	(182,014,386)	(1,152,069,869)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of short- term loan	1,400,000,000	800,000,000
Payment of long- term loans	(25,431,319)	(24,852,542)
Payment of short- term loans	(1,000,000,000)	(150,000,000)
Payment of interest	(168,580,656)	(108,800,293)
Payment of lease liability	(153,532,655)	(209,249,906)
Payment of dividends	(15,313,211)	(153,132,106)
Net cash provided by (used in) financing activities	37,142,159	153,965,154
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(82,538)	437,923
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(26,726,888)	(130,595,637)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	507,701,190	433,777,621
CASH AND CASH EQUIVALENTS AT END OF YEAR	P480,974,302	P303,181,984

*Restated to reflect the impact of PFRS 16 adoption beginning January 1, 2019.

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

1. General InformationCorporate Information

Shakey's Pizza Asia Ventures Inc. (SPAVI or the Parent Company), formerly International Family Food Services, Inc. or IFFSI, was incorporated and registered with the Philippine Securities and Exchange Commission on February 14, 1974 with registered office address at 15Km East Service Road corner Marian Road 2, Barangay San Martin de Porres, Parañaque City 1700. The Parent Company is the exclusive franchise holder of the Shakey's Pizza Restaurant business ("Shakey's") in the Philippines. As the exclusive franchise holder to operate Shakey's Restaurant System in the country, the Parent Company is licensed to develop company-owned Shakey's outlets and sub-license the Shakey's brand to other entities in the Philippines.

On 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".

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

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

The unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on November 9, 2020.

2. Basis of Preparation and Consolidation and Statement of ComplianceBasis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis. The unaudited interim condensed consolidated financial statements are presented in Philippine peso, which is the Group's functional currency. All values are rounded off to the nearest million, except those otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

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

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

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

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

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

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

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

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

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

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

^a Acquired on October 5, 2016 from SAFHI

^b Incorporated on September 29, 2016

^c Incorporated on November 25, 2016

^d Incorporated on November 25, 2017

^e Incorporated on April 25, 2019

^f Acquired on September 1, 2019 from Essien Holdings Limited;
Dissolved on September 19, 2020

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these new standards and amendments did not have any significant impact on the Group's financial position or performance.

- PFRS 16, Leases
- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Amendments to PAS 19, *Plan amendment, curtailment or settlement*
- Annual Improvements to PFRSs 2015-2017 Cycle
 - Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation
 - Amendments to PAS 12, *Income tax consequences of payments on financial instruments classified as equity*
 - Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization

4. Business Combinations

Acquisition of Peri-Peri Business

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

On September 1, 2019, 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. 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. 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.

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

As allowed by PFRS 3, the purchase price consideration has been allocated based on relative fair values at date of acquisition using the provisional accounting as follows:

	Carrying Values	Fair Values Recognized
Current Assets -		
Inventories	₱4,000,000	₱4,000,000
Rental deposits	9,456,662	9,456,662
Total Current Assets	13,456,662	13,456,662
Noncurrent Assets		
Property and equipment	13,390,023	13,390,023
Trademark	562,197,552	562,197,552
Total Noncurrent Assets	575,587,575	575,587,575
Identifiable Net Assets Acquired	₱589,044,237	₱589,044,237
Identifiable Net Assets Acquired		₱589,044,237
Goodwill from the acquisition		185,476,929
Purchase consideration transferred		₱774,521,166

5. Segment Information

Segment information is prepared on the following bases:

Business Segments

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

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

Inter-segment Transactions

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

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

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

EBITDA and EBITDA margin are non-PFRS measures.

The following table shows the reconciliation of the consolidated EBITDA to consolidated net income for the nine months ended September 30, 2020 and 2019:

	2020	2019 as restated
Consolidated EBITDA	₱235,218,107	₱1,347,089,279
Depreciation and amortization	(369,908,006)	(416,104,646)
Provision for income tax	(61,005,573)	(154,910,490)
Interest expense	(219,177,527)	(226,124,435)
Loss on stores' retirement	(49,073,654)	-
Interest income	2,035,262	477,323
Consolidated net income (loss)	(₱461,911,392)	₱550,427,031

6. Cash and Cash Equivalents

	September 30, 2020	December 31, 2019
Cash on hand	₱10,640,813	₱230,247,235
Cash in banks	414,767,909	277,453,955
Short-term deposits	55,565,579	-
	₱480,974,302	₱507,701,190

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to nine months depending on the immediate cash requirements of the Group, and earn interest ranging from 0.13% to 0.25% for the nine months ended September 30, 2020 and 2019. Interest income on cash and cash equivalents amounted to ₱2.0 million and ₱0.5 million for the nine months ended September 30, 2020 and 2019, respectively.

7. Trade and Other Receivables

	September 30, 2020	December 31, 2019
Trade:		
Franchisee	₱162,815,201	₱149,747,542
Related parties	54,304,142	14,174,813
Third parties	247,189,808	294,181,141
Receivable from National Advertising Fund (NAF)	124,796,273	100,878,240
Receivables from franchisees	51,305,187	52,700,724
Royalty receivable	30,355,893	45,801,490
Receivables from employees	11,010,918	17,333,159
Others	34,158,773	40,885,393
	715,936,194	715,702,502
Less allowance for doubtful accounts	(6,219,007)	(6,219,007)
	₱709,717,187	₱709,483,495

Below are the terms and conditions of the financial assets:

- Trade receivables are noninterest-bearing and are normally collectible within 10 days.
- 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.
- Royalty receivable is being collected from dealers on the 20th day of the following month.
- Receivables from employees, which represent mainly salary loan, are interest-free and are being collected through salary deduction for a period ranging from 6 months to 1 year.
- Other receivables consist mainly of receivables from online and credit card transaction which are non-interest bearing and generally have 30 to 45 days' term

The movements of allowance for doubtful accounts are as follows:

	2020			2019		
	Trade and Others	Receivables from Employees	Total	Trade and Others	Receivables from Employees	Total
Balance at beginning of year	₱4,973,440	₱1,245,567	₱6,219,007	₱4,973,440	₱1,499,477	₱6,472,917
Accounts written-off	-	-	-	-	190,000	190,000
Recovery from doubtful accounts	-	-	-	-	(443,910)	(443,910)
Balance at reporting date	₱4,973,440	₱1,245,567	₱6,219,007	₱4,973,440	₱1,245,567	₱6,219,007

8. Inventories

	September 30, 2020	December 31, 2019
At net realizable value:		
Finished goods	₱7,974,095	₱6,290,604
Merchandise	357,175,182	442,073,542
Raw materials:		
Food	11,138,988	19,349,890
Packaging	5,483,612	9,413,340
	₱381,771,877	₱477,127,376

The cost of the inventories carried at NRV follows:

	2020	2019
Merchandise	₱361,431,783	₱442,073,542
Raw materials:		
Food	11,179,829	19,390,731
Packaging	5,517,963	13,704,291
	₱378,129,575	₱475,168,564

Allowance for inventory obsolescence amounted to ₱4.3 million as at September 30, 2020 and December 31, 2019.

9. Prepaid Expenses and Other Current Assets

	September 30, 2020	December 31, 2019
Advances to Suppliers	₱72,629,346	₱ 83,226,205
Prepaid Expenses	21,909,572	36,328,604
Prepaid Taxes	15,453,064	4,415,524
	₱109,991,982	₱123,970,333

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

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

10. Financial Assets at FVPL

Movements of this account are as follows:

	September 30, 2020	December 31, 2019
Balance at beginning of year	₱120,000,000	₱–
Additions	–	270,139,412
Redemption	(120,000,000)	(150,139,412)
Balance at the reporting date	₱–	₱120,000,000

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

11. Property and Equipment

	Building	Leasehold Improvements	Furniture, Fixtures and Equipment	Machinery and Equipment	Transportation Equipment	Cost of Shops and Maintenance Tools	Glasswares and Utensils	Total
Cost								
Balance at December 31, 2018	₱243,395,836	₱1,217,518,546	₱1,416,925,011	₱198,978,742	₱40,880,690	₱50,207	₱37,459,279	₱3,155,208,311
Effect of adoption of PFRS 16	–	–	–	–	(581,376)	–	–	(581,376)
Balance at December 31, 2018, as restated	243,395,836	1,217,518,546	1,416,925,011	198,978,742	40,299,314	₱50,207	₱37,459,279	3,154,626,935
Additions	4,753,617	146,983,189	217,053,531	10,212,203	3,974,338	3,017,026	44,889,965	430,883,869
Disposals	(18,141,282)	(41,552,757)	(44,804,701)	–	(4,077,679)	–	–	(108,576,419)
Reclassification	19,421,448	51,098,472	(10,611,231)	–	34,911	1,969	(59,945,569)	–
At December 31, 2019	249,429,619	1,374,047,450	1,578,562,610	209,190,945	40,230,884	3,069,202	22,403,675	3,476,934,385
Additions	7,934,884	113,380,269	299,869,668	15,694,159	(581,376)	12,111,806	38,416,953	486,826,362
Disposals	–	(108,103,522)	(8,595,354)	–	–	(543,127)	–	(117,242,003)
Reclassification	–	(474,557)	(272,066,815)	–	–	–	(24,858,828)	(297,400,200)
Balance at September 30, 2020	₱257,364,503	₱1,378,849,640	₱1,597,770,108	₱224,885,104	₱39,649,508	₱14,637,881	₱35,961,801	₱3,549,118,544
Accumulated Depreciation and Amortization								
Balance at December 31, 2018	₱14,861,839	₱583,691,248	₱760,370,113	₱51,679,864	₱27,993,637	₱8,351	₱4,703,913	₱1,443,308,965
Effect of adoption of PFRS 16	406,013	153,477,717	–	–	–	–	–	153,652,120
Balance at December 31, 2018, as restated	15,267,852	737,168,965	760,370,113	51,679,864	27,762,027	8,351	4,703,913	1,596,961,085
Depreciation and amortization	17,628,190	127,936,848	133,312,821	27,044,532	4,510,750	521,700	4,259,449	315,214,290
Disposals	(2,768,749)	(16,979,749)	(28,336,577)	–	(2,448,078)	–	–	(50,533,153)
At December 31, 2019	30,127,293	848,126,064	865,346,357	78,724,396	29,824,699	530,051	8,963,362	1,861,642,222
Depreciation and amortization	13,117,084	70,336,271	114,488,117	19,411,942	2,919,416	8,088,382	5,964,920	234,326,132
Disposals	–	(57,941,393)	(4,494,987)	–	–	–	–	(62,436,380)
Balance at September 30, 2020	₱43,244,377	₱860,520,943	₱975,339,486	₱98,136,338	₱32,744,115	₱8,618,433	₱14,928,282	₱2,033,531,974
Net Book Value								
Balance at September 30, 2020	₱214,120,126	₱518,328,698	₱622,430,622	₱126,748,766	₱6,905,393	₱6,019,448	₱21,033,518	₱1,515,586,570
Balance at December 31, 2019	219,302,326	525,921,386	713,216,253	130,466,549	10,406,185	2,539,151	13,440,313	1,615,292,163

There are no idle assets as at September 30, 2020 and December 31, 2019. The Group has no property and equipment that are used as collateral for existing loans payable.

12. Intangible Assets

The Group's intangible assets consist of:

	September 30, 2020	December 31, 2019
Goodwill	₱1,264,082,949	₱1,264,082,949
Trademark	5,549,307,154	5,549,307,154
Softwares	172,268,584	163,438,617
	₱6,985,658,687	₱6,976,828,720

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

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

13. Right-of-Use Assets and Lease Liabilities

Group as a lessee

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

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

The rollforward analysis of this account follows:

Cost	
As at January 1, 2019, as previously reported	₱–
Effect of adoption of PFRS 16	1,219,622,052
As at January 1, 2019, as restated	1,219,622,052
Additions	418,311,032
Balance at December 31, 2019	1,637,933,084
Additions	–
Balance at September 30, 2020	1,637,933,084
Accumulated Amortization	
As at January 1, 2019, as previously reported	–
Effect of adoption of PFRS 16	231,610
As at January 1, 2019, as restated	231,610
Amortization	224,078,204
Balance at December 31, 2019	224,309,814
Amortization	124,624,485
Balance at September 30, 2020	348,934,299
Net Book Value	₱1,288,998,785

The rollforward analysis of lease liabilities follows:

As at January 1, 2019, as previously reported	P-
Effect of adoption of PFRS 16	1,376,144,109
As at January 1, 2019, as restated	1,376,144,109
Additions	399,140,025
Interest expense	102,342,903
Payments	(278,999,874)
As at December 31, 2019	1,598,627,163
Additions	-
Interest expense	55,890,621
Payments	(153,532,655)
As at September 30, 2020	1,500,985,129
Current portion of lease liability	224,333,251
Lease liability -net of current portion	P1,276,651,878

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

	Fixed Payments	Variable Payments	Total
Fixed	P110,960,799	P-	P110,960,799
Variable rent with minimum payment	62,511,347	32,434,997	94,946,344
Variable rent only	-	440,070	440,070
As at September 30, 2020	P173,472,146	P32,875,067	P206,347,213

14. Accounts Payable and Other Current Liabilities

	September 30, 2020	December 31, 2019
Trade:		
Suppliers	P254,352,636	P391,578,725
Related parties	42,207,837	47,904,387
Nontrade	172,539,952	255,510,351
Accrued expenses:		
Suppliers	82,930,038	47,662,656
Salaries and wages	46,617,823	78,842,303
Utilities	42,902,797	25,065,336
Customers loyalty	175,183	6,528,910
Interest	-	5,293,750
Others	81,161,327	103,671,666
	P722,887,594	P962,058,086

Below are the terms and conditions of the financial liabilities:

- Trade payables are non-interest bearing and are normally settled within the following year.
- Nontrade payables consist mainly of reimbursable expenses to officers and employees and payable to contractors and employment agencies which are normally settled in 30 to 90 days' term.

- Accrued expenses, which consist mainly of accrual of rent expense of stores, utilities, employee benefits and incentives, freight, commissions and storage costs are normally settled in 30 to 90 days' term.
- Other payables are normally settled in 15 to 45 days' term.

Other payables consist of the following:

	September 30, 2020	December 31, 2019
Output VAT	₱39,117,619	₱66,176,826
Customers' deposits	18,127,001	5,918,618
Due to cooperative	10,384,941	8,318,311
Withholding tax payable	6,470,969	9,365,058
SSS, Philhealth and Pag-ibig payable	2,098,605	3,475,353
Fun certificates payable	954,487	3,697,885
Others	4,007,704	6,719,616
	₱81,161,327	₱103,671,666

15. Related Party Transactions

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

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the nine months ended September 30, 2020 and 2019, the Group has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance		Terms	Conditions
				Receivable	Payable		
Century Pacific Group Inc. (CPGI, Ultimate Parent Company)							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2020	4,542,848	–	1,135,961	30-day; non-interest bearing	Unsecured
		2019	7,428,634	866,584	–		
<i>Companies with common members of BOD and stockholders as the Group</i>							
The Pacific Meat Company Inc. (PMCI)							
Sales	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2020	31,286,011	38,462,411	–	30-day; non-interest bearing	Unsecured; not impaired
		2019	1,115,922	5,549,078	–		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2020	55,559,797	–	27,279,949	30-day; non-interest bearing	Unsecured
		2019	25,666,119	–	34,066,172		
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	2020	250,624	2,670,817	–	30-day; non-interest bearing	Unsecured; not impaired
		2019	2,484,063	2,310,744	–		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2020	–	–	–	30-day; non-interest bearing	Unsecured
		2019	9,242	–	333,045		

(Forward)

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance		Terms	Conditions
				Receivable	Payable		
Snow Mountain Dairy Corporation (SMDC)							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2020 2019	1,202,575 1,794,572	– –	1,213,411 993,219	30-day; non-interest bearing	Unsecured
Century Pacific Food Inc. (CPFI)							
Sales	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2020 2019	17,432,133 13,093,338	13,170,914 5,448,407	– –	30-day; non-interest bearing	Unsecured; not impaired
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2020 2019	12,305,820 15,340,222	– –	12,578,517 12,511,951	30-day; non-interest bearing	Unsecured
		2020		₱54,304,142	₱42,207,837		
		2019		14,174,813	47,904,387		

Compensation of Key Management Personnel

The salaries and pension costs of key management personnel in 2020 and 2019 are as follows:

	For the nine months ended September 30,	
	2020	2019
Salaries	₱225,117,413	₱193,392,158
Pension costs	15,094,765	15,306,085
	₱240,212,177	₱208,698,243

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

16. Short-term Loans Payable

As at September 30, 2020, the short-term loans have outstanding amount of ₱950.0 million.

Interest expense pertaining to short-term loans amounting to ₱30.2 million was recognized for the nine months ended September 30, 2020.

17. Long-term Loan Payable

	September 30,	December 31,
	2020	2019
Long-term facility loan	₱3,811,430,403	₱3,836,718,303
Less current portion of long-term loan	48,120,934	48,120,934
	₱3,763,309,469	₱3,788,597,369

Long-term facility loan

On September 8, 2016, the Group entered into an Omnibus Loan and Security Agreement (OLSA) with BDO Unibank, Inc. (the Lender) and SAFHI. The lender provided a term loan facility in the principal amount of ₱5,000.0 million for the purpose of refinancing the bridge loan of SAFHI. SAFHI shall in turn pledge its 100% ownership shares of all of its subsidiaries.

The breakdown of the loan is as follows:

	September 30,	December 31,
	2020	2019
Principal	₱3,825,000,000	₱3,850,000,000
Less unamortized debt issue costs	13,569,597	13,281,697
	3,811,430,403	3,836,718,303
Less current portion of long-term loan	48,120,934	48,120,934
Noncurrent portion	₱3,763,309,469	₱3,788,597,369

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

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

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

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

Interest expense amounting to ₱162.7 million and ₱149.4 million was recognized for the nine months ended September 30, 2020 and 2019, respectively.

14. Equity

Capital Stock

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

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

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

The issued and outstanding shares as at September 30, 2020 and December 31, 2019 are held by 39 and 38 equity holders, respectively.

Retained Earnings

Details of cash dividends declared in 2018, 2019 and 2020 are as follows:

Date of Declaration	Dividend		Record Date
	Rate (per share)	Amount	
August 16, 2018	0.10	153,132,105	October 10, 2018
September 20, 2019	0.10	153,132,105	July 19, 2019
July 15, 2020	0.01	15,313,211	August 14, 2020

There is no outstanding dividends payable as at September 30, 2020 and December 31, 2019.

Undistributed earnings of the subsidiaries included in the Group's retained earnings amounting to ₱207.0 million as at September 30, 2020 and ₱235.4 million as at December 31, 2019 are not currently available for dividend distribution.

APIC

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

15. Earnings per Share (EPS)

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

There are no dilutive financial instruments as of September 30, 2020 and December 31, 2019, hence, diluted EPS is the same as the basic EPS.

The Group's EPS were computed as follows:

H8

	For the nine months ended September 30,	
	2020	2019
(a) Net income (loss)	(P461,911,392)	P550,427,031
(b) Weighted average number of shares outstanding	1,531,321,053	1,531,321,053
Basic/ diluted EPS (a/b)	(P0.30)	P0.36

16. Financial Risks Management Objectives and Policies

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

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

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

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

	September 30, 2020	December 31, 2019
Cash and cash equivalents*	P470,333,488	P277,453,955
Financial assets at FVPL	–	120,000,000
Trade and other receivables:		
Trade receivables	410,899,311	453,610,970
Receivable from NAF	124,796,273	100,878,240
Receivable from franchisees	51,305,187	52,700,724
(Forward)		

Royalty receivable	30,355,893	45,801,490
Receivables from employees	9,765,351	16,087,592
Other receivables	33,677,858	40,404,479
Rental deposits	186,889,073	165,662,780
Total credit risk exposure	₱1,318,022,434	₱1,272,600,230

*Excluding cash on hand.

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

September 30, 2020						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1-180 Days	181-360 Days	Subtotal		
Cash and cash equivalents*	₱470,333,488	₱-	₱-	₱-	₱-	₱470,333,488
Trade and other receivables:						
Trade receivables	357,729,156	29,492,820	23,677,335	53,170,155	4,492,525	415,391,837
Receivable from NAF	124,796,273	-	-	-	-	124,796,273
Receivable from franchisees	51,305,187	-	-	-	-	51,305,187
Royalty receivable	30,355,893	-	-	-	-	30,355,893
Receivables from employees	8,021,453	1,673,659	70,238	1,743,897	1,245,567	11,010,918
Other receivables	27,014,829	5,157,975	1,505,054	6,663,028	480,915	34,158,773
Rental deposits	186,889,073	-	-	-	3,297,293	190,186,366
	₱1,256,445,354	₱36,324,455	₱25,252,626	₱61,577,081	₱9,516,300	₱1,327,538,735

*Excluding cash on hand.

December 31, 2019						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1-180 Days	181-360 Days	Subtotal		
Cash and cash equivalents*	₱277,453,955	₱-	₱-	₱-	₱-	₱277,453,955
Financial assets at FVPL	120,000,000	-	-	-	-	120,000,000
Trade and other receivables:						
Trade receivables	383,928,716	54,446,349	15,235,905	69,682,254	4,492,526	458,103,496
Receivable from NAF	100,878,240	-	-	-	-	100,878,240
Receivable from franchisees	52,700,724	-	-	-	-	52,700,724
Receivables from employees	6,080,355	5,740,813	4,266,424	10,007,237	1,245,567	17,333,159
Royalty receivable	45,801,490	-	-	-	-	45,801,490
Other receivables	21,872,157	16,166,950	2,365,372	18,532,322	480,914	40,885,393
Rental deposits	165,662,780	-	-	-	3,297,293	168,960,073
	₱1,174,378,417	₱76,354,112	₱21,867,701	₱98,221,813	₱9,516,300	₱1,282,116,530

*Excluding cash on hand.

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

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

September 30, 2020				
	High grade	Medium	Standard grade	Total
		grade		
Cash and cash equivalents*	₱470,333,488	₱-	₱-	₱470,333,488
Trade and other receivables:				
Trade receivables	315,874,845	25,398,770	16,455,541	357,729,156
Receivable from NAF	-	-	124,796,273	124,796,273
Receivable from franchisee	-	-	51,305,187	51,305,187
Royalty receivable	30,355,893	-	-	30,355,893
Receivables from employees	-	-	8,021,453	8,021,453
Other receivables	23,475,887	3,538,943	-	27,014,829
Rental deposits	-	-	186,889,073	186,889,073
	₱840,040,113	₱28,937,713	₱387,467,528	₱1,256,445,354

*Excluding cash on hand.

	December 31, 2019			
	High grade	Medium grade	Standard grade	Total
Cash and cash equivalents*	₱277,453,955	₱–	₱–	₱277,453,955
Financial assets at FVPL	120,000,000	–	–	120,000,000
Trade and other receivables:				
Trade receivables	354,581,214	8,973,721	20,373,781	383,928,716
Royalty receivable	45,801,490	–	–	45,801,490
Receivable from franchisee	–	–	52,700,724	52,700,724
Receivable from NAF	–	–	100,878,240	100,878,240
Receivables from employees	–	–	6,080,355	6,080,355
Other receivables	18,408,425	3,463,732	–	21,872,157
Rental deposits	–	–	165,662,780	165,662,780
	₱816,245,084	₱12,437,453	₱345,695,880	₱1,174,378,417

*Excluding cash on hand.

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

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

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

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

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

	September 30, 2020					Total
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	
Cash and cash equivalents	₱480,974,302	₱–	₱–	₱–	₱–	₱480,974,302
Trade and other receivables						
Trade	357,729,156	29,492,820	23,677,335	–	4,492,525	415,391,837
Receivable from NAF	124,796,273	–	–	–	–	124,796,273
Royalty receivables	30,355,893	–	–	–	–	30,355,893
Receivable from franchisees	51,305,187	–	–	–	–	51,305,187
Receivables from employees	8,021,453	1,673,659	70,238	–	1,245,567	11,010,918
Other receivables	27,014,829	5,157,975	1,505,054	–	480,915	34,158,773
Rental and other deposits	186,889,073	–	–	–	3,297,293	190,186,366
	1,267,086,167	36,324,455	25,252,626	–	9,516,300	1,338,179,548
Accounts payable and other current liabilities:						
Trade payables	–	296,560,472	–	–	–	296,560,472
Nontrade payables	–	172,539,952	–	–	–	172,539,952
Accrued expenses	–	172,625,841	–	–	–	172,625,841
Other payables*	–	33,474,135	–	–	–	33,474,135
Dealers’ deposit and other noncurrent payables	–	–	–	–	56,052,191	56,052,191
Short-term loans payable**	–	–	962,825,000	–	–	962,825,000
Long-term loans payable**	–	113,767,827	–	116,094,930	4,942,215,293	5,172,078,050
	–	788,968,227	962,825,000	116,094,930	4,998,267,483	6,866,155,640
Liquidity gap	₱1,267,086,167	(₱752,643,772)	(₱937,572,374)	(₱116,094,930)	(₱4,988,751,183)	(₱5,527,976,092)

*excluding statutory payables

**Including future interest payments

December 31, 2019

	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	Total
Cash and cash equivalents	P507,701,190	P–	P–	P–	P–	P507,701,190
Financial assets at FVPL	120,000,000	–	–	–	–	120,000,000
Trade and other receivables						
Trade	383,928,716	40,732,089	28,950,165	–	4,492,526	458,103,496
Royalty receivables	45,801,490	–	–	–	–	45,801,490
Receivable from NAF	100,878,240	–	–	–	–	100,878,240
Receivable from franchisees	52,700,724	–	–	–	–	52,700,724
Receivables from employees	6,080,355	5,740,813	4,266,424	–	1,245,567	17,333,159
Other receivables	21,872,157	6,906,712	11,625,610	–	480,914	40,885,393
Rental and other deposits	165,662,780	–	–	–	3,297,293	168,960,073
	1,404,625,652	53,379,614	44,842,199	–	9,516,300	1,512,363,765
Accounts payable and other current liabilities:						
Trade payables	–	439,483,113	–	–	–	439,483,113
Nontrade payables	–	255,510,351	–	–	–	255,510,351
Accrued expenses	–	163,392,955	–	–	–	163,392,955
Other payables*	–	24,654,430	–	–	–	24,654,430
Dealers' deposit and other noncurrent payables	–	–	–	–	46,608,785	46,608,785
Short-term loans payable**	–	552,249,653	–	–	–	552,249,653
Long-term loans payable**	–	42,854,408	67,814,787	110,551,740	5,136,227,268	5,357,448,203
	–	1,478,144,910	67,814,787	110,551,740	5,182,836,053	6,839,347,490
Liquidity gap	P1,404,625,652	(P1,424,765,296)	(P22,972,588)	(P110,551,740)	(P5,173,319,753)	(P5,326,983,725)

*excluding statutory payables.

**Including future interest payments.

Capital Management

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

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

	September 30, 2020	December 31, 2019
Total liabilities	P7,235,726,391	P7,264,119,411
Total equity	4,591,281,743	5,068,506,346
	1.58:1	1.43:1

17. Fair Value Information

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

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

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

As at September 30, 2020				
	Date of Valuation	Carrying Value	Fair Value	
			Level 1 Quoted	Level 2 Significant Observable Input
Asset for which fair value are disclosed:				
Rental deposits	September 30, 2020	₱160,115,442	₱–	₱139,328,793
Liabilities for which fair value are disclosed:				
Loan payable	September 30, 2020	₱3,811,430,403	₱–	₱3,785,201,887
Dealers' deposits	September 30, 2020	16,473,151	–	11,365,270
		₱3,827,903,554	₱–	₱3,796,567,157
As at December 31, 2019				
	Date of Valuation	Carrying Value	Fair Value	
			Level 1 Quoted	Level 2 Significant Observable Input
Asset for which fair value are disclosed:				
Financial assets at FVPL	December 31, 2019	₱120,000,000	₱–	₱120,000,000
Rental deposits	December 31, 2019	194,037,179	–	168,846,712
		₱314,037,179	₱–	₱288,846,712
Liabilities for which fair value are disclosed:				
Loan payable	December 31, 2019	₱4,386,718,303	₱–	₱4,346,508,655
Dealers' deposits	December 31, 2019	22,427,231	–	15,473,150
		₱4,409,145,534	₱–	₱4,361,981,805

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 2.36% to 8.13% as at September 30, 2020 and December 31, 2019.

Long-term loans Payable. The fair value of loan payable which was discounted using prevailing market rate of 4.22% and 7.06% as at September 30, 2020 and December 31, 2019 approximates the carrying value since these bear interest at current market rates. Fair value category is Level 2, significant observable inputs.

Dealers' Deposits. The fair values were obtained by discounting the instruments' expected cash flows using interest rates of 7.05% and 4.74% as at September 30, 2020 and December 31, 2019.

As at September 30, 2020 and December 31, 2019, there were no transfers between Level 1 and 2 fair value measurements.