

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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**COMPANY NAME**

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I	C	E	S	,	I	N	C	.																		

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

A	F	P	-	R	S	B	S	I	n	d	u	s	t	r	i	a	l	P	a	r	k	,	C	-	5
J	u	n	c	t	i	o	n	,	K	M	.	1	2	,	E	a	s	t	S	e	r	v	i	c	e
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Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

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**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number	Mobile Number
NA	(02) 839-0011	NA
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
40	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
<b>Manuel T. Del Barrio</b>	<b>mtdelbarrio@shakeys.biz</b>	<b>(02) 839-0159</b>	<b>0917 821 8185</b>

**CONTACT PERSON'S ADDRESS**

<b>AFP-RSBS Industrial Park C-5 Junction, Km. 12, East Service Road Taguig City, Metro Manila</b>
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**NOTE 1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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



## **INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors  
International Family Food Services, Inc.  
AFP-RSBS Industrial Park  
C-5 Junction, Km. 12, East Service Road  
Taguig City, Metro Manila

### **Report on the Financial Statements**

We have audited the financial statements of International Family Food Services, Inc., which comprise the statements of financial position as at December 31, 2015, 2014 and 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015 and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

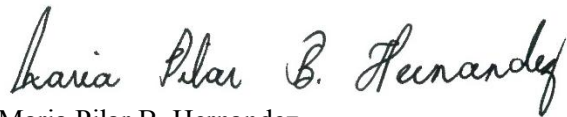
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of International Family Food Services, Inc. as at December 31, 2015, 2014 and 2013, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Maria Pilar B. Hernandez  
Partner

CPA Certificate No. 105007

SEC Accreditation No. 1558-A (Group A),  
April 14, 2016, valid until April 14, 2019

Tax Identification No. 214-318-972

BIR Accreditation No. 08-001998-116-2016,  
February 15, 2016, valid until February 14, 2019

PTR No. 5321644, January 4, 2016, Makati City

September 30, 2016



**INTERNATIONAL FAMILY FOOD SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>		
	2015	2014	2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Notes 7 and 24)	₱388,872,392	₱406,299,422	₱662,364,209
Financial assets at fair value through profit or loss (Notes 8, 24 and 25)	36,084,300	38,891,488	–
Trade and other receivables (Notes 9, 16, 24 and 27)	543,196,681	400,206,162	306,195,747
Current portion of loan to a related party (Notes 16, 24 and 25)	23,527,778	32,333,333	18,000,000
Inventories (Note 10)	238,738,578	255,272,986	116,235,989
Prepaid expenses and other current assets (Notes 11 and 14)	10,499,429	10,750,976	5,500,707
Total Current Assets	<b>1,240,919,158</b>	1,143,754,367	1,108,296,652
<b>Noncurrent Assets</b>			
Noncurrent portion of loan to a related party (Notes 16, 24 and 25)	8,333,333	23,666,667	32,500,000
Available-for-sale (AFS) investments (Notes 12, 24 and 25)	682,534,072	687,311,474	370,675,669
Property and equipment (Note 13)	577,144,599	440,371,575	323,583,266
Deferred tax assets (Note 23)	33,629,789	26,519,078	22,131,213
Deferred input value-added tax	32,175,398	26,033,050	11,701,475
Rental deposits (Notes 11, 14, 24 and 25)	89,514,430	75,014,993	67,290,734
Total Noncurrent Assets	<b>1,423,331,621</b>	1,278,916,837	827,882,357
<b>TOTAL ASSETS</b>	<b>₱2,664,250,779</b>	₱2,422,671,204	₱1,936,179,009
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities (Notes 15, 16 and 24)	₱948,579,745	₱1,037,803,131	₱858,276,966
Income tax payable	57,997,039	49,728,207	49,527,816
Dividends payable	–	–	11,474,475
Total Current Liabilities	<b>1,006,576,784</b>	1,087,531,338	919,279,257
<b>Noncurrent Liabilities</b>			
Accrued pension costs (Note 21)	36,712,202	29,777,338	25,760,307
Accrued rent (Note 26)	42,718,930	40,498,895	33,390,004
Total Noncurrent Liabilities	<b>79,431,132</b>	70,276,233	59,150,311
Total Liabilities	<b>1,086,007,916</b>	1,157,807,571	978,429,568
<b>Equity</b>			
Capital stock (Note 17)	768,614,050	368,614,050	368,614,050
Other components of equity	(19,616,621)	(3,797,980)	(4,140,230)
Retained earnings (Note 17)	829,245,434	900,047,563	593,275,621
Total Equity	<b>1,578,242,863</b>	1,264,863,633	957,749,441
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱2,664,250,779</b>	₱2,422,671,204	₱1,936,179,009

*See accompanying Notes to Financial Statements.*



**INTERNATIONAL FAMILY FOOD SERVICES, INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>REVENUES</b>			
Net sales (Notes 16 and 18)	<b>₱5,075,991,280</b>	₱4,553,499,817	₱4,037,727,140
Royalty and franchise fees (Note 27)	<b>168,348,361</b>	142,986,854	116,563,981
	<b>5,244,339,641</b>	4,696,486,671	4,154,291,121
<b>COSTS OF SALES</b> (Note 19)	<b>(4,048,378,689)</b>	(3,638,500,150)	(3,240,791,482)
<b>GROSS INCOME</b>	<b>1,195,960,952</b>	1,057,986,521	913,499,639
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 20)	<b>(582,626,599)</b>	(527,496,511)	(460,842,029)
<b>OTHER INCOME</b> - Net (Note 22)	<b>45,610,763</b>	50,400,313	50,897,898
<b>INCOME BEFORE INCOME TAX</b>	<b>658,945,116</b>	580,890,323	503,555,508
<b>PROVISION FOR (BENEFIT FROM)</b> <b>INCOME TAX</b> (Note 23)			
Current	<b>179,988,193</b>	156,174,542	139,897,627
Deferred	<b>(635,481)</b>	(4,436,026)	(3,518,086)
	<b>179,352,712</b>	151,738,516	136,379,541
<b>NET INCOME</b>	<b>479,592,404</b>	429,151,807	367,175,967
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods - Unrealized gain (loss) on changes in fair value of AFS investments (Note 12)	<b>(709,770)</b>	229,875	(7,538,034)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax) - Actuarial gain (loss) on defined benefit obligation (Note 21)	<b>(21,584,101)</b>	160,536	(8,341,471)
Tax effect	<b>6,475,230</b>	(48,161)	2,502,441
	<b>(15,108,871)</b>	112,375	(5,839,030)
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>(15,818,641)</b>	342,250	(13,377,064)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱463,773,763</b>	₱429,494,057	₱353,798,903
<b>Basic/Diluted Earnings Per Share</b> (Note 29)	<b>₱0.62</b>	₱1.16	₱1.00

*See accompanying Notes to Financial Statements.*



**INTERNATIONAL FAMILY FOOD SERVICES, INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**

	<b>Other Components of Equity</b>				
	<b>Capital Stock</b>	<b>Unrealized Gain (Loss) on Changes in Fair Value of AFS Investments</b>	<b>Cumulative Actuarial Gain (Loss) - Net of Tax</b>	<b>Retained Earnings</b>	<b>Net Equity</b>
	(Note 17)	(Note 12)	(Note 21)	(Note 17)	
Balances at December 31, 2014	₱368,614,050	(₱2,178,301)	(₱1,619,679)	₱900,047,563	₱1,264,863,633
Total comprehensive income (loss)	-	(709,770)	(15,108,871)	479,592,404	463,773,763
Stock dividends issued during the year (Note 17)	400,000,000	-	-	(400,000,000)	-
Cash dividends (Note 17)	-	-	-	(150,394,533)	(150,394,533)
<b>Balance at December 31, 2015</b>	<b>₱768,614,050</b>	<b>(₱2,888,071)</b>	<b>(₱16,728,550)</b>	<b>₱829,245,434</b>	<b>₱1,578,242,863</b>
Balances at December 31, 2013	₱368,614,050	(₱2,408,176)	(₱1,732,054)	₱593,275,621	₱957,749,441
Total comprehensive income	-	229,875	112,375	429,151,807	429,494,057
Cash dividends (Note 17)	-	-	-	(122,379,865)	(122,379,865)
<b>Balance at December 31, 2014</b>	<b>₱368,614,050</b>	<b>(₱2,178,301)</b>	<b>(₱1,619,679)</b>	<b>₱900,047,563</b>	<b>₱1,264,863,633</b>
Balances at December 31, 2012	₱368,614,050	₱5,129,858	₱4,106,976	₱326,362,677	₱704,213,561
Total comprehensive income (loss)	-	(7,538,034)	(5,839,030)	367,175,967	353,798,903
Cash dividends (Note 17)	-	-	-	(100,263,023)	(100,263,023)
<b>Balance at December 31, 2013</b>	<b>₱368,614,050</b>	<b>(₱2,408,176)</b>	<b>(₱1,732,054)</b>	<b>₱593,275,621</b>	<b>₱957,749,441</b>

*See accompanying Notes to Financial Statements.*



**INTERNATIONAL FAMILY FOOD SERVICES, INC.**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱658,945,116</b>	₱580,890,323	₱503,555,508
Adjustments for:			
Depreciation and amortization (Notes 13, 19 and 20)	<b>209,946,662</b>	164,048,040	148,871,413
Interest income (Note 22)	<b>(5,178,652)</b>	(5,847,502)	(12,452,971)
Movements in:			
Accrued rent	<b>2,220,035</b>	7,108,891	6,520,645
Accrued pension costs/pension assets	<b>(14,649,237)</b>	4,177,567	11,342,928
Accretion income (Notes 14 and 22)	<b>(2,774,254)</b>	(3,701,346)	(2,875,662)
Gain on disposal of property and equipment (Note 22)	<b>(418,432)</b>	(477,707)	(7,359,195)
Unrealized foreign exchange gain	<b>(71,189)</b>	(26,032)	(8,902)
Unrealized loss on change in fair value of HFT instruments (Note 22)	<b>9,360,942</b>	891,198	–
Income before working capital changes	<b>857,380,991</b>	747,063,432	647,593,764
Decrease (increase) in:			
Trade and other receivables	<b>(142,990,519)</b>	(94,010,416)	(122,199,631)
Inventories	<b>16,534,408</b>	(139,036,997)	(15,835,966)
Prepaid expenses and other current assets	<b>251,547</b>	(7,935,894)	3,292,609
Deferred input value-added tax	<b>(6,142,348)</b>	(8,220,068)	5,581,244
Rental deposits	<b>(11,725,183)</b>	(7,448,793)	(7,939,980)
Increase in accounts payable and other current liabilities	<b>(89,223,386)</b>	179,526,163	209,660,239
Net cash generated from operations	<b>624,085,510</b>	669,937,427	720,152,279
Income taxes paid	<b>(171,719,361)</b>	(155,974,150)	(108,339,088)
Interest received	<b>5,178,652</b>	5,847,502	12,452,971
Net cash provided by operating activities	<b>457,544,801</b>	519,810,779	624,266,162
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
AFS investments (Note 12)	<b>(469,958,439)</b>	(963,812,271)	(321,630,171)
Property and equipment (Note 13)	<b>(349,503,801)</b>	(294,931,045)	(164,676,761)
Financial assets at fair value through profit or loss	<b>(6,553,754)</b>	(39,782,686)	–
Redemption of AFS investments	<b>474,026,071</b>	647,406,341	–
Collection of intercompany loans	<b>24,138,889</b>	19,500,000	18,000,000
Proceeds from disposals of property and equipment	<b>3,202,547</b>	14,572,403	11,955,667
Intercompany loans granted	<b>–</b>	(25,000,000)	–
Net cash used in investing activities	<b>(324,648,487)</b>	(642,047,258)	(456,351,265)
<b>CASH FLOWS FROM A FINANCING ACTIVITY</b>			
Dividends paid (Note 17)	<b>(150,394,533)</b>	(133,854,340)	(98,069,374)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENT</b>			
	<b>71,189</b>	26,032	8,902
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(17,427,030)</b>	(256,064,787)	69,854,425
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b> (Note 7)	<b>406,299,422</b>	662,364,209	592,509,784
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (Note 7)	<b>₱388,872,392</b>	₱406,299,422	₱662,364,209

*See accompanying Notes to Financial Statements.*



# **INTERNATIONAL FAMILY FOOD SERVICES, INC.**

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## **NOTES TO FINANCIAL STATEMENTS**

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### **1. General Information**

#### Corporate Information

International Family Food Services, Inc. (the Company) was incorporated in the Philippines on February 14, 1974, with registered office address at AFP-RSBS Industrial Park, C-5 Junction, Km. 12, East Service Road, Taguig City, Metro Manila. The 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 Company is licensed to develop company-owned Shakey's outlets and sub-license the Shakey's brand to other entities in the Philippines (see Note 27).

Effective April 1, 2016, Shakey's Asia Food Holdings, Inc. (SAFHI or Posana Food Brands, Inc.) acquired 100% ownership interest in the Company, thus making the Company a wholly-owned subsidiary of SAFHI.

#### Approval and Authorization for the Issuance of the Financial Statements

The financial statements were approved and authorized for issuance by the Board of Directors (BOD) on September 30, 2016.

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

#### Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for held for trading investment (HFT) and available-for-sale (AFS) investments which are carried at fair value. The financial statements are presented in Philippine peso, which is the Company's functional currency. Amounts are rounded off to the nearest Philippine peso, except those otherwise indicated.

These financial statements will be used by the Company for its plan to conduct an Initial Public Offering which was approved by the BOD on September 14, 2016.

#### Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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### **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 the following new and amended standards effective for the Company beginning January 1, 2015. Unless otherwise indicated, the adoption of these standards did not have an impact on the Company's financial statements.

- Amendments to Philippine Accounting Standards (PAS) 19, *Defined Benefit Plans: Employee Contributions*
- Annual Improvements to PFRSs 2010 - 2012 Cycle
  - PFRS 2, *Share-based Payment* - Definition of Vesting Condition
  - PFRS 3, *Business Combinations* - Accounting for Contingent Consideration in a Business Combination





- PFRS 8, *Operating Segments* - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization
- PAS 24, *Related Party Disclosures* - Key Management Personnel
- Annual Improvements to PFRSs 2011 – 2013 Cycle
  - PFRS 3, *Business Combinations* - Scope Exceptions for Joint Arrangements
  - PFRS 13, *Fair Value Measurement* - Portfolio Exception
  - PAS 40, *Investment Property*

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

##### Current versus Noncurrent Classification

The Company presents assets and liabilities in the separate 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.

Deferred tax assets are classified as non-current assets.

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 Company classifies all other liabilities as noncurrent.

##### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

##### Financial Assets

*Date of Recognition.* The Company recognizes a financial asset in the statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.



*Initial Recognition.* The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial assets and financial liabilities are recognized initially at fair value plus, except for financial assets and financial liabilities at FVPL, any cost directly attributable to the acquisition or issuance. The Company categorizes financial assets as: financial assets at FVPL, differentiating those that are held-for-trading (HFT) and those designated as such, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) investments. Financial liabilities are categorized into financial liabilities at FVPL and other financial liabilities carried at cost or amortized cost. The Company determines the classification of investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the settlement date, the date that the asset is delivered to or by the Company.

*Subsequent Measurement.* The subsequent measurement of financial assets depends on their classification.

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. Such financial assets are carried at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate.

Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loan and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

This category includes the Company's cash and cash equivalents, trade and other receivables, loan to a related party and rental deposits (see Notes 7, 8, 9, 14, and 16).

*HFT investments.* HFT investments include equity securities purchased and held principally with the intention of selling them in the near term. These securities are carried at fair value, and gains and losses on these instruments are recognized as 'Trading and securities gain - net' in the statement of comprehensive income. Quoted market prices, when available, are used to determine the fair value of these financial instruments.

*AFS Investments.* AFS investments are those which are designated as such or are not classified in any of the three preceding categories. The Company designates financial assets as AFS investments if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gain and loss recognized as other comprehensive income in the statement of comprehensive income and in the statement of changes in equity until the investment is derecognized or determined to be impaired, at which the cumulative gain or loss previously recognized in equity is recognized in net income in the statement of comprehensive income.

Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized in net income in the statement of comprehensive income when the right of the



payment has been established. The losses arising from impairment of such financial assets are recognized in net income in the statement of comprehensive income. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within twelve months from the reporting date.

*Derecognition.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the Company's right to receive cash flows from the asset has expired; or
- the Company has transferred its right 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right 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 asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the 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 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 Company could be required to repay.

*Impairment of Financial Assets.* The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.



If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in net income in statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in net income in statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in net income in the statement of comprehensive income.

For AFS investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investment is impaired. Objective evidence of impairment for equity investments classified as AFS would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in net income in the statement of comprehensive income, is removed from equity and recognized in net income in the statement of comprehensive income. Impairment loss on equity investments is not reversed through the net income in the statement of comprehensive income; however, increases in their fair value after impairment are recognized in other comprehensive income in the statement of comprehensive income.

#### Financial Liabilities

*Date of Recognition.* The Company recognizes a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

*Initial Recognition.* Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable costs.

The Company does not have any financial liabilities at FVPL as at December 31, 2015, 2014, and 2013.



*Subsequent Measurement.* The subsequent measurement of financial liabilities depends on their classification.

*Loans and Borrowings.* After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. Gains and losses are recognized in net income the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate amortization process. Loans and borrowings are included in current liabilities if maturity is within twelve months from the reporting date or the Company does not have an unconditional right to defer payment for at least twelve months from the reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company's accounts payable and other current liabilities (excluding statutory liabilities) (see Note 15).

*Derecognition.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

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 net income 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 by the 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 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 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 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 25.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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 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 Company and all of the counterparties.

#### 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.

#### 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 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 repairs 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:

Leasehold improvements	5 to 10 years or term of lease whichever period is shorter
Furniture, fixtures and equipment	3 to 5 years
Transportation equipment	5 years
Cost of shops and maintenance tools	3 to 5 years
Glasswares and utensils	1 year



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 statement of comprehensive income in the year the asset is derecognized.

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

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

#### Impairment of Property and Equipment

The Company assesses at each reporting date whether there is an indication that its property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the 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, recent market transactions are taken into account. 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. If no such transactions can be identified, an appropriate valuation is used. Impairment losses are recognized in net income in the 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 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 statement of comprehensive income and in the 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.

#### 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.

*Retained Earnings.* Retained earnings represent accumulated earnings, net of dividends declared.

*Other Comprehensive Income (Loss).* Other comprehensive income (loss) comprises items of income and expense, including reclassification adjustments, actuarial gains and losses on pensions and unrealized fair value changes in AFS investments that are not recognized in net income in the statement of comprehensive income as required or permitted by other PFRS.



### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates and sales taxes. The Company assesses its revenue against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific revenue criteria must also be met before revenue is recognized:

*Sales.* Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery. The amount is recorded net of discount and sales taxes.

*Royalty and Franchise Fees.* Revenue is recognized as earned under the accrual basis in accordance with the terms of the agreements with the dealers.

*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.

### Dividends on Capital Stock

The Company may pay dividends in cash, property, or by the issuance of shares of stock. All dividends are subject to the approvals of the BOD; however, property dividends need approval from SEC and stock dividends require approval of at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the SEC. The Company may declare dividends only out of its unrestricted retained earnings.

Cash and property dividends on capital stock are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital.

### Cost and Expenses

Costs 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 statement of comprehensive income in the period these are incurred.

### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date or whether the fulfillment of the arrangement is dependent on the use of a specific asset or arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

*Company as a Lessee.* Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized in net income in the statement of comprehensive income on a straight line basis over the lease term.





### Pension Costs

The Company 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 goods sold and general and administrative expenses in the statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the accrued pension costs or asset is the change during the period in the accrued pension costs 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 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 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.

*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 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.

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:

- when 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 statement of financial position.

### Earnings 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 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 Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 6 to the financial statements.

### Provisions

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

### Events After the Reporting Period

Post yearend events that provide additional information about the Company's financial position at reporting period (adjusting events) are reflected in the financial statements. Post yearend events that are not adjusting events are disclosed in the notes to financial statements, when material.

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## **5. Significant Accounting Judgments, Estimates and Assumptions**

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

*Determination of Functional Currency.* Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. It is the currency of the primary economic environment in which the Company operates and the currency that mainly influences revenue and expenses.

*Evaluation of Operating Lease Commitments-Company as Lessee.* The Company has entered into long-term leases of store spaces. Management has determined that all the significant risks and rewards of ownership of the property which the Company leases, remain with the lessor because of the following factors: (a) the Company will not acquire ownership of the leased property upon termination of the lease; (b) at the inception of the lease, the present value of the minimum lease



payments by the Company is substantially lower than the fair value of the leased asset; and, (c) the Company has not given an option to purchase the asset at a price that is sufficiently lower than the fair value at the date the option becomes exercisable. Accordingly, the said leases are accounted for as operating leases.

Rent expense amounted to ₱279.1 million in 2015, ₱259.2 million in 2014 and ₱240.1 million in 2013 (see Notes 19, 20 and 26).

*Assessment of Impairment of AFS Investments - Significant and Prolonged Decline in Fair Value.* The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value below their costs or where other objective evidence of impairment exists. The Company determines that a decline in fair value of greater than 20% of cost is considered to be a significant decline and a decline for a period of more than twelve months is considered to be a prolonged decline. This determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

In 2015, 2014 and 2013, management has assessed that no impairment loss needs to be recognized on its AFS investments. The carrying value of AFS investments amounted to ₱682.5 million, ₱687.3 million and ₱370.7 million as at December 31, 2015, 2014 and 2013, respectively (see Note 12).

#### 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 Company based its assumptions and estimates on parameters available when the 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 Company. Such changes are reflected in the assumptions when they occur.

*Determination of Fair Value of Financial Instruments.* Where the fair value of financial assets and liabilities recorded in the 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 25.

*Estimation of Allowance for Doubtful Accounts.* Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the aging of receivables, past collection experience and other factors that may affect collectibility. An evaluation of the receivables, designed to identify potential charges to the allowance, is performed on a continuous basis throughout the year. The amount of recorded expenses and the timing of recording such expenses for any period would therefore differ based on the judgments or estimates made.



Provision for doubtful accounts amounted to ₱1.4 million in 2015 and ₱1.8 million in 2014 while reversal of allowance for doubtful accounts amounted to ₱4.8 million in 2013 (see Notes 20 and 22). Allowance for doubtful accounts amounted to ₱6.6 million, ₱5.1 million and ₱3.3 million as at December 31, 2015, 2014 and 2013, respectively. The carrying values of trade and other receivables amounted to ₱543.2 million, ₱400.2 million and ₱306.2 million as at December 31, 2015, 2014 and 2013, respectively (see Note 9).

Provision for unrecoverable deposits amounted to nil both in 2015 and 2013 and ₱1.2 million in 2014 (see Note 20). The carrying value of rental deposits amounted to ₱89.5 million, ₱75.0 million and ₱67.2 million as at December 31, 2015, 2014 and 2013, respectively (see Note 14).

*Evaluation of Net Realizable Value of Inventories.* The 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. 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 statement of comprehensive income.

No provision for inventory obsolescence was recognized in 2015, 2014 and 2013. The carrying values of inventories amounted to ₱238.7 million, ₱255.3 million and ₱116.2 million, net of allowance for inventory obsolescence of ₱6.3 million both in 2015 and 2014 and ₱4.5 million in 2013 (see Note 10).

*Estimation of Useful Lives of Property and Equipment.* The useful lives of property and equipment are estimated based on the economic lives of the property and equipment and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of the property and equipment are reviewed at reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There was no change in the estimated useful lives of property and equipment. The carrying value of property and equipment amounted to ₱577.1 million, ₱440.4 million and ₱323.6 million as at December 31, 2015, 2014 and 2013, respectively (see Note 13).

*Determination of Impairment of Property and Equipment.* Impairment review is performed when certain impairment indicators are present. Nonfinancial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. 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 Company to make estimates and assumptions that can materially affect the financial statements.

Based on the assessment of management, the Company's property and equipment do not have any indication of impairment as at December 31, 2015, 2014 and 2013. No impairment loss was recognized in 2015 and 2014. The carrying value of property and equipment amounted to ₱577.1 million, ₱440.4 million and ₱323.6 million as at December 31, 2015, 2014 and 2013, respectively (see Note 13).



*Determination of Retirement 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 retirement costs amounted to ₱36.7 million, ₱29.8 million and ₱25.8 million as at December 31, 2015, 2014 and 2013, respectively (see Note 21).

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 21.

*Recoverability of Deferred Tax Assets.* The 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 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 Company's past results and future expectations on revenue and expenses.

Deferred tax assets amounted to ₱33.6 million, ₱26.5 million and ₱22.1 million as at December 31, 2015, 2014 and 2013, respectively (see Note 23).

*Evaluation of Claims Under Legal Contingencies.* The estimate of probable costs for the resolution of possible claims, if any, is developed in consultation with legal counsel handling the Company's defense in these matters and is based upon an analysis of potential results. As at September 30, 2016, the Company is not involved in any legal cases. Accordingly, there are no provisions for probable losses from legal contingencies recognized in the Company's financial statements as at December 31, 2015, 2014 and 2013.

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## 6. Segment Information

The Company is organized into only one operating division, stores operation, which is its primary activity. The Company generates revenues from restaurant sales, sale of materials and equipment and royalty and franchise fees. For management purposes, the Company considers the entire business as one segment. Management monitors the operating results of the business for the purpose of making decisions about resource allocation and performance assessment.



Sales and service income and royalty and franchise fee (shown as “Revenue” in the statement of comprehensive income), net income, total assets and total liabilities as of and for the years ended December 31, 2015, 2014 and 2013 are the same as reported elsewhere in the accompanying financial statements.

	2015	2014	2013
Revenues:			
Net sales	<b>₱5,075,991,280</b>	₱4,553,499,817	₱4,037,727,140
Royalty and franchise fees	<b>168,348,361</b>	142,986,854	116,563,981
Net income	<b>479,592,404</b>	429,151,807	367,175,967
Total assets	<b>2,664,250,779</b>	2,422,671,204	1,936,179,009
Total liabilities	<b>1,086,007,916</b>	1,157,807,571	978,429,568

The Company has no revenue from transactions with a single external customer accounting for more than 10% or more of the sales and service income and royalty and franchise fee. All customers of the Company are located in the Philippines.

#### 7. Cash and Cash Equivalents

	2015	2014	2013
Cash on hand	<b>₱45,765,282</b>	₱33,933,799	₱36,742,660
Cash in banks	<b>269,616,378</b>	299,642,098	232,924,924
Short-term deposits	<b>73,490,732</b>	72,723,525	392,696,625
	<b>₱388,872,392</b>	₱406,299,422	₱662,364,209

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest ranging from 0.63% to 1.88% in 2015, 0.36% to 1.88% in 2014 and 1.25% to 3.0% in 2013. Interest income on cash and cash equivalents amounted to ₱3.9 million, ₱3.2 million and ₱10.1 million in 2015, 2014 and 2013, respectively (see Note 22).

#### 8. Financial Assets at Fair Value through Profit or Loss

This account consists of equity securities classified as HFT investments. Net unrealized loss amounted to ₱9.4 million and ₱0.89 million in 2015 and 2014, respectively, which is recognized under “Trading securities gain - net” in the statements of comprehensive income (see Note 22).

Dividend income earned on these financial assets amounted to ₱1.2 million and ₱0.2 million in 2015 and 2014, respectively (see Note 22).

#### 9. Trade and Other Receivables

	2015	2014	2013
Trade:			
Stores	<b>₱201,220,359</b>	₱165,200,270	₱97,530,350
Related parties (see Note 16)	<b>20,029,977</b>	13,734,353	5,748,929

(Forward)



	2015	2014	2013
Advances:			
Suppliers	<b>₱105,566,718</b>	₱107,235,627	₱75,012,465
Related parties (see Note 16)	<b>65,500,000</b>	–	–
Non-trade:			
Stores	<b>68,097,955</b>	40,325,150	48,978,611
Related parties (see Note 16)	<b>3,169,183</b>	3,407,418	4,271,603
Receivable from National Advertising Fund (NAF) (see Note 15)	<b>44,722,424</b>	38,029,307	40,724,043
Receivables from employees	<b>24,653,549</b>	22,728,001	19,860,553
Royalty receivable (see Note 27)	<b>16,791,772</b>	14,654,544	17,379,099
	<b>549,751,937</b>	405,314,670	309,505,653
Less allowance for doubtful accounts	<b>6,555,256</b>	5,108,508	3,309,906
	<b>₱543,196,681</b>	₱400,206,162	₱306,195,747

Below are the terms and conditions of the financial assets:

- Trade receivables are non-interest bearing and are normally collectible within 10 to 30 days.
- Advances to suppliers which represent advance payment for items purchased, will be offset against purchases upon delivery of such items.
- Receivable from NAF pertains to short-term advances provided by the Company for the advertising and promotional activities of Shakey's which are to be reimbursed from the fund.
- 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.
- Royalty receivable is being collected from dealers on the 20th day of the following month.
- Other receivables, which consist mainly of receivables from various parties for transactions other than sale of goods, are non-interest bearing and generally have 30 to 45 days' term.

For nature, terms and conditions relating to related party receivables refer to Note 16.

The movements of allowance for doubtful accounts, per classification, are as follows:

	2015			2014			2013		
	Trade and Others	Receivables from Employees	Total	Trade and Others	Receivables from Employees	Total	Trade and Others	Receivables from Employees	Total
Balance at beginning of year	<b>₱1,510,667</b>	<b>₱3,597,841</b>	<b>₱5,108,508</b>	₱386,298	₱2,923,608	₱3,309,906	₱3,730,962	₱4,383,886	₱8,114,848
Provision for doubtful accounts (see Note 20)	<b>770,646</b>	<b>676,102</b>	<b>1,446,748</b>	1,124,369	674,233	1,798,602	–	–	–
Reversal (see Note 22)	–	–	–	–	–	–	(3,344,664)	(1,460,278)	(4,804,942)
Balance at year-end	<b>₱2,281,313</b>	<b>₱4,273,943</b>	<b>₱6,555,256</b>	₱1,510,667	₱3,597,841	₱5,108,508	₱386,298	₱2,923,608	₱3,309,906

## 10. Inventories

	2015	2014	2013
Food items	<b>₱188,168,116</b>	₱212,546,731	₱74,503,563
Non-food items	<b>50,570,462</b>	42,726,255	41,732,426
	<b>₱238,738,578</b>	₱255,272,986	₱116,235,989





The cost of food and non-food items amounted to ₱245.0 million, ₱261.5 million and ₱120.7 million as at December 31, 2015, 2014 and 2013, respectively. Write-down of inventories to net realizable value amounted to nil in 2015 and 2013 and ₱1.8 million in 2014. Allowance for inventory obsolescence amounted to ₱6.3 million as at December 31, 2015 and 2014 and ₱4.5 million as at December 31, 2013.

#### 11. Prepaid Expenses and Other Current Assets

	2015	2014	2013
Prepaid expenses	₱8,846,484	₱8,356,718	₱3,209,435
Current portion of prepaid rent under PAS 39 (see Note 14)	1,652,945	2,394,258	2,291,272
	<b>₱10,499,429</b>	<b>₱10,750,976</b>	<b>₱5,500,707</b>

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

#### 12. AFS Investments

This account pertains to the Company's investments in mutual funds and golf club shares.

Movements of this account are as follows:

	2015	2014	2013
Acquisition cost:			
Balance at beginning of year	₱694,194,540	₱377,788,610	₱56,158,439
Additions during the year	469,958,439	963,812,271	321,630,171
Redemption of AFS	(474,026,071)	(647,406,341)	-
Balance at end of year	<b>690,126,908</b>	694,194,540	377,788,610
Unrealized loss on changes in fair value of AFS investments:			
Balance at beginning of year	(2,178,301)	(2,408,176)	5,129,858
Unrealized loss	(3,466,255)	(20,034,129)	(7,538,034)
Realized gain (see Note 22)	2,756,485	20,264,004	-
Balance at end of year	<b>(2,888,071)</b>	(2,178,301)	(2,408,176)
Cumulative impairment loss on golf club shares	(4,704,765)	(4,704,765)	(4,704,765)
Fair value of AFS investments	<b>₱682,534,072</b>	<b>₱687,311,474</b>	<b>₱370,675,669</b>

The changes in the fair value of AFS investments are recognized under "Unrealized loss on changes in fair value of AFS investments" shown as part of equity in the statements of financial position.



### 13. Property and Equipment

2015						
	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Cost of Shops and Maintenance Tools	Glasswares and Utensils	Total
<b>Cost</b>						
Balance at beginning of year	₱620,274,947	₱615,497,458	₱52,855,988	₱370,471	₱35,742,184	₱1,324,741,048
Additions	170,265,302	162,818,336	6,412,501	147,977	9,859,685	349,503,801
Disposals	(5,462,680)	(13,565,975)	(2,635,696)	–	(382,814)	(22,047,165)
<b>Balance at end of year</b>	<b>785,077,569</b>	<b>764,749,819</b>	<b>56,632,793</b>	<b>518,448</b>	<b>45,219,055</b>	<b>1,652,197,684</b>
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	381,360,316	433,942,268	36,049,935	370,462	32,646,492	884,369,473
Depreciation and amortization (see Notes 19 and 20)	94,028,503	99,980,747	5,674,272	27,549	10,235,591	209,946,662
Disposals	(5,350,246)	(11,890,706)	(1,640,966)	–	(381,132)	(19,263,050)
<b>Balance at end of year</b>	<b>470,038,573</b>	<b>522,032,309</b>	<b>40,083,241</b>	<b>398,011</b>	<b>42,500,951</b>	<b>1,075,053,085</b>
<b>Net Book Value</b>	<b>₱315,038,996</b>	<b>₱242,717,510</b>	<b>₱16,549,552</b>	<b>₱120,437</b>	<b>₱2,718,104</b>	<b>₱577,144,599</b>

2014						
	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Cost of Shops and Maintenance Tools	Glasswares and Utensils	Total
<b>Cost</b>						
Balance at beginning of year	₱495,974,948	₱505,964,465	₱45,949,437	₱370,471	₱25,758,433	₱1,074,017,754
Additions	145,203,108	127,174,775	11,792,709	–	10,760,453	294,931,045
Disposals	(20,903,109)	(17,641,782)	(4,886,158)	–	(776,702)	(44,207,751)
<b>Balance at end of year</b>	<b>620,274,947</b>	<b>615,497,458</b>	<b>52,855,988</b>	<b>370,471</b>	<b>35,742,184</b>	<b>1,324,741,048</b>
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	325,613,440	368,339,931	30,357,498	365,186	25,758,433	750,434,488
Depreciation and amortization (see Notes 19 and 20)	70,430,335	79,151,119	6,796,627	5,276	7,664,683	164,048,040
Disposals	(14,683,459)	(13,548,782)	(1,104,190)	–	(776,624)	(30,113,055)
<b>Balance at end of year</b>	<b>381,360,316</b>	<b>433,942,268</b>	<b>36,049,935</b>	<b>370,462</b>	<b>32,646,492</b>	<b>884,369,473</b>
<b>Net Book Value</b>	<b>₱238,914,631</b>	<b>₱181,555,190</b>	<b>₱16,806,053</b>	<b>₱9</b>	<b>₱3,095,692</b>	<b>₱440,371,575</b>

2013						
	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Cost of Shops and Maintenance Tools	Glasswares and Utensils	Total
<b>Cost</b>						
Balance at beginning of year	₱438,145,909	₱429,470,915	₱39,991,156	₱369,927	₱20,672,743	₱928,650,650
Additions	66,272,054	83,415,073	9,456,674	544	5,532,416	164,676,761
Disposals	(8,443,015)	(6,921,523)	(3,498,393)	–	(446,726)	(19,309,657)
<b>Balance at end of year</b>	<b>495,974,948</b>	<b>505,964,465</b>	<b>45,949,437</b>	<b>370,471</b>	<b>25,758,433</b>	<b>1,074,017,754</b>
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	277,198,425	295,665,365	24,084,897	345,576	18,981,997	616,276,260
Depreciation and amortization (see Notes 19 and 20)	56,739,699	77,413,446	7,479,329	19,610	7,219,329	148,871,413
Disposals	(8,324,684)	(4,738,880)	(1,206,728)	–	(442,893)	(14,713,185)
<b>Balance at end of year</b>	<b>325,613,440</b>	<b>368,339,931</b>	<b>30,357,498</b>	<b>365,186</b>	<b>25,758,433</b>	<b>750,434,488</b>
<b>Net Book Value</b>	<b>₱170,361,508</b>	<b>₱137,624,534</b>	<b>₱15,591,939</b>	<b>₱5,285</b>	<b>₱–</b>	<b>₱323,583,266</b>

The Company has fully depreciated property and equipment still used in the operations with cost of ₱414 million as at December 31, 2015 and 2014 and ₱427.0 million as at December 31, 2013. There are no idle assets as at December 31, 2015, 2014 and 2013.



#### 14. Rental Deposits

	2015	2014	2013
Rental deposits	<b>₱83,784,173</b>	₱69,517,973	₱61,297,205
Prepaid rent under PAS 39 - net of current portion (see Note 11)	<b>6,890,021</b>	6,656,784	5,992,829
	<b>90,674,194</b>	76,174,757	67,290,034
Allowance for unrecoverable deposits (see Note 20)	<b>1,159,764</b>	1,159,764	-
	<b>₱89,514,430</b>	₱75,014,993	₱67,290,034

The Company's rental deposits are refundable at the end of the lease term which ranges from 5 years to 10 years. Accordingly, rental deposits are discounted based on comparable rates for similar financial instruments which ranged from 0.93% to 21.80% in 2015, 3.06% to 9.96% in 2014 and 2.0% to 5.65% in 2013. The excess of the principal amount of the deposit over its fair value is accounted for as prepaid rent 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.

Outstanding rental deposits and unamortized prepaid rent are shown below:

	2015		2014		2013	
	Rental Deposits	Prepaid Rent	Rental Deposits	Prepaid Rent	Rental Deposits	Prepaid Rent
Beginning fair value of rental deposits/prepaid rent	<b>₱69,517,973</b>	<b>₱9,051,042</b>	₱61,297,905	₱8,284,101	₱52,944,210	₱6,399,249
Additional rental deposits during the year:						
Principal amounts of rental deposits	<b>13,576,436</b>	-	8,711,544	-	10,231,252	-
Excess of principal amount over fair value recorded as prepaid rent	<b>(2,084,490)</b>	<b>2,084,490</b>	(4,192,822)	4,192,822	(4,753,219)	4,753,219
Fair value of rental deposits/prepaid rent at initial recognition	<b>81,009,919</b>	<b>11,135,532</b>	65,816,627	12,476,923	58,422,243	11,152,468
Accretion income (see Note 22)	<b>2,774,254</b>	-	3,701,346	-	2,875,662	-
Amortization of prepaid rent (see Notes 19 and 20)	-	<b>(2,592,566)</b>	-	(3,425,881)	-	(2,868,367)
Current portion of prepaid rent (see Note 11)	-	<b>(1,652,945)</b>	-	(2,394,258)	-	(2,291,272)
Ending fair value of rental deposits/ noncurrent portion of prepaid rent	<b>₱83,784,173</b>	<b>₱6,890,021</b>	₱69,517,973	₱6,656,784	₱61,297,905	₱5,992,829

#### 15. Accounts Payable and Other Current Liabilities

	2015	2014	2013
Trade:			
Suppliers	<b>₱372,046,779</b>	₱439,029,066	₱371,718,636
Related parties (see Note 16)	<b>21,306,125</b>	22,023,030	35,330,670
Nontrade	<b>251,572,947</b>	230,158,237	181,835,573
Accrued expenses:			
Utilities	<b>38,921,692</b>	45,297,201	43,906,704
Suppliers	<b>34,060,758</b>	56,334,827	70,474,986
Salaries and wages	<b>9,263,742</b>	24,567,202	21,646,553
Loyalty payable	<b>21,414,662</b>	21,389,226	10,734,087
Related parties (see Note 16)	-	-	30,708
Others	<b>10,583,049</b>	13,241,223	16,564,604
Payable to NAF	<b>31,551,137</b>	48,413,515	7,561,372
Others	<b>157,858,854</b>	137,349,604	98,473,074
	<b>₱948,579,745</b>	₱1,037,803,131	₱858,276,967



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 payable to contractors and employment agencies and 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.
- Payable to NAF pertains to remittances from dealers equivalent to 4.4% of gross sales of the previous month. This is to be used exclusively in implementing the national advertising and promotions programs of the Shakey's System in the country. Payable to NAF is remitted to the fund within 20 days of the following month of collection.
- Other payables are normally settled in 15 to 45 days' term.

Other payables consist of the following:

	<b>2015</b>	2014	2013
Dealers' deposits	<b>₱32,113,367</b>	₱22,932,096	₱12,410,664
Output VAT - net of input VAT amounting to ₱44.9 million in 2015, ₱36.3 million in 2014 and ₱38.7 million in 2013	<b>31,265,437</b>	28,894,045	21,723,431
Fun certificates payable	<b>21,295,357</b>	11,341,580	8,595,283
Service charge payable	<b>19,789,302</b>	19,289,276	16,839,027
Withholding tax payable	<b>18,693,685</b>	14,428,546	9,364,067
Salaries payable	<b>12,023,969</b>	12,223,335	9,632,765
Customers' deposits	<b>5,708,635</b>	9,337,322	5,115,292
SSS, Philhealth and Pag-ibig payables	<b>3,312,244</b>	3,065,670	2,591,404
Sub-lessors' deposits	<b>2,834,891</b>	1,912,706	2,347,439
Cash bond payable	<b>5,921,939</b>	6,684,535	5,391,966
Cooperative loan	<b>3,955,119</b>	4,203,277	1,089,825
Others	<b>944,909</b>	3,037,216	3,371,911
	<b>₱157,858,854</b>	₱137,349,604	₱98,473,074



## 16. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company 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 years ended December 31, 2015, 2014 and 2013, the 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 Company, in the normal course of business, has significant transactions with the following companies which have common members of BOD and stockholders as the Company:

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance		Terms	Conditions
				Receivable	Payable		
<b>Golden Pizza, Inc. (GPI)/Cowboy Grill</b>							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2015	₱1,873,664	₱349,724	₱-	30-day; non-interest bearing	Unsecured; not impaired
		2014	3,397,151	338,029	-		
		2013	1,316,873	151,125	-		
Purchases	Purchase of raw materials and goods and dues subscription at agreed prices usually on a cost plus basis	2015	867,200	-	263,859	30-day; non-interest bearing	Unsecured
		2014	712,427	-	90,428		
		2013	-	-	37,446		
<b>Bakemasters, Inc. (BMI)</b>							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2015	7,407,247	6,678,978	-	30-day; non-interest bearing	Unsecured; not impaired
		2014	5,314,677	6,242,617	-		
		2013	3,388,721	3,933,206	-		
Loan to a related party	Extended in 2011 amounting to ₱82.0 million payable monthly at ₱1.63 million beginning April 2012 until the full amount is settled.	2015	-	14,500,000	-	4.0% per annum interest bearing loan on the first year and 6% per annum beginning April 2012	Unsecured; not impaired
		2014	(19,500,000)	31,000,000	-		
		2013	-	50,500,000	-		
Purchases	Purchase of raw materials and goods and rental storage at agreed prices usually on a cost plus basis	2015	330,451,507	-	12,821,272	30-day; non-interest bearing	Unsecured
		2014	294,942,821	-	15,984,583		
		2013	1,827,690	-	28,387,123		

(Forward)



Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance		Terms	Conditions
				Receivable	Payable		
<b>Golden Donuts, Inc. (GDI)</b>							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2015	₱-	₱-	₱-	30-day; non-interest bearing	Unsecured; not impaired
		2014	-	43,889	-		
		2013	-	158,701	-		
Rental income	Rental income on store lease	2015	911,813	153,757	-	30-day; non-interest bearing	Unsecured; not impaired
		2014	862,672	44,367	-		
		2013	-	-	-		
<b>Cavallino, Inc. (CI)</b>							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2015	4,909,891	2,157,120	-	30-day; non-interest bearing	Unsecured; not impaired
		2014	4,337,379	1,127,057	-		
		2013	4,465,885	1,445,233	-		
Purchases	Purchase of raw materials and goods and rental storage at agreed prices usually on a cost plus basis	2015	32,411	-	-	30-day; non-interest bearing	Unsecured
		2014	-	-	-		
		2013	-	-	68,807		
<b>Mix Plant, Inc. (MPI)</b>							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2015	53,127,882	-	7,287,994	30-day; non-interest bearing	Unsecured
		2014	42,436,791	-	5,042,019		
		2013	-	-	5,692,251		
<b>Chiggy's Original BBQ (COB)</b>							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2015	-	-	-	30-day; non-interest bearing	Unsecured
		2014	1,268,599	-	-		
		2013	-	-	1,175,751		
<b>DBE Project Inc. (DBE)</b>							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2015	97,920,254	13,806,461	-	30-day; non-interest bearing	Unsecured; not impaired
		2014	13,928,398	9,345,812	-		
		2013	3,266,218	4,330,829	-		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2015	82,118	-	-	30-day; non-interest bearing	Unsecured; not impaired
		2014	4,719	-	-		
		2013	-	-	-		
Loans	Extended to the Company in December 2014 amounting to ₱25.0 million.	2015	-	17,361,111	-	Payable monthly beginning January 2015 for 36 months and bears a 6% annual interest to be paid together with the principal amount.	Unsecured; not impaired
		2014	25,000,000	25,000,000	-		
		2013	-	-	-		
Advances	Cash advances in 2015 with an intention to convert the remaining balance into loan in 2016.	2015	65,500,000	65,500,000	-	30-day; non-interest bearing	Unsecured; not impaired
		2014	-	-	-		
		2013	-	-	-		

(Forward)



Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance		Terms	Conditions
				Receivable	Payable		
<b>Golden Gourmet Ltd. (GGL)</b>							
Licenses	License fees, freight expense and courier expense (see Note 27)	2015	₱933,000	₱-	₱933,000	360-day; non-interest bearing	Unsecured
		2014	906,000	-	906,000		
		2013	870,840	-	-		
Trade sales	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2015	5,385	5,385	-	30-day; non-interest bearing	Unsecured; not impaired
		2014	-	-	-		
		2013	-	1,438	-		
<b>Tencent Corp.</b>							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2015	654,545	47,735	-	30-day; non-interest bearing	Unsecured; not impaired
		2014	-	-	-		
		2013	-	-	-		
		2015		₱120,560,271	₱21,306,125		
		2014		73,141,771	22,023,030		
		2013		60,520,532	35,361,378		



The above transactions are recorded in the Company's books as follows:

2015							
	Purchases (see Note 19)	Sales	Rental income (see Note 22)	License Fees (see Notes 20 and 27)	Trade and Accrued Payables (see Note 15)	Trade and Other Receivables (see Note 9)	Loan to a Related Party
GPI	₱867,200	₱1,873,664	₱-	₱-	₱263,859	₱349,724	₱-
BMI	330,451,507	7,407,247	-	-	12,821,272	6,678,978	14,500,000
GDI	-	-	911,813	-	-	153,757	-
CI	32,411	4,909,891	-	-	-	2,157,120	-
MPI	53,127,882	-	-	-	7,287,994	-	-
COB	-	-	-	-	-	-	-
DBE	82,118	97,920,254	-	-	-	79,306,461	17,361,111
GGL	-	5,385	-	933,000	933,000	5,385	-
TC	-	654,545	-	-	-	47,735	-
	<b>₱384,561,118</b>	<b>₱112,770,986</b>	<b>₱911,813</b>	<b>₱933,000</b>	<b>₱21,306,125</b>	<b>₱88,699,160</b>	<b>₱31,861,111</b>

2014							
	Purchases (see Note 19)	Sales	Rental income (see Note 22)	License Fees (see Notes 20 and 27)	Trade and Accrued Payables (see Note 15)	Trade and Other Receivables (see Note 9)	Loan to a Related Party
GPI	₱712,427	₱3,397,151	₱-	₱-	₱90,428	₱338,029	₱-
BMI	294,942,821	5,314,677	-	-	15,984,583	6,242,617	31,000,000
GDI	-	-	862,672	-	-	88,256	-
CI	-	4,337,379	-	-	-	1,127,057	-
MPI	42,436,791	-	-	-	5,042,019	-	-
COB	1,268,599	-	-	-	-	-	-
DBE	4,719	13,928,398	-	-	-	9,345,812	25,000,000
GGL	-	-	-	906,000	906,000	-	-
	<b>₱339,365,357</b>	<b>₱26,977,605</b>	<b>₱862,672</b>	<b>₱906,000</b>	<b>₱22,023,030</b>	<b>₱17,141,771</b>	<b>₱56,000,000</b>

2013							
	Purchases (see Note 19)	Sales	Rental income (see Note 22)	License Fees (see Notes 20 and 27)	Trade and Accrued Payables (see Note 15)	Trade and Other Receivables (see Note 9)	Loan to a Related Party
GPI	₱-	₱1,316,873	₱-	₱-	₱37,446	₱151,125	₱-
BMI	1,827,690	3,388,721	-	-	28,387,123	3,933,206	50,500,000
GDI	-	-	-	-	-	158,701	-
CI	-	4,465,885	-	-	68,807	1,445,233	-
MPI	-	-	-	-	5,692,251	-	-
COB	-	-	-	-	1,175,751	-	-
DBE	-	3,266,218	-	-	-	4,330,829	-
GGL	-	-	-	870,840	-	1,438	-
	<b>₱1,827,690</b>	<b>₱12,437,697</b>	<b>₱-</b>	<b>₱870,840</b>	<b>₱35,361,378</b>	<b>₱10,020,532</b>	<b>₱50,500,000</b>

#### Sales and Purchases

The Company sells and purchases goods from related parties. Sales to and purchases from related parties are made at agreed prices usually on cost plus basis, and are generally on 30-day credit term.

#### Advances to a Related Party

In 2015, the Company extended cash advances to DBE with an intention to convert the amount into loan in 2016.

#### Intercompany Loans

In 2011, the Company provided a cash loan to its related party, BMI, amounting to ₱82.0 million, payable monthly at ₱1.63 million beginning April 2012 until the full amount is settled. The total of current and non-current value of the loan amounted to ₱14.5 million, ₱31.0 million and ₱50.5 million as at December 31, 2015, 2014 and 2013, respectively. The said loan shall bear an interest of 4.0% per annum on the first year and 6.0% per annum beginning April 2012. Documentary stamp tax and all other applicable taxes were shouldered by the borrower, BMI.





The Company has also extended a loan amounting to ₱25 million to its related party, DBE, in December of 2014. The loan is payable monthly beginning January 2015 for 36 months and bears a 6% annual interest to be paid together with the principal amount. The total current and non-current value of the loan amounted to ₱17.4 million, ₱25.0 million and nil as at December 31, 2015, 2014 and 2013.

Interest income on intercompany loans amounted to ₱1.3 million in 2015, ₱2.6 million in 2014 and ₱2.4 million in 2013 (see Note 22).

Compensation of Key Management Personnel

The salaries and pension costs of key management of the Company amounted to ₱126.3 million and ₱7.5 million, respectively, in 2015, ₱117.6 million and ₱7.0 million, respectively, in 2014 and ₱104.3 million and ₱7.2 million, respectively, in 2013. There are no other short-term and long-term benefits given to the key management personnel.

**17. Equity**

Capital Stock

On April 23, 2013, the Company's BOD approved the increase in authorized capital stock from ₱400.0 million to ₱1,000.0 million. On November 27, 2015, SEC approved the said increase in authorized capital stock. Details of the movement in capital stock were as follows:

	2015		2014		2013	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Authorized capital stock:						
Beginning	400,000,000	₱400,000,000	400,000,000	₱400,000,000	400,000,000	₱400,000,000
Increase in capital stock	600,000,000	600,000,000	-	-	-	-
	<b>1,000,000,000</b>	<b>₱1,000,000,000</b>	400,000,000	₱400,000,000	400,000,000	₱400,000,000
Issued and outstanding capital stock:						
Beginning	368,614,050	₱368,614,050	368,614,050	₱368,614,050	368,614,050	₱368,614,050
Issued stock dividend	400,000,000	400,000,000	-	-	-	-
	<b>768,614,050</b>	<b>₱768,614,050</b>	368,614,050	₱368,614,050	368,614,050	₱368,614,050

Retained Earnings

On April 7, 2015 and April 1, 2014, the BOD declared stock dividends amounting to ₱150.0 million and ₱250.0 million, respectively, which were issued upon approval of the increase in authorized capital stock.

The BOD also approved the quarterly and a special declaration of cash dividends totaling ₱150.4 million in 2015, ₱122.4 million in 2014 and ₱100.3 million in 2013.

Dividends payable amounted to nil both in 2015 and 2014 and ₱11.5 million in 2013. Details of cash dividends declared are as follows:

	2015			
	April 1	July 1	October 1	December 4
Date of BOD approval	April 1	July 1	October 1	December 4
Date of record	March 31	July 1	October 1	December 1
Amount	₱18,799,317	₱18,799,317	₱18,799,316	₱93,996,583
Dividend rate	₱0.02	₱0.02	₱0.02	₱0.12



2014				
Date of BOD approval	April 1	July 1	October 1	December 4
Date of record	March 31	July 1	October 1	December 1
Amount	₱15,297,483	₱15,297,483	₱15,297,483	₱76,487,416
Dividend rate	₱0.04	₱0.04	₱0.04	₱0.21
2013				
Date of BOD approval	March 5	June 4	September 3	November 28
Date of record	March 31	June 30	September 30	December 10
Amount	₱12,532,878	₱12,532,878	₱12,532,878	₱62,664,389
Dividend rate	₱0.03	₱0.03	₱0.03	₱0.17

Management believes that substantial portion of the retained earnings is needed for the planned increase in the number of stores in 2016 and in the near future.

#### 18. Net Sales

	2015	2014	2013
Gross sales (see Note 16)	<b>₱5,238,539,745</b>	₱4,684,594,869	₱4,092,010,484
Less:			
Sales discount	<b>161,333,628</b>	130,156,897	51,450,591
Sales returns	<b>1,214,837</b>	938,155	2,832,753
	<b>162,548,465</b>	131,095,052	54,283,344
	<b>₱5,075,991,280</b>	₱4,553,499,817	₱4,037,727,140

#### 19. Costs of Sales

	2015	2014	2013
Inventory costs (see Note 16)	<b>₱2,173,726,913</b>	₱1,939,042,181	₱1,737,325,359
Salaries, wages and benefits	<b>541,998,043</b>	524,982,161	480,911,671
Rent (see Notes 14 and 26)	<b>268,017,532</b>	248,404,769	220,915,364
Utilities	<b>223,236,496</b>	219,014,930	200,479,333
Supplies	<b>220,304,821</b>	177,598,245	142,406,584
Depreciation and amortization (see Note 13)	<b>192,792,572</b>	149,313,956	123,464,068
Outside services	<b>178,247,253</b>	128,232,496	111,179,463
Gas expenses	<b>65,562,151</b>	87,253,962	75,697,296
Delivery call fees	<b>54,676,038</b>	50,124,973	44,022,155
Repairs and maintenance	<b>40,825,608</b>	36,965,125	34,176,247
Card charges	<b>21,006,159</b>	19,511,419	17,299,945
Commissary costs	<b>20,370,090</b>	19,274,625	14,787,840
Pension costs (see Note 21)	<b>10,503,858</b>	14,617,902	8,212,840
Linen and uniform	<b>5,491,833</b>	4,442,822	6,533,152
Seminar and training	<b>3,611,013</b>	3,895,663	4,462,962
Dues and subscription	<b>2,101,566</b>	2,596,613	1,760,960
Others	<b>25,906,743</b>	13,228,308	17,156,243
	<b>₱4,048,378,689</b>	₱3,638,500,150	₱3,240,791,482



## 20. General and Administrative Expenses

	2015	2014	2013
Advertising and promotions	₱194,411,485	₱203,454,052	₱179,969,079
Salaries, wages and benefits	93,996,131	81,952,266	61,864,397
Outside services	82,608,057	59,154,775	42,809,890
Taxes and licenses	62,534,075	49,338,637	43,120,884
Transportation and travel	34,248,469	28,730,714	23,486,161
Supplies	20,776,590	22,443,401	23,082,095
Depreciation and amortization (see Note 13)	17,154,090	14,734,084	25,407,345
Pension costs (see Note 21)	12,846,905	1,559,665	3,130,088
Rent (see Notes 14 and 26)	11,112,275	10,838,712	19,161,862
Utilities	10,945,560	10,599,013	10,612,977
Gas expenses	4,441,512	5,241,044	3,743,038
Insurance	4,359,104	2,217,375	2,815,368
Repairs and maintenance	2,621,535	2,571,530	2,150,418
Directors' fees	1,630,000	1,625,000	1,805,000
Provision for doubtful accounts (see Note 9)	1,446,748	1,798,602	-
License fees (see Notes 16 and 27)	933,000	906,000	870,840
Provision for unrecoverable deposit (see Note 14)	-	1,159,764	-
Others	26,561,063	29,171,877	16,812,587
	<b>₱582,626,599</b>	<b>₱527,496,511</b>	<b>₱460,842,029</b>

## 21. Pension Costs

The Company 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.

The following tables summarize the components of net pension costs in net income in the statements of comprehensive income and accrued pension costs in the statements of financial position based on the latest actuarial valuation as at December 31, 2015, 2014 and 2013:

	2015	2014	2013
Pension costs:			
Current service cost	₱21,992,916	₱14,971,985	₱11,020,298
Net interest cost	1,357,847	1,205,582	322,630
	<b>₱23,350,763</b>	<b>₱16,177,567</b>	<b>₱11,342,928</b>
Accrued pension costs:			
Present value of benefit obligation (PVBO)	₱145,510,413	₱101,165,879	₱82,181,857
Fair value of plan assets (FVPA)	(108,798,211)	(71,388,541)	(56,421,550)
	<b>₱36,712,202</b>	<b>₱29,777,338</b>	<b>₱25,760,307</b>



Movements in the PVBO are as follows:

	2015	2014	2013
Balance at beginning of year	<b>₱101,165,879</b>	₱82,181,857	₱60,690,554
Current service cost	<b>21,992,916</b>	14,971,985	11,020,298
Interest cost	<b>4,613,164</b>	3,846,111	3,222,668
Net actuarial loss	<b>18,979,254</b>	292,926	7,606,737
Benefits paid	<b>(1,240,800)</b>	(127,000)	(358,400)
Balance at end of year	<b>₱145,510,413</b>	₱101,165,879	₱82,181,857

Movements in the FVPA are as follows:

	2015	2014	2013
Balance at beginning of year	<b>₱71,388,541</b>	₱56,421,550	₱54,614,646
Interest income	<b>3,255,317</b>	2,640,529	2,900,038
Contributions	<b>38,000,000</b>	12,000,000	–
Net actuarial gain (loss)	<b>(2,604,847)</b>	453,462	(734,734)
Benefits paid	<b>(1,240,800)</b>	(127,000)	(358,400)
Balance at end of year	<b>₱108,798,211</b>	₱71,388,541	₱56,421,550

Movements in the accrued pension costs are as follows:

	2015	2014	2013
Balance at beginning of year	<b>₱29,777,338</b>	₱25,760,307	₱6,075,908
Pension costs	<b>23,350,763</b>	16,177,567	11,342,928
Contributions	<b>(38,000,000)</b>	(12,000,000)	–
Amount recognized in OCI	<b>21,584,101</b>	(160,536)	8,341,471
Balance at end of year	<b>₱36,712,202</b>	₱29,777,338	₱25,760,307

Amount recognized in OCI is as follows:

	2015	2014	2013
Actuarial loss (gain) - PVBO	<b>₱18,979,254</b>	₱292,926	(₱7,606,737)
Actuarial loss (gain) - FVPA	<b>2,604,847</b>	(453,462)	(734,734)
Deferred income tax	<b>(6,475,230)</b>	48,161	2,502,441
	<b>₱15,108,871</b>	(₱112,375)	(₱5,839,030)

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

	2015	2014	2013
Investments:			
Government securities	<b>₱95,900,000</b>	₱54,644,484	₱39,443,002
Stocks	<b>11,804,317</b>	15,635,867	14,380,160
Other securities	<b>1,059,993</b>	1,010,921	2,533,964
Deposit in banks	<b>8,747</b>	32,345	23,458
Total investments (Carried Forward)	<b>108,773,057</b>	71,323,617	56,380,584



	2015	2014	2013
Total investments (Brought Forward)	<b>₱108,773,057</b>	₱71,323,617	₱56,380,584
Others assets:			
Interest receivables	<b>63,771</b>	90,367	59,879
Dividend receivables	<b>3,559</b>	2,231	2,946
Total other assets	<b>67,330</b>	92,598	62,825
Total assets	<b>108,840,387</b>	71,416,215	56,443,409
Less -			
Portfolio fees payable	<b>42,176</b>	27,674	21,859
Net asset value	<b>₱108,798,211</b>	₱71,388,541	₱56,421,550
Principal, beginning	<b>₱71,388,541</b>	₱56,421,550	54,614,646
Additional principal	<b>38,000,000</b>	12,000,000	-
Net income	<b>1,874,473</b>	2,274,808	3,087,381
Appreciation (decline) in value	<b>(1,224,003)</b>	819,183	(922,077)
Withdrawals	<b>(1,240,800)</b>	(127,000)	(358,400)
Total equity	<b>₱108,798,211</b>	₱71,388,541	₱56,421,550

The plan asset 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 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:

	2015	2014	2013
Discount rates:			
Beginning of year	<b>4.56%</b>	4.68%	5.31%
End of year	<b>5.07%</b>	4.56%	4.68%
Rate of compensation increase	<b>5.00%</b>	5.00%	5.00%
Average future working years of service	<b>22</b>	23	23

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:

	2015		2014		2013	
	Increase (decrease)	Amount	Increase (decrease)	Amount	Increase (decrease)	Amount
Discount rates	<b>5.57%</b> <b>(4.57%)</b>	<b>(₱9,432,622)</b> <b>11,251,544</b>	5.061% (4.06%)	₱10,579,031 (9,400,007)	5.81% (4.81%)	₱7,750,470 (8,872,312)
Salary increase rate	<b>6.00%</b> <b>(4.00%)</b>	<b>22,923,051</b> <b>(15,989,985)</b>	6.00 % (4.00%)	21,585,009 (16,554,514)	6.00% (4.00%)	18,150,839 (13,050,579)



Shown below is the schedule of expected future benefit payments:

	2015	2014	2013
1 year and less	₱29,674,199	₱4,526,996	₱2,899,413
More than 1 year to 5 years	1,127,973	327,987	344,375
More than 5 year to 10 years	36,682,632	10,589,748	4,246,455
More than 10 year to 15 years	130,648,619	85,153,523	64,328,044
More than 15 year to 20 years	167,445,951	164,766,924	160,496,404
More than 20 years	1,942,573,054	2,025,883,454	-
	<b>₱2,308,152,428</b>	<b>₱2,291,248,632</b>	<b>₱232,314,691</b>

## 22. Other Income - Net

This account consists of:

	2015	2014	2013
Service fee	₱21,143,384	₱2,476,012	₱4,400,351
Trading securities gain - net:			
Unrealized loss on HFT instruments (see Note 8)	(9,360,942)	(891,198)	-
Gain on sale of HFT instruments	3,306,288	555,901	-
Dividend income (see Note 8)	1,160,729	187,074	-
Interest income (see Notes 7 and 16)	5,178,652	5,847,502	12,452,971
Accretion income (see Note 14)	2,774,254	3,701,346	2,875,662
Realized gain on redemption of AFS (see Note 12)	2,756,485	20,264,004	-
Gain on disposal of property and equipment	418,432	477,707	7,359,195
Unrealized foreign exchange gain	71,189	26,032	8,902
Early payment discount and income from penalty charges	-	3,557,525	5,188,143
Reversal of allowance for doubtful accounts (see Note 9)	-	-	4,804,942
Others - net (see Note 16)	18,162,292	14,198,408	13,807,732
	<b>₱45,610,763</b>	<b>₱50,400,313</b>	<b>₱50,897,898</b>

“Others-net” pertains mostly to cash overages, fees charged by the Company to its franchisees for the new module of the point-of-sale machines, rental income and incentives given by Coca-cola for high volume purchases.



### 23. Income Taxes

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

	2015	2014	2013
Deferred tax assets:			
Accrued rent payable	<b>₱12,815,679</b>	₱12,149,668	₱10,017,001
Accrued pension costs	<b>11,013,660</b>	8,933,201	7,728,093
Unamortized past service cost	<b>5,625,993</b>	1,682,227	2,060,374
Allowances for doubtful accounts	<b>1,966,577</b>	1,532,553	992,973
Write down of inventories to net realizable value	<b>1,881,308</b>	1,881,308	1,335,442
Allowance for unrecoverable deposits	<b>347,929</b>	347,930	-
	<b>33,651,146</b>	26,526,887	22,133,883
Deferred tax liability - Unrealized foreign exchange gain	<b>(21,357)</b>	(7,809)	(2,670)
	<b>₱33,629,789</b>	₱26,519,078	₱22,131,213

The deferred tax assets were measured using the appropriate corporate income tax rate on the year these are expected to reverse.

The provision for current income tax represents regular corporate income tax (RCIT) and final withholding taxes on royalty and franchise fees as follows:

	2015	2014	2013
RCIT	<b>₱146,318,519</b>	₱127,577,171	₱116,584,831
Final withholding taxes	<b>33,669,674</b>	28,597,371	23,312,796
	<b>₱179,988,193</b>	₱156,174,542	₱139,897,627

The reconciliation between the provision for income tax computed at statutory income tax rate and the provision for income tax as shown in net income in the statements of comprehensive income is as follows:

	2015	2014	2013
Provision for income tax computed at statutory income tax rate of 30%	<b>₱197,683,535</b>	₱174,267,097	₱151,066,652
Final tax on royalty and franchise fees	<b>33,669,674</b>	28,597,371	23,312,796
Tax effects of:			
Royalty and franchise fees already subjected to final tax	<b>(50,504,508)</b>	(42,896,056)	(34,969,194)
Gain on sale of HFT and AFS instruments subjected to final tax	<b>(1,818,832)</b>	(5,978,612)	-

(Forward)



	2015	2014	2013
Interest income already subjected to final tax	(P1,553,595)	(P1,240,021)	(P2,165,874)
Interest accretion	(832,276)	(1,110,404)	(862,699)
Dividend income subjected to final tax	(348,219)	(56,122)	–
Others	3,056,933	155,263	(2,140)
	<b>P179,352,712</b>	<b>P151,738,516</b>	<b>P136,379,541</b>

#### 24. Financial Risks Management Objectives and Policies

The Company'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 Company's operations. The Company 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 Company'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 Company will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk by trading only with recognized, creditworthy third parties. It is the 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 Company's exposure to bad debts is not significant.

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

	2015	2014	2013
Cash and cash equivalents*	<b>P343,107,110</b>	P372,365,623	P625,621,549
Trade and other receivables:			
Trade receivables	<b>219,047,501</b>	178,934,623	103,279,279
NAF	<b>44,722,424</b>	38,029,307	40,724,043
Receivables from employees	<b>20,379,606</b>	19,130,160	16,936,945
Royalty receivable	<b>16,791,772</b>	14,654,544	17,379,099
Other receivables	<b>71,188,660</b>	42,221,901	52,863,916
Advances to a related party	<b>65,500,000</b>	–	–
Loan to a related party	<b>31,861,111</b>	56,000,000	50,500,000
Rental deposits	<b>82,624,379</b>	68,358,209	61,297,905
Total credit risk exposure	<b>P895,222,563</b>	<b>P789,694,367</b>	<b>P968,602,736</b>

\*Excluding cash on hand.





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

2015						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1-180 Days	181-360 Days	Subtotal		
Cash and cash equivalents*	₱343,107,110	₱-	₱-	₱-	₱-	₱343,107,110
Trade and other receivables:						
Trade receivables	196,813,736	14,149,732	8,084,033	22,233,765	2,202,835	221,250,336
NAF	44,722,424	-	-	-	-	44,722,424
Receivables from employees	9,063,090	6,411,067	4,905,449	11,316,516	4,273,943	24,653,549
Royalty receivable	16,791,772	-	-	-	-	16,791,772
Advances to related party	65,500,000	-	-	-	-	65,500,000
Other receivables	62,373,865	8,814,795	-	8,814,795	78,478	71,267,138
Loan to a related party	31,861,111	-	-	-	-	31,861,111
Rental deposits	82,624,379	-	-	-	1,159,764	83,784,143
	₱852,857,487	₱29,375,594	₱12,989,482	₱42,365,076	₱7,715,020	₱902,937,583

2014						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1-180 Days	181-360 Days	Subtotal		
Cash and cash equivalents*	₱372,365,623	₱-	₱-	₱-	₱-	₱372,365,623
Trade and other receivables:						
Trade receivables	159,139,871	18,260,559	1,534,193	19,794,752	-	178,934,623
NAF	26,649,290	11,380,017	-	11,380,017	-	38,029,307
Receivables from employees	7,123,803	3,386,154	8,620,203	12,006,357	3,597,841	22,728,001
Royalty receivable	14,654,544	-	-	-	-	14,654,544
Other receivables	27,270,252	10,992,761	3,958,888	14,951,649	1,510,667	43,732,568
Loan to a related party	56,000,000	-	-	-	-	56,000,000
Rental deposits	68,358,209	-	-	-	1,159,764	69,517,973
	₱731,561,592	₱44,019,491	₱14,113,284	₱58,132,775	₱6,268,272	₱795,962,639

\*Excluding cash on hand.

2013						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1-180 Days	181-360 Days	Subtotal		
Cash and cash equivalents*	₱625,621,550	₱-	₱-	₱-	₱-	₱625,621,550
Trade and other receivables:						
Trade receivables	101,569,684	1,709,595	-	1,709,595	-	103,279,279
NAF	-	16,654,557	24,069,486	40,724,043	-	40,724,043
Receivables from employees	11,910,561	2,807,651	2,218,733	5,026,384	2,923,608	19,860,553
Royalty receivable	17,379,099	-	-	-	-	17,379,099
Other receivables	52,863,916	-	-	-	386,298	53,250,214
Loan to a related party	50,500,000	-	-	-	-	50,500,000
Rental deposits	61,297,905	-	-	-	-	61,297,905
	₱921,142,715	₱21,171,803	₱26,288,219	₱47,460,022	₱3,309,906	₱971,912,643

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 Company's neither past due nor impaired financial assets based on their historical experience with the corresponding debtors:

2015				
	High grade	Medium grade	Standard grade	Total
Cash and cash equivalents*	P343,107,110	P-	P-	P343,107,110
Trade and other receivables:				
Trade receivables	161,124,100	4,741,023	30,948,613	196,813,736
NAF	-	-	44,722,424	44,722,424
Receivables from employees	9,063,090	-	-	9,063,090
Royalty receivable	16,791,772	-	-	16,791,772
Advances to related party	-	-	65,500,000	65,500,000
Other receivables	20,436,831	2,952,039	38,984,994	62,373,864
Loan to a related party	-	-	31,861,111	31,861,111
Rental deposits	-	-	82,624,379	82,624,379
	<b>P550,522,903</b>	<b>P7,693,062</b>	<b>P294,641,521</b>	<b>P852,857,486</b>
2014				
	High grade	Medium grade	Standard grade	Total
Cash and cash equivalents*	P372,365,623	P-	P-	P372,365,623
Trade and other receivables:				
Trade receivables	126,870,375	8,542,159	23,727,337	159,139,871
NAF	-	-	26,649,290	26,649,290
Receivables from employees	-	-	7,123,803	7,123,803
Royalty receivable	14,654,544	-	-	14,654,544
Other receivables	2,280,776	-	24,989,476	27,270,252
Loan to a related party	-	-	56,000,000	56,000,000
Rental deposits	-	-	68,358,209	68,358,209
	<b>P516,171,318</b>	<b>P8,542,159</b>	<b>P206,848,115</b>	<b>P731,561,592</b>
2013				
	High grade	Medium grade	Standard grade	Total
Cash and cash equivalents*	P625,621,550	P-	P-	P625,621,550
Trade and other receivables:				
Trade receivables	91,934,450	2,896,845	6,738,389	101,569,684
NAF	-	-	-	-
Receivables from employees	-	-	11,910,561	11,910,561
Royalty receivable	17,379,099	-	-	17,379,099
Other receivables	-	-	52,863,916	52,863,916
Loan to a related party	-	-	50,500,000	50,500,000
Rental deposits	-	-	61,297,905	61,297,905
	<b>P734,935,099</b>	<b>P2,896,845</b>	<b>P183,310,771</b>	<b>P921,142,715</b>

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 is the risk that the Company will be unable to meet its payment obligations when they fall under normal and stress circumstances. To limit this risk, the Company maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations.



The table below summarizes the maturity profile of the Company's financial liabilities based on undiscounted payments.

2015			
	Less than 3 Months	Over 3 Months	Total
Accounts payable and other current liabilities:			
Trade payables	P340,564,670	P52,788,234	P393,352,904
Nontrade payables	172,060,242	79,512,705	251,572,947
Accrued expenses	72,086,520	42,157,383	114,243,903
Other payables*	104,293,107	-	104,293,107
NAF	31,551,137	-	31,551,137
	<b>P720,555,676</b>	<b>P174,458,322</b>	<b>P895,013,998</b>

\*Excluding other current liabilities representing statutory payables and other liabilities to the government.

2014			
	Less than 3 Months	Over 3 Months	Total
Accounts payable and other current liabilities:			
Trade payables	P414,452,417	P46,599,679	P461,052,096
Nontrade payables	98,769,704	131,388,533	230,158,237
Accrued expenses	42,209,807	118,619,872	160,829,679
Other payables*	90,961,343	-	90,961,343
NAF	48,413,515	-	48,413,515
	<b>P694,806,786</b>	<b>P296,608,084</b>	<b>P991,414,870</b>

\*Excluding other current liabilities representing statutory payables and other liabilities to the government.

2013			
	Less than 3 Months	Over 3 Months	Total
Accounts payable and other current liabilities:			
Trade payables	P376,688,750	P30,360,556	P407,049,306
Nontrade payables	138,389,010	43,446,563	181,835,573
Accrued expenses	160,232,170	3,125,471	163,357,641
Other payables*	64,794,172	-	64,794,172
NAF	7,561,372	-	7,561,372
Dividends payable	11,474,475	-	11,474,475
	<b>P759,139,949</b>	<b>P76,932,590</b>	<b>P836,072,539</b>

The following tables show the profile of financial assets used by the Company to manage its liquidity risk:

2015					
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Cash and cash equivalents*	P343,107,110	P-	P-	P-	P343,107,110
Financial assets at FVPL	36,084,300	-	-	-	36,084,300
Trade and other receivables:					
Trade receivables	22,233,765	196,813,736	-	-	219,047,501
Other receivables	8,814,795	62,373,865	-	-	71,188,660
NAF	-	-	44,722,424	-	44,722,424
Receivables from employees	11,316,516	-	9,063,090	-	20,379,606
Royalty receivable	-	16,791,772	-	-	16,791,772
Loan to a related party	8,194,444	3,833,334	11,500,000	8,333,333	23,527,778
AFS investments	-	-	-	682,534,072	682,534,072
Rental deposits	-	-	-	82,624,379	82,624,379
	<b>P429,750,930</b>	<b>P279,812,707</b>	<b>P65,285,514</b>	<b>P773,491,784</b>	<b>P1,540,007,602</b>



2014					
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Cash and cash equivalents*	P372,365,623	P-	P-	P-	P372,365,623
Financial assets at FVPL	38,891,488	-	-	-	38,891,488
Trade and other receivables:					
Trade receivables	19,794,752	159,139,871	-	-	178,934,623
Other receivables	14,951,649	27,270,252	-	-	42,221,901
NAF	-	-	11,380,017	-	11,380,017
Receivables from employees	12,006,357	-	7,123,803	-	19,130,160
Royalty receivable	-	14,654,544	-	-	14,654,544
Loan to a related party	-	8,083,333	24,250,000	23,666,667	32,333,333
AFS investments	-	-	-	687,311,474	687,311,474
Rental deposits	-	-	-	68,358,209	68,358,209
	<b>P458,009,869</b>	<b>P209,148,000</b>	<b>P42,753,820</b>	<b>P779,336,350</b>	<b>P1,465,581,372</b>

2013					
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Cash and cash equivalents*	P625,621,550	P-	P-	P-	P625,621,550
Financial assets at FVPL	-	-	-	-	-
Trade and other receivables:					
Trade receivables	1,709,595	101,569,684	-	-	103,279,279
Other receivables	-	52,863,916	-	-	52,863,916
NAF	-	-	40,724,043	-	40,724,043
Receivables from employees	5,026,384	-	11,910,561	-	16,936,945
Royalty receivable	-	17,379,099	-	-	17,379,099
Loan to a related party	-	4,500,000	13,500,000	32,500,000	18,000,000
AFS investments	-	-	-	370,675,669	370,675,669
Rental deposits	-	-	-	61,297,905	61,297,905
	<b>P632,357,529</b>	<b>P176,312,699</b>	<b>P66,134,604</b>	<b>P464,473,574</b>	<b>P1,306,778,406</b>

### Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. The Company's strategy, which was unchanged from prior period, was to maintain healthy debt-to-equity ratio at any time. The Company's debt-to-equity ratios are as follows:

	2015	2014	2013
Total liabilities	<b>P1,086,007,916</b>	P1,157,807,571	P978,429,568
Total equity	<b>1,578,242,863</b>	1,264,863,633	957,749,441
	<b>0.69:1</b>	0.92:1	1.02:1

### 25. 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, receivables and accounts payable 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 Company’s financial instruments other than those described above:

	2015		2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Level 1</b>						
AFS investments	₱682,534,072	₱682,534,072	₱687,311,474	₱687,311,474	₱370,675,669	₱370,675,669
Financial assets at fair value through profit or loss	36,084,300	36,084,300	38,891,488	38,891,488	–	–
<b>Level 2</b>						
Rental deposits	83,784,173	104,548,029	69,517,973	69,517,973	61,297,905	66,476,725
Loan to a related party	31,861,111	30,371,807	56,000,000	56,000,000	50,500,000	47,749,663
	<b>₱834,263,656</b>	<b>₱853,538,208</b>	<b>₱851,720,935</b>	<b>₱851,720,935</b>	<b>₱482,473,574</b>	<b>₱484,902,057</b>

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 4.30% to 6.31% in 2015, 4.38% to 6.45% in 2014 and 5.88% in 2013.

*Loan to related party.* The fair values were obtained by discounting the instruments’ expected cash flows using interest rates of 4.76% and 5.02% in 2015 for Bakemasters Inc. and DBE Project, Inc., respectively, 6.22% and 6.49% in 2014 for Bakemasters Inc. and DBE Project, Inc., respectively, and 5.76% in 2013 for both Bakemasters Inc. and DBE Project, Inc.

*AFS Investments.* The fair values are based on quoted shares as at reporting date.

*Financial assets at fair value through profit or loss.* This includes equity securities purchased and held principally with the intention of selling them in the near term. These securities are carried at fair value, and gains and losses on these instruments are recognized as “Trading securities gain - net” in the statement of comprehensive income (see Note 22). Quoted market prices, when available, are used to determine the fair value of these financial instruments.

During the years ended December 31, 2015, 2014 and 2013, there were no transfers between Level 1 and 2 fair value measurements.

## 26. Lease Commitments

Under existing operating lease contracts, the Company is committed to pay the following minimum annual rentals:

Within one year	₱108,376,971
After one year but not more than five years	243,853,016
More than five years	372,502,864
	<b>₱724,732,851</b>

The lease contracts are effective for varying periods ranging from two to fifteen years up to 2030. In a number of lease contracts, the Company is also committed to pay an amount equivalent to a certain percentage of its sales as additional rental. The Company is also required to pay rental deposits. Rental deposits as at December 31, 2015, 2014 and 2013 amounted to ₱83.8 million, ₱69.5 million and ₱61.3 million, respectively (see Note 14). Accrued rent arising from recording rent expense using the straight line method of amortization amounted to ₱42.7 million, ₱40.5 million and ₱33.4 million as at December 31, 2015, 2014 and 2013, respectively.



Rental expense charged against net income in the statements of comprehensive income amounted to ₱279.1 million in 2015, ₱259.2 million in 2014 and ₱240.1 million in 2013 (see Notes 19 and 20).

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## 27. Licensing Agreement

The Company has a territorial licensing agreement with GGL, 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 Company is liable to the licensor for a license fee based on sales of each of the dealers of the Company. The agreement, which was drawn on September 2, 1974, is renewable at the option of the Company, from term to term, each term being a period of five (5) years under the same terms and conditions for a total period of sixty (60) years.

On October 16, 1999, a related party purchased the territorial licensing agreement from GGL. The Company and the related party agreed in principle that the payment of license fee shall be suspended until the Company’s annual gross dealers’ sales as defined in the agreement reaches ₱1.5 billion or after five years from the date of finalization of the agreement, whichever is earlier. License fees recorded amounted to ₱0.9 million in 2015, 2014 and 2013 (see Notes 16 and 20).

Royalty and franchise fees amounted to ₱168.3 million in 2015, ₱143.0 million in 2014 and ₱116.6 million in 2013. The Company’s receivables from the franchisees amounted to ₱16.8 million, ₱14.7 million and ₱17.4 million as at December 31, 2015, 2014 and 2013, respectively. This is shown as “Royalty receivable” under “Trade and other receivables” in the statements of financial position (see Note 9).

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## 28. Standards Issued but Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are listed below. The Company intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any impact significant impact on the financial statements of the Company.

### No definite adoption date prescribed by the SEC and FRSC

- *Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*

### Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Investment entities: Applying the Consolidation Exception (Amendments)*
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests (Amendments)*
- PAS 1, *Presentation of Financial Statements - Disclosure Initiative (Amendments)*
- PAS 14, *Regulatory Deferral Accounts*
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*



- Annual Improvements to PFRSs (2012 – 2014 cycle)
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* - Changes in Methods of Disposal
  - PFRS 7, *Financial Instruments: Disclosures* - Servicing Contracts
  - PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - PAS 19, *Employee Benefits* - Regional Market Issue Regarding Discount Rate
  - PAS 34, *Interim Financial Reporting* - Disclosure of Information “Elsewhere in the Interim Financial Report”

Effective January 1, 2018

- PFRS 9, *Financial Instruments*

In addition, the International Accounting Standards Board has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Company is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers* (effective January 1, 2018)
- IFRS 16, *Leases* (effective January 1, 2019)

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## 29. 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 in 2015, 2014 and 2013, hence, diluted EPS is the same as the basic EPS.

The Company’s EPS were computed as follows:

	2015	2014	2013
(a) Net income	<b>₱479,592,404</b>	₱429,151,807	₱367,175,967
(b) Weighted average number of shares outstanding	<b>768,614,050</b>	368,614,050	368,614,050
Basic/diluted EPS (a/b)	<b>₱0.62</b>	₱1.16	₱1.00



### 30. Reclassifications

Certain accounts in the statements of financial position and statements of comprehensive income had been reclassified to provide more relevant information to the users of the financial statements. The effects of the reclassifications on the financial statements are as follows:

	As at December 31		
	2015	2014	2013
<u>Increase (decrease) in:</u>			
<u>Statements of Financial Position</u>			
Prepaid expenses and other current assets	₱–	(₱26,033,050)	(₱11,701,475)
Deferred input value-added tax	–	26,033,050	11,701,475
Accounts payable and other current liabilities	–	–	(33,390,004)
Accrued rent	–	–	33,390,004
<u>Statements of Comprehensive</u>			
<u>Income</u>			
Royalty and franchise fees	₱33,669,674	₱28,597,371	₱23,312,796
Provision for current income tax	33,669,674	28,597,371	23,312,796

### 31. Events After the Reporting Period

On September 22, 2016, the BOD approved the increase in the Company's authorized capital stock from ₱1,000.00 million to ₱2,000.00 million.

On June 29, 2016, the Company acquired ₱25.00 million of the 100% interest in IFFSI Food Brand Trademark, Inc. (IFBTI). IFBTI is a company engaged in the business of developing and designing, acquiring, selling, transferring, exchanging, managing, licensing, franchising to label marks, devices, brands, trademarks and all other form of intellectual property. As of September 30, 2016, IFBTI has not yet started commercial operations.

On June 8, 2016, the Company entered into an omnibus loan and security agreement with BDO Unibank, Inc. and SAFHI. BDO Unibank, Inc. provided a term loan facility in the principal amount of ₱5,000.00 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.

On February 29, 2016, the BOD declared cash dividend amounting to ₱986.92 million as follows:

Date of declaration	Dividend		Record date
	Rate	Amount	
February 29, 2016	0.60 per share	₱46,116,843	March 30, 2016
February 29, 2016	1.224 per share	940,800,000	March 30, 2016



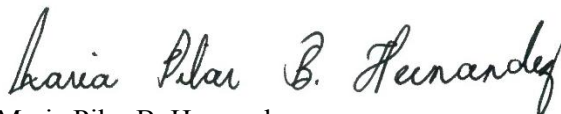


## **INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
International Family Food Services, Inc.  
AFP-RSBS Industrial Park  
C-5 Junction, Km. 12, East Service Road  
Taguig City, Metro Manila

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of International Family Food Services, Inc. as at and for the years ended December 31, 2015, 2014 and 2013 and have issued our report thereon dated September 30, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements are the responsibility of the Company's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic 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 financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Maria Pilar B. Hernandez

Partner

CPA Certificate No. 105007

SEC Accreditation No. 1558-A (Group A),

April 14, 2016, valid until April 14, 2019

Tax Identification No. 214-318-972

BIR Accreditation No. 08-001998-116-2016,

February 15, 2016, valid until February 14, 2019

PTR No. 5321644, January 4, 2016, Makati City

September 30, 2016



**INTERNATIONAL FAMILY FOOD SERVICES, INC.**  
**INDEX TO THE FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**

Supplementary Schedules

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule of all the effective standards and interpretations under PFRS as of December 31, 2015

**INTERNATIONAL FAMILY FOOD SERVICES, INC.**  
**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**December 31, 2015**

<b>Retained earnings as at December 31, 2014</b>		<b>₱900,047,563</b>
Less -		
Deferred tax asset		26,526,887
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<b>Unappropriated retained earnings, as adjusted, as at December 31, 2014</b>		<b>873,520,676</b>
Add (less):		
Net income	₱479,592,404	
Changes in deferred tax assets	(635,481)	478,956,923
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		1,352,477,599
Dividends declared during the year		(550,394,533)
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<b>Retained earnings available for additional dividend distribution as at December 31, 2015</b>		<b>₱802,083,066</b>
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**INTERNATIONAL FAMILY FOOD SERVICES, INC.**  
**SCHEDULE OF ALL THE EFFECTIVE STANDARDS**  
**AND INTERPRETATIONS**  
**AS OF DECEMBER 31, 2015**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Borrowing Costs	Not Early Adopted		
	Amendment to PFRS 1: Meaning of Effective PFRSs	Not Early Adopted		
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Changes in Method of Disposal	Not Early Adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Servicing Contracts	Not Early Adopted		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets Between and Investor and its Associate of Joint Venture			✓
	Amendments to PFRS 10: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	Not Early Adopted		
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities	Not Early Adopted		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	Not Early Adopted		
	Amendment to PFRS 13: Portfolio Exception			✓
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>PFRS 15</b>	Revenue from Contracts with Customers	Not Early Adopted		
<b>PFRS 16</b>	Leases	Not Early Adopted		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements of comparative information	Not early adopted		
	Amendments to PAS 1: Disclosure Initiative	Not early adopted		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment	Not Early Adopted		
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation			✓
	Amendment to PAS 16: Bearer Plants			✓
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel			✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10: Sale or Contribution of Assets Between and Investor and its Associate of Joint Venture			✓
	Amendments to PAS 18: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	Not Early Adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	Not Early Adopted		
	Amendments to PAS 34: Disclosure of Information Elsewhere in the Interim Financial Report	Not Early Adopted		
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of acceptable methods of amortization			✓
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization	Not Early Adopted		
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
<b>PAS 40</b>	Investment Property			✓
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies (IFRIC 21)			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases – Incentives			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓