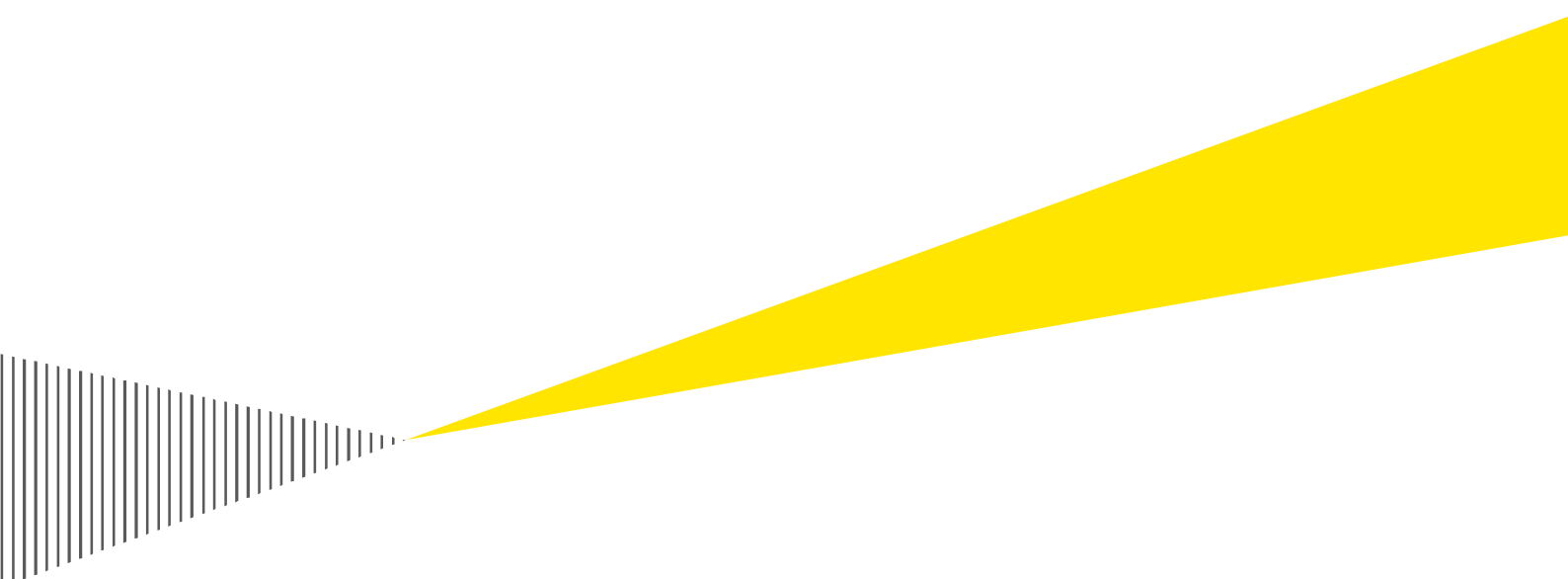


# Jollibee Foods Corporation and Subsidiaries

Consolidated Financial Statements  
December 31, 2014 and 2013  
and Years Ended December 31, 2014, 2013 and 2012

and

Independent Auditors' Report



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## **INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors  
Jollibee Foods Corporation

We have audited the accompanying consolidated financial statements of Jollibee Foods Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated 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, 2014, and a summary of significant accounting policies and other explanatory information.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Jollibee Foods Corporation and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Marydith C. Miguel

Partner

CPA Certificate No. 65556

SEC Accreditation No. 0087-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 102-092-270

BIR Accreditation No. 08-001998-55-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 4751303, January 5, 2015, Makati City

April 7, 2015



**JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 6, 30 and 31)	₱7,618,473,267	₱9,903,877,068
Receivables (Notes 7, 30 and 31)	7,621,193,252	3,082,872,678
Inventories (Note 8)	5,971,813,991	3,560,432,134
Other current assets (Note 9)	2,809,910,944	1,836,995,105
Total Current Assets	24,021,391,454	18,384,176,985
<b>Noncurrent Assets</b>		
Available-for-sale financial assets (Notes 10, 30 and 31)	21,479,461	21,479,461
Interests in and advances to joint ventures, co-venturers and an associate (Note 11)	3,388,902,606	3,322,393,765
Property, plant and equipment (Note 12)	13,363,567,166	11,772,440,510
Investment properties (Note 13)	1,025,645,035	751,767,041
Goodwill and other intangible assets (Note 14)	9,385,110,293	9,103,636,848
Operating lease receivables (Notes 29, 30 and 31)	21,089,606	21,267,251
Deferred tax assets - net (Note 24)	751,965,318	756,196,860
Other noncurrent assets (Notes 15, 30 and 31)	2,139,528,661	1,893,275,392
Total Noncurrent Assets	30,097,288,146	27,642,457,128
	<b>₱54,118,679,600</b>	<b>₱46,026,634,113</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade payables and other current liabilities (Notes 16, 30 and 31)	₱16,295,665,174	₱14,249,926,021
Income tax payable	181,829,126	154,744,537
Short-term debt (Notes 18, 30 and 31)	1,865,000,000	-
Current portion of:		
Long-term debt (Notes 18, 30 and 31)	715,520,000	1,106,275,244
Liability for acquisition of businesses (Notes 11, 30 and 31)	32,906,018	107,666,875
Total Current Liabilities	19,090,920,318	15,618,612,677
<b>Noncurrent Liabilities</b>		
Noncurrent portion of:		
Long-term debt (Notes 18, 30 and 31)	4,428,012,970	4,062,970,500
Liability for acquisition of businesses (Notes 11, 30 and 31)	101,064,311	129,007,932
Provisions (Note 17)	30,500,639	30,500,639
Derivative liability (Notes 18, 30 and 31)	1,545,472	4,532,600
Pension liability (Note 25)	832,390,250	932,841,109
Operating lease payables (Notes 29, 30 and 31)	1,544,846,191	1,569,071,461
Deferred tax liabilities - net (Note 24)	11,377,928	318,157,118
Total Noncurrent Liabilities	6,949,737,761	7,047,081,359
Total Liabilities	26,040,658,079	22,665,694,036
<b>Equity Attributable to Equity Holders of the Parent Company (Note 30)</b>		
Capital stock (Note 19)	1,063,862,430	1,051,430,791
Additional paid-in capital	4,452,162,323	3,640,716,729
Cumulative translation adjustments of foreign subsidiaries, joint ventures and an associate	(25,789,376)	38,306,710
Remeasurement loss on net defined benefit plan - net of tax	(219,900,060)	(472,054,212)
Comprehensive loss on derivative liability (Note 18)	(2,395,155)	(3,411,504)
Excess of cost over the carrying value of non-controlling interests acquired (Note 19)	(542,764,486)	(542,764,486)
Retained earnings (Note 19):		
Appropriated for future expansion	10,200,000,000	10,200,000,000
Unappropriated	12,445,662,470	8,817,166,243
	27,370,838,146	22,729,390,271
Less cost of common stock held in treasury (Note 19)	180,511,491	180,511,491
	27,190,326,655	22,548,878,780
<b>Non-controlling Interests (Note 11)</b>	<b>887,694,866</b>	<b>812,061,297</b>
Total Equity	28,078,021,521	23,360,940,077
	<b>₱54,118,679,600</b>	<b>₱46,026,634,113</b>

See accompanying Notes to Consolidated Financial Statements.



**JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2014	2013	2012
<b>REVENUES</b>			
Net sales	₱86,209,777,710	₱76,313,489,585	₱67,493,953,521
Royalty, franchise fees and others (Note 20)	4,461,460,490	3,969,279,614	3,565,085,633
	<b>90,671,238,200</b>	80,282,769,199	71,059,039,154
<b>COST OF SALES</b> (Note 21)	<b>73,727,792,141</b>	65,284,763,064	58,435,498,743
<b>GROSS PROFIT</b>	<b>16,943,446,059</b>	14,998,006,135	12,623,540,411
<b>EXPENSES</b>			
General and administrative expenses (Note 22)	8,953,711,295	7,427,887,196	6,908,802,947
Advertising and promotions	1,852,967,633	1,639,022,544	1,369,719,679
	<b>10,806,678,928</b>	9,066,909,740	8,278,522,626
<b>INTEREST INCOME (EXPENSE)</b> (Note 23)			
Interest income	242,045,341	245,573,808	270,114,157
Interest expense	(152,471,253)	(152,920,028)	(206,012,700)
	<b>89,574,088</b>	92,653,780	64,101,457
<b>EQUITY IN NET LOSSES OF JOINT VENTURES AND AN ASSOCIATE</b> (Note 11)	<b>(126,174,100)</b>	(115,560,608)	(50,954,378)
<b>OTHER INCOME</b> (Note 23)	<b>659,303,926</b>	337,325,031	503,534,839
<b>INCOME BEFORE INCOME TAX</b>	<b>6,759,471,045</b>	6,245,514,598	4,861,699,703
<b>PROVISION FOR INCOME TAX</b> (Note 24)			
Current	1,694,768,550	1,521,966,682	1,277,160,734
Deferred	(424,239,011)	741,389	(127,456,683)
	<b>1,270,529,539</b>	1,522,708,071	1,149,704,051
<b>NET INCOME</b>	<b>5,488,941,506</b>	4,722,806,527	3,711,995,652
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments of foreign subsidiaries, joint ventures and associates	(76,062,317)	414,851,757	(169,424,928)
Comprehensive gain (loss) on derivative liability (Note 18)	1,882,127	6,806,839	(13,124,439)
Unrealized loss on available-for-sale financial assets (Note 10)	-	(102,626,829)	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on net defined benefit plan - net of tax (Note 25)	252,154,152	(247,396,470)	(353,386,141)
	<b>177,973,962</b>	71,635,297	(535,935,508)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱5,666,915,468</b>	₱4,794,441,824	₱3,176,060,144
<b>Net Income Attributable to:</b>			
Equity holders of the Parent Company (Note 28)	₱5,361,978,768	₱4,671,559,394	₱3,727,084,297
Non-controlling interests	126,962,738	51,247,133	(15,088,645)
	<b>₱5,488,941,506</b>	₱4,722,806,527	₱3,711,995,652
<b>Total Comprehensive Income Attributable to:</b>			
Equity holders of the Parent Company	₱5,551,053,183	₱4,714,897,553	₱3,202,418,756
Non-controlling interests	115,862,285	79,544,271	(26,358,612)
	<b>₱5,666,915,468</b>	₱4,794,441,824	₱3,176,060,144
<b>Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company</b> (Note 28)			
Basic	₱5.075	₱4.450	₱3.577
Diluted	4.955	4.360	3.513

See accompanying Notes to Consolidated Financial Statements.



**JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012**

	Equity Attributable to Equity Holders of the Parent Company (Note 30)													Total Equity
	Capital Stock (Note 19)	Subscriptions Receivable	Additional Paid-in Capital	Cumulative Translation Adjustments of Foreign Subsidiaries, Joint Ventures and an Associate	Remeasurement Gain (Loss) on Net Defined Benefit Plan - net of tax (Note 25)	Unrealized Gain on Available-for-Sale Financial Assets (Note 10)	Comprehensive Loss on Derivative Liability (Note 18)	Excess of Cost over the Carrying Value of Non-controlling Interests Acquired (Note 19)	Retained Earnings (Note 19)		Cost of Common Stock Held in Treasury (Note 19)	Non-controlling Interests (Note 11)		
								Appropriated for Future Expansion	Unappropriated		Total			
Balance at January 1, 2014	₱1,068,608,675	(₱17,177,884)	₱3,640,716,729	₱38,306,710	(₱472,054,212)	₱-	(₱3,411,504)	(₱542,764,486)	₱10,200,000,000	₱8,817,166,243	(₱180,511,491)	₱22,548,878,780	₱812,061,297	₱23,360,940,077
Net income	-	-	-	-	-	-	-	-	-	5,361,978,768	-	5,361,978,768	126,962,738	5,488,941,506
Other comprehensive income (loss)	-	-	-	(64,096,086)	252,154,152	-	1,016,349	-	-	-	-	189,074,415	(11,100,453)	177,973,962
Total comprehensive income (loss)	-	-	-	(64,096,086)	252,154,152	-	1,016,349	-	-	5,361,978,768	-	5,551,053,183	115,862,285	5,666,915,468
Movements in other equity accounts:														
Issuances of and subscriptions to capital stock (Note 19)	12,431,639	-	644,954,706	-	-	-	-	-	-	-	-	657,386,345	-	657,386,345
Cost of stock options granted (Note 26)	-	-	166,490,888	-	-	-	-	-	-	-	-	166,490,888	-	166,490,888
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	-	(1,733,482,541)	-	(1,733,482,541)	-	(1,733,482,541)
Cash dividends received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(40,228,716)	(40,228,716)
	12,431,639	-	811,445,594	-	-	-	-	-	-	(1,733,482,541)	-	(909,605,308)	(40,228,716)	(949,834,024)
Balances at December 31, 2014	₱1,081,040,314	(₱17,177,884)	₱4,452,162,323	(₱25,789,376)	(₱219,900,060)	₱-	(₱2,395,155)	(₱542,764,486)	₱10,200,000,000	₱12,445,662,470	(₱180,511,491)	₱27,190,326,655	₱887,694,866	₱28,078,021,521
Balance at January 1, 2013	₱1,063,859,559	(₱17,177,884)	₱3,284,139,309	(₱351,379,055)	(₱224,657,742)	₱102,626,829	(₱7,087,197)	(₱542,764,486)	₱5,000,000,000	₱12,871,154,204	(₱180,511,491)	₱20,998,202,046	₱733,100,982	₱21,731,303,028
Net income	-	-	-	-	-	-	-	-	-	4,671,559,394	-	4,671,559,394	51,247,133	4,722,806,527
Other comprehensive income (loss)	-	-	-	389,685,765	(247,396,470)	(102,626,829)	3,675,693	-	-	-	-	43,338,159	28,297,138	71,635,297
Total comprehensive income (loss)	-	-	-	389,685,765	(247,396,470)	(102,626,829)	3,675,693	-	-	4,671,559,394	-	4,714,897,553	79,544,271	4,794,441,824
Movements in other equity accounts:														
Issuances of and subscriptions to capital stock (Note 19)	4,749,116	-	206,158,679	-	-	-	-	-	-	-	-	210,907,795	-	210,907,795
Cost of stock options granted (Note 26)	-	-	150,418,741	-	-	-	-	-	-	-	-	150,418,741	-	150,418,741
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	-	(3,525,547,355)	-	(3,525,547,355)	-	(3,525,547,355)
Cash dividends received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(30,000,000)	(30,000,000)
Appropriation during the year (Note 19)	-	-	-	-	-	-	-	-	5,200,000,000	(5,200,000,000)	-	-	-	-
Additional investments during the year	4,749,116	-	356,577,420	-	-	-	-	-	-	-	-	-	29,416,044	29,416,044
	4,749,116	-	356,577,420	-	-	-	-	-	5,200,000,000	(8,725,547,355)	-	(3,164,220,819)	(583,956)	(3,164,804,775)
Balances at December 31, 2013	₱1,068,608,675	(₱17,177,884)	₱3,640,716,729	₱38,306,710	(₱472,054,212)	₱-	(₱3,411,504)	(₱542,764,486)	₱10,200,000,000	₱8,817,166,243	(₱180,511,491)	₱22,548,878,780	₱812,061,297	₱23,360,940,077



Equity Attributable to Equity Holders of the Parent Company (Note 30)														
	Capital Stock (Note 19)	Subscriptions Receivable	Additional Paid-in Capital	Cumulative Translation Adjustments of Foreign Subsidiaries Joint Ventures and an Associate	Remeasurement Gains (Loss) on Net Defined Benefit Plan - net of tax (Note 25)	Unrealized Gain on Available-for-Sale Financial Assets (Note 10)	Comprehensive Loss on Derivative Liability (Note 18)	Excess of Cost over the Carrying Value of Non-controlling Interests Acquired (Note 19)	Retained Earnings (Note 19)		Cost of Common Stock Held in Treasury (Note 19)	Total	Non-controlling Interests (Note 11)	Total Equity
									Appropriated for Future Expansion	Unappropriated				
Balance at January 1, 2012	₱1,054,953,233	(₱17,177,884)	₱2,914,463,925	(₱187,186,852)	₱128,728,399	₱102,626,829	₱-	(₱542,764,486)	₱1,200,000,000	₱15,238,047,410	(₱180,511,491)	₱19,711,179,083	₱703,691,245	₱20,414,870,328
Total comprehensive income														
Net income	-	-	-	-	-	-	-	-	-	3,727,084,297	-	3,727,084,297	(15,088,645)	3,711,995,652
Other comprehensive loss	-	-	-	(164,192,203)	(353,386,141)	-	(7,087,197)	-	-	-	-	(524,665,541)	(11,269,967)	(535,935,508)
	-	-	-	(164,192,203)	(353,386,141)	-	(7,087,197)	-	-	3,727,084,297	-	3,202,418,756	(26,358,612)	3,176,060,144
Movements in other equity accounts:														
Issuances of and subscriptions to capital stock (Note 19)	8,906,326	-	292,691,011	-	-	-	-	-	-	-	-	301,597,337	-	301,597,337
Cost of stock options granted (Note 26)	-	-	76,984,373	-	-	-	-	-	-	-	-	76,984,373	-	76,984,373
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	-	(2,293,977,503)	-	(2,293,977,503)	-	(2,293,977,503)
Cash dividends received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(45,000,000)	(45,000,000)
Arising from business combination	-	-	-	-	-	-	-	-	-	-	-	-	20,895,511	20,895,511
Appropriation during the year (Note 19)	-	-	-	-	-	-	-	-	3,800,000,000	(3,800,000,000)	-	-	-	-
Additional investments during the year	-	-	-	-	-	-	-	-	-	-	-	-	59,148,000	59,148,000
Arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	20,724,838	20,724,838
	8,906,326	-	369,675,384	-	-	-	-	-	3,800,000,000	(6,093,977,503)	-	(1,915,395,793)	55,768,349	(1,859,627,444)
Balances at December 31, 2012	₱1,063,859,559	(₱17,177,884)	₱3,284,139,309	(₱351,379,055)	(₱224,657,742)	₱102,626,829	(₱7,087,197)	(₱542,764,486)	₱5,000,000,000	₱12,871,154,204	(₱180,511,491)	₱20,998,202,046	₱733,100,982	₱21,731,303,028

See accompanying Notes to Consolidated Financial Statements.



**JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>		
	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱6,759,471,045</b>	₱6,245,514,598	₱4,861,699,703
Adjustments for:			
Depreciation and amortization (Notes 12, 13, 14, 21 and 22)	<b>3,186,379,730</b>	3,072,455,820	2,705,626,363
Interest income (Note 23)	<b>(242,045,341)</b>	(245,573,808)	(270,114,157)
Movement in pension liability (Notes 21, 22 and 25)	<b>187,283,727</b>	86,990,769	56,017,397
Stock options expense (Note 26)	<b>166,490,888</b>	150,418,741	76,984,373
Loss on disposals and retirements of property, plant and equipment and investment properties (Notes 12 and 13)	<b>156,615,427</b>	446,158,983	318,630,643
Interest expense (Note 23)	<b>152,471,253</b>	152,920,028	206,012,700
Equity in net losses of joint ventures and an associate (Note 11)	<b>126,174,100</b>	115,560,608	50,954,378
Impairment losses (reversals) on:			
Receivables (Notes 7 and 22)	<b>35,433,162</b>	11,206,210	97,559,491
Inventories (Notes 8 and 22)	<b>2,577,081</b>	9,367,464	-
Property, plant and equipment, investment properties and security and other deposits (Notes 12, 13 and 22)	<b>(60,647,298)</b>	(13,300,000)	53,677,361
Deferred rent amortization - net (Note 29)	<b>(24,047,625)</b>	110,196,300	121,184,894
Net unrealized foreign exchange loss (gain)	<b>6,320,479</b>	(34,235,766)	(30,892,981)
Write off of AFS financial asset (Note 10)	<b>-</b>	4,343,148	-
Income before working capital changes	<b>10,452,476,628</b>	10,112,023,095	8,247,340,165
Decreases (increases) in:			
Receivables	<b>(4,543,770,222)</b>	(324,828,093)	(214,752,618)
Inventories	<b>(2,413,958,938)</b>	(940,056,121)	243,401,297
Other current assets	<b>(972,105,043)</b>	(447,087,313)	308,051,784
Increases in trade payables and other current liabilities	<b>1,794,597,130</b>	2,041,413,463	858,004,807
Net cash generated from operations	<b>4,317,239,555</b>	10,441,465,031	9,442,045,435
Interest received	<b>212,872,623</b>	224,956,889	158,963,809
Income taxes paid	<b>(1,667,683,961)</b>	(1,446,921,723)	(1,363,045,319)
Net cash provided by operating activities	<b>2,862,428,217</b>	9,219,500,197	8,237,963,925
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Property, plant and equipment (Note 12)	<b>(5,045,474,419)</b>	(3,907,875,891)	(3,755,906,880)
Intangible assets (Note 14)	<b>(318,736,601)</b>	(267,270,178)	-
Investment property (Note 13)	<b>(277,484,623)</b>	-	-
Interest in a joint venture (Note 11)	<b>(74,998,875)</b>	(103,608,000)	(98,040,000)
Subsidiaries - net of cash acquired (Note 11)	<b>-</b>	-	(127,585,219)
Available-for-sale financial assets (Note 10)	<b>-</b>	(300,000)	(7,500,000)
Advances to a joint venture	<b>(101,577,556)</b>	(170,125,640)	(105,179,193)
Proceeds from disposals of property, plant and equipment and investment properties	<b>291,195,603</b>	50,662,989	41,766,889
Recovery from a joint venture (Note 11)	<b>-</b>	-	2,403,795
Decrease (increase) in other noncurrent assets	<b>(270,947,498)</b>	109,573,188	166,332,173
Net cash used in investing activities	<b>(5,798,023,969)</b>	(4,288,943,532)	(3,883,708,435)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Cash dividends (Note 19)	<b>(1,560,657,861)</b>	(3,232,637,120)	(2,274,367,485)
Long-term debt (Note 18)	<b>(1,096,987,500)</b>	(3,149,351,766)	(728,863,892)
Liability for acquisition of businesses (Note 11)	<b>(109,920,000)</b>	(149,814,984)	(108,696,000)
Short-term debt (Note 18)	<b>-</b>	-	(900,000,000)

(Forward)





	<b>Years Ended December 31</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Proceeds from:			
Short-term debt (Note 18)	<b>₱1,865,000,000</b>	₱-	₱-
Long-term debt (Note 18)	<b>1,053,535,000</b>	2,582,580,000	1,700,800,000
Issuances of and subscriptions to capital stock	<b>657,386,344</b>	210,907,795	301,597,337
Interest paid	<b>(123,473,583)</b>	(141,263,440)	(194,335,697)
Dividends paid to non-controlling interests	<b>(40,228,716)</b>	(30,000,000)	(45,000,000)
Contributions from non-controlling interests	<b>-</b>	29,416,042	79,872,838
Net cash provided by (used in) financing activities	<b>644,653,684</b>	(3,880,163,473)	(2,168,992,899)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,290,942,068)</b>	1,050,393,192	2,185,262,591
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>			
<b>AND CASH EQUIVALENTS</b>	<b>5,538,267</b>	4,892,292	8,016,118
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>9,903,877,068</b>	8,848,591,584	6,655,312,875
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱7,618,473,267</b>	₱9,903,877,068	₱8,848,591,584

*See accompanying Notes to Consolidated Financial Statements.*



# **JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

Jollibee Foods Corporation (the Parent Company) was incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as “the Jollibee Group”) are involved primarily in the development, operation and franchising of quick service restaurants (QSR) under the trade names “Jollibee”, “Chowking”, “Greenwich”, “Red Ribbon”, “Yong He King”, “Hong Zhuang Yuan”, “Mang Inasal”, “Burger King”, “San Pin Wang” and “12 Hotpot”. The other activities of the Jollibee Group include manufacturing and property leasing in support of the quick service restaurant systems and other business activities (see Notes 2 and 5).

The common shares of the Parent Company were listed and have been traded in the Philippine Stock Exchange (PSE) beginning July 14, 1993.

The registered office address of the Parent Company is 10/F Jollibee Plaza Building, 10 F. Ortigas Jr. Ave., Ortigas Center, Pasig City.

The consolidated financial statements as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were reviewed and recommended for approval by the Audit Committee as well as approved and authorized for issuance by the Board of Directors (BOD) on April 7, 2015.

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### **2. Basis of Preparation, Statement of Compliance, Changes in Accounting Policies and Basis of Consolidation**

#### Basis of Preparation

The consolidated financial statements of the Jollibee Group have been prepared on a historical cost basis, except for the derivative liability and certain available-for-sale (AFS) financial assets, which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional and presentation currency.

#### Statement of Compliance

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

#### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new PFRSs and amendments to existing PFRS and Philippine Auditing Standards (PAS) which became effective on January 1, 2014:

- Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities*

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Jollibee Group, since none of the entities within the Jollibee Group qualifies to be an investment entity under PFRS 10.



- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

These amendments clarify the meaning of ‘currently has a legally enforceable right to set-off’ and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on the Jollibee Group, since none of the entities in the Jollibee Group has any offsetting arrangements.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Jollibee Group as the Jollibee Group has not novated its derivatives during the current or prior periods.

- Philippine Interpretation International Reporting Interpretations Committee (IFRIC 21), *Levies*

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. The interpretation has no impact on the Jollibee Group as it has applied the recognition under PAS 37, *Provision, Contingent Liabilities and Contingent Assets*, consistent with the requirement of IFRIC 21 in prior years.

- Annual Improvements to PFRSs (2010-2012 cycle)

In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no significant impact on the Jollibee Group.

- Annual Improvements to PFRSs (2011-2013 cycle)

In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards-First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity’s first PFRS financial statements. This amendment has no impact on the Jollibee Group as it is not a first time PFRS adopter.



New Accounting Standards, Interpretations and Amendments to Existing Standards  
Effective Subsequent to December 31, 2014

The Jollibee Group will adopt the following revised standards, interpretations and amendments when these become effective.

*Effective January 1, 2015*

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Jollibee Group, since none of the entities within the Jollibee Group has defined benefit plans wherein employees or third parties make contributions.

- Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 Cycle) are effective for annual periods beginning on or after January 1, 2015 and except as otherwise stated, are not expected to have a material impact on the Jollibee Group. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Jollibee Group shall consider this amendment for any future 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*

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual Improvements to PFRSs (2011-2013 Cycle)

The Annual Improvements to PFRSs (2011-2013 Cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Jollibee Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3; and
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*

The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*

The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only



differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

*Effective January 1, 2016*

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarifications of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Jollibee Group given that the Jollibee Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Jollibee Group as the Jollibee Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Jollibee Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associate and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full



gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016. These amendments are not expected to have significant impact to the Jollibee Group.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interest in Joint Operations*

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Jollibee Group.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Jollibee Group is an existing PFRS preparer, this standard would not apply.

- Annual Improvements to PFRSs (2012-2014 Cycle)

The Annual Improvements to PFRSs (2012-2014 Cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have significant impact on the Jollibee Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.



- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. Government bond rates are currently used to calculate the present value of the Jollibee Group's defined benefit obligation due to the absence of a local market for high quality corporate bonds.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

*Effective January 1, 2018*

- PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*

PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a





forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the Financial Reporting Standard Council (FRSC). The adoption of the final version of PFRS 9, however, is still for approval by the Board of Accountancy.

The Jollibee Group is currently assessing the impact of adopting this standard and expects that the adoption of PFRS 9 will have an effect on the classification and measurement of the Jollibee Group's financial assets but will have no impact on the classification and measurement of the Jollibee Group's financial liabilities. The adoption will also have an effect on the Jollibee Group's application of hedge accounting.

- PFRS 9, *Financial Instruments (2014 or final version)*

In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The Jollibee Group is currently assessing the impact of adopting this standard and expects that the adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Jollibee Group's financial liabilities. The adoption will also have an effect on the Jollibee Group's application of hedge accounting.

*The following new standard issued by the International Accounting Standards Board (IASB) has not yet been adopted by the Financial Reporting Standards Council*

- IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Jollibee Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.



*With Deferred Effective Date*

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

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Jollibee Group as it is not into the business of construction of real estate.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, 2013 and 2012.

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

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

When the Jollibee Group has less than a majority of the voting or similar rights of an investee, the Jollibee Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; or
- The Jollibee Group's voting rights and potential voting rights.

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

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Jollibee Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Jollibee Group are eliminated in full on consolidation. The reporting dates of the Parent Company and the associate or joint ventures are identical and the latter's accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances.



A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Jollibee Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Jollibee Group had directly disposed of the related assets or liabilities.

Non-controlling interests represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from equity attributable to holders of the Parent Company.

An increase or decrease in ownership interest in a subsidiary that does not result in a loss of control is accounted for as an equity transaction. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in the Jollibee Group's relative interests in the subsidiary. The Jollibee Group recognizes directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the equity holders of the Parent Company. These increases or decreases in the ownership interest in a subsidiary do not result in the recognition of a gain or loss.

The consolidated financial statements include the accounts of the Parent Company and the following wholly-owned and majority-owned subsidiaries as at December 31, 2014 and 2013:

	Country of Incorporation	Principal Activities	2014		2013	
			Direct Ownership	Indirect Ownership	Direct Ownership	Indirect Ownership
Fresh N' Famous Foods, Inc. (Fresh N' Famous):	Philippines	Food service	100	-	100	-
Chowking Food Corporation USA	United States of America (USA)	Holding company	-	100	-	100
Zenith Foods Corporation (Zenith)	Philippines	Food service	100	-	100	-
Freemont Foods Corporation (Freemont)	Philippines	Food service	100	-	100	-
RRB Holdings, Inc. (RRBHI):	Philippines	Holding company	100	-	100	-
Red Ribbon Bakeshop, Inc. (RRBI)	Philippines	Food service	-	100	-	100
Red Ribbon Bakeshop, Inc. USA (RRBI USA)	USA	Food service	-	100	-	100
Mang Inasal Philippines Inc. (Mang Inasal)	Philippines	Food service	70	-	70	-
Grandworth Resources Corporation (Grandworth):	Philippines	Leasing	100	-	100	-
Adgraphix, Inc. (Adgraphix)	Philippines	Digital printing	-	100	-	100
IConnect Multi Media Network, Inc. (IConnect)	Philippines	Advertising	-	60	-	60
JC Properties & Ventures Co.	Philippines	Inactive	-	50	-	50
Honeybee Foods Corporation (Honeybee)	USA	Food service	100	-	100	-
Tokyo Teriyaki Corporation (TTC)	USA	Food service	-	100	-	100
Jollibee Worldwide Pte. Ltd. (JWPL):	Singapore	Holding company	100	-	100	-
Regional Operating Headquarters of JWPL (JWS)	Philippines	Financial accounting, human resources and logistics services	-	100	-	100
Golden Plate Pte., Ltd. (GPPL)	Singapore	Holding company	-	100	-	100
- Golden Beeworks Pte. Ltd.	Singapore	Food service	-	60	-	60
Golden Cup Pte.Ltd.	Singapore	Holding company	-	60	-	-
Beijing New Hongzhuangyuan Food and Beverage Management Co., Ltd. (Hong Zhuang Yuan)	PRC	Food service	-	100	-	100
Southsea Binaries Ltd. (Southsea)	British Virgin Island (BVI)	Holding company	-	100	-	100
Shanghai Yong He King Food and Beverage Co., Ltd. (a)	PRC	Food service	-	-	-	100
Beijing Yong He King Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Shenzhen Yong He King Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Hangzhou Yongtong Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Hangzhou Yong He King Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Wuhan Yong He King Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Tianjin Yong He King Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100

(Forward)



	Country of Incorporation	Principal Activities	2014		2013	
			Direct Ownership	Indirect Ownership	Direct Ownership	Indirect Ownership
Guangxi San Pin Wang Food and Beverage Management Company Limited (San Pin Wang)	PRC	Food service	-	55	-	55
Happy Bee Foods Processing Co. Ltd. (JFPPL)	Singapore	Holding company	-	70	-	70
- Jollibee Foods Processing (Anhui) Co. Ltd. <sup>(d)</sup>	PRC	Food service	-	100	-	100
JSF Investments Pte. Ltd. (JSF)	Singapore	Holding company	-	99	-	99
Chow Fun Holdings LLC (Chow Fun)	USA	Food service	-	81	-	81
Jollibee (China) Food & Beverage Management Co. Ltd. (JFCC and formerly Shanghai Chunlv Co. Ltd.) <sup>(a)</sup>	PRC	Management company	-	100	-	100
Jollibee International (BVI) Ltd. (JIBL):	BVI	Holding company	-	100	-	100
- Jollibee Vietnam Corporation Ltd.	Vietnam	Food service	-	100	-	100
- PT Chowking Indonesia	Indonesia	Food service	-	100	-	100
- PT Jollibee Indonesia	Indonesia	Dormant	-	100	-	100
- Jollibee (Hong Kong) Limited and Subsidiaries	Hong Kong	Dormant	-	85	-	85
- Belmont Enterprises Ventures Limited (Belmont):	BVI	Holding company	-	100	-	100
• Shanghai Belmont Enterprises Management and Adviser Co., Ltd. (SBEMAC)	PRC	Business management service	-	100	-	100
• Yong He Holdings Co., Ltd.	BVI	Holding company	-	100	-	100
• Centenary Ventures Ltd.	BVI	Holding company	-	100	-	100
Chanceux, Inc.	Philippines	Holding company	100	-	100	-
BK Titans, Inc. (BKTitans)	Philippines	Holding company	-	54	-	54
- PFN Holdings Corporation	Philippines	Holding company	-	53	-	53
• Perf Restaurants, Inc. <sup>(b)</sup>	Philippines	Food service	-	53	-	53
Donut Magic Phils., Inc. (Donut Magic) <sup>(c)</sup>	Philippines	Dormant	100	-	100	-
Ice Cream Copenhagen Phils., Inc. (ICCP) <sup>(c)</sup>	Philippines	Dormant	100	-	100	-
Mary's Foods Corporation (Mary's) <sup>(c)</sup>	Philippines	Dormant	100	-	100	-
QSR Builders, Inc.	Philippines	Inactive	100	-	100	-
Jollibee USA	USA	Dormant	100	-	100	-

(a) Merged in 2014 with JFCC as the surviving entity.

(b) Perf Restaurants, Inc. also holds shares in Perf Trinoma and Perf MOA.

(c) On June 18, 2004, the stockholders of the Jollibee Group approved the Plan of Merger of the three dormant companies. The application is pending approval from the SEC as at December 31, 2014.

(d) Changed its legal name to Happy Bee Foods Processing (Anhui) Co. Ltd. effective on February 28, 2015.

### 3. Significant Accounting Policies

#### Current versus Noncurrent Classification

The Jollibee Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal the operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent. A liability is classified as current when:

- It is expected to be settled in the 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 Jollibee Group classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

#### 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 by the Jollibee Group.



The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial 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 fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs. Where the Jollibee Group has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible). The Jollibee Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level 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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Jollibee Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Jollibee Group's management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement. At each reporting date, the management analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Jollibee Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Jollibee Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### 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 from the date of acquisition and are subject to an insignificant risk of change in value.



## Financial Instruments

*Date of Recognition.* The Jollibee Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of an instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains or losses relating to financial instruments or a component that is financial liability are reported as expense or income. Distribution to holders of financial instruments classified as equity is charged directly to equity, net of any related income tax benefits.

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). Transaction costs that are directly attributable to the acquisition or issue of the financial instruments are included in the initial measurement of all financial assets and liabilities, except for financial assets and liabilities measured at fair value through profit or loss (FVPL), which include transaction costs.

Subsequent to initial recognition, the Jollibee Group classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, other financial liabilities and derivatives designated as hedging instruments in an effective hedge. The classification depends on the purpose for which the instruments are acquired and as liabilities were incurred whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

For all other financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which observable market prices exist, option pricing models and other relevant valuation models for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

*Determination of Amortized Cost.* The amortized cost of financial instruments is computed using the effective interest rate (EIR) method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are integral part of the effective interest.

*“Day 1” Difference.* Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Jollibee Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss unless it qualifies for recognition as some other type of asset or liability. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is



derecognized. For each transaction, the Jollibee Group determines the appropriate method of recognizing the “Day 1” difference amount.

### Financial Assets

*Financial Assets at FVPL.* Financial assets at FVPL include financial assets held-for-trading and financial assets designated as at FVPL upon initial recognition.

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held-for-trading are recognized in profit or loss.

Financial assets may be designated as at FVPL at initial recognition if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;
- the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial asset contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

The Jollibee Group has no financial assets at FVPL as at December 31, 2014 and 2013.

*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. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Jollibee Group’s cash and cash equivalents, receivables, operating lease receivables, security and other deposits and employee car plan receivables are classified under this category.

*HTM Investments.* Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM when there is a positive intention and ability to hold to maturity. Financial assets intended to be held for an undefined period are not included in this category. HTM investments are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount less allowance for impairment. Gains and losses are recognized in profit or loss when the financial assets are derecognized or impaired, as well as through the amortization process.

The Jollibee Group has no HTM investments as at December 31, 2014 and 2013.



*AFS Financial Assets.* AFS financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. AFS financial assets include equity and debt securities. Equity investments classified as AFS are those which are intended to be held for an indefinite period of time and are neither classified as held-for-trading nor designated as at FVPL. Debt securities are those which are intended to be held for an indefinite period of time and which may be sold in response to needs of liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as “Unrealized gain (loss) on available-for-sale financial assets” account in other comprehensive income until the financial asset is derecognized or determined to be impaired at which time the accumulated gains or losses previously reported in OCI are included in profit or loss. Interest earned while holding AFS financial asset is reported as interest income using EIR method. If the fair value cannot be measured reliably, AFS financial assets are measured at cost, being the fair value of the consideration paid for the acquisition of the investment, less any impairment in value. All transaction costs directly attributable to the acquisition are also included in the cost of investment.

The Jollibee Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When in rare circumstances, the Jollibee Group is unable to trade these financial assets due to inactive markets; the Jollibee Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using effective interest rate method. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

The Jollibee Group’s investments in joy and leisure club shares are classified under this category as at December 31, 2014 and 2013.

#### Financial Liabilities

*Financial Liabilities at FVPL.* Financial liabilities at FVPL include financial liabilities that are held-for-trading and financial liabilities designated as at FVPL upon initial recognition.

Financial liabilities are classified as held-for-trading if acquired for the purpose of repurchasing in the near term. Gains or losses on liabilities held-for-trading are recognized in profit or loss.

The Jollibee Group has no financial liability classified under this category as at December 31, 2014 and 2013.

*Derivative Financial Instruments and Hedge Accounting.* The Jollibee Group uses currency swaps to manage its foreign exchange and interest rate risk exposures on its United States Dollar (USD) denominated variable rate loan. Accruals of interest on the receive-and pay-legs of the cross-currency swap are recorded as interest expense in the consolidated statement of comprehensive income.





Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

For the purpose of hedge accounting, derivatives can be designated as cash flow hedges or fair value hedges, depending on the type of risk exposure.

At the inception of a hedge relationship, the Jollibee Group formally designates and documents the hedge relationship to which the Jollibee Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Jollibee Group accounts for its cross-currency swaps as cash flow hedges of foreign exchange and interest rate exposure on its outstanding floating rate USD-denominated loan of PERF (see Note 18).

*Cash Flow Hedge.* Cash flow hedges are hedges on the exposure to variability of cash flows that are attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized in the consolidated statement of comprehensive income and directly in equity, while the ineffective portion is recognized immediately in profit or loss.

Amounts taken to equity are transferred to the profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a nonfinancial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the nonfinancial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to the consolidated statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is recognized in the profit or loss.

*Other Financial Liabilities.* This category pertains to financial liabilities that are not held-for-trading or not designated as at FVPL upon the inception of the liability where the substance of the contractual arrangements results in the Jollibee Group having an obligation either to deliver cash or another financial asset to the holder, or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavorable to the Jollibee Group. These include liabilities arising from operations or borrowings.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable



transaction costs. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

This category includes short-term and long-term debt, liability for acquisition of businesses (including current portion), trade payables and other current liabilities (excluding local and other taxes, and unearned revenue from gift certificates) and operating lease payable.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

#### Debt Issue Costs

Debt issue costs are deducted against long-term debt and are amortized over the terms of the related borrowings.

#### Impairment of Financial Assets

The Jollibee Group assesses at each reporting date whether 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 there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred loss event) and that the loss event has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers 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 where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Loans and Receivables.* The Jollibee Group 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 it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Factors considered in individual assessment are payment history, past-due status and term, development affecting companies and specific issues with respect to the accounts. The collective assessment would require the Jollibee Group to group its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Changes in circumstances may cause future assessment of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance account. The Jollibee Group also considers factors, such as, the type of assets, the financial condition or near term prospect of the related company or account, and the intent and ability to hold on the assets long enough to allow any anticipated recovery. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). 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 loss is recognized in profit or loss under “General and administrative expenses” account. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery.

If, in a subsequent year, the amount of the estimated impairment loss decreases because an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that carrying value of asset does not exceed its amortized cost at the reversal date.

*Quoted AFS Equity Investments.* In the case of equity investments classified as AFS financial assets, an objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments 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. When 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 financial asset previously recognized in other comprehensive income under “Unrealized gain (loss) on available-for-sale financial assets” account, is removed from equity and recognized in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in fair value after impairment are recognized directly as OCI.

#### Derecognition of Financial Assets and Liabilities

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

- (a) the rights to receive cash flows from the asset have expired;
- (b) the Jollibee Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- (c) the Jollibee Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Jollibee Group has transferred its rights to receive cash flows from the asset or has entered into a “pass-through” arrangement, and neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Jollibee Group’s continuing involvement in the asset. In that case, the Jollibee Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Jollibee Group has retained.

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

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or



modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### Inventories

Inventories are valued at the lower of cost and net realizable value. Costs are accounted for as follows:

- |   |  |
|---|--|
| Processed inventories   | - Standard costing, which is reviewed on a quarterly basis and revised as necessary to approximate current costs. Cost includes direct materials, labor and a proportion of manufacturing overhead costs based on normal operating capacity. |
| Food supplies, packaging, store and other supplies, and novelty items | - Standard costing, which is reviewed on a quarterly basis and revised as necessary to approximate current costs.  |

Net realizable value of processed inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Net realizable value of food supplies, packaging, store and other supplies is the current replacement cost.

Net realizable value of novelty items is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

#### Other Current Assets

Other current assets include deposits which pertain to advance payments to suppliers to be applied for future purchases, prepaid expenses which are paid in advance and recorded as asset before these are utilized; and creditable withholding taxes, which will be applied in the following year against corporate income tax or be claimed for refund with the Bureau of Internal Revenue.

#### Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of property, plant and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment consists of its purchase price, including import duties and nonrefundable taxes and any other costs directly attributable in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the year in which the 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	5 years
Plant, buildings, condominium units and improvements	5 - 40 years
Leasehold rights and improvements	2 - 10 years or term of the lease, whichever is shorter
Office, store and food processing equipment	1 - 15 years
Furniture and fixtures	3 - 5 years
Transportation equipment	3 - 5 years

An item of property, plant 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 asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognized.

The residual values, if any, useful lives and depreciation and amortization method of the assets are reviewed and adjusted, if appropriate, at the end of each financial period.

Fully depreciated assets are retained in the accounts until they are disposed or retired.

Construction in progress represents assets under construction and is stated at cost less any impairment in value. This includes the cost of construction and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and readily for use.

#### Investment Properties

Investment properties consist of land and buildings and building improvements held by the Jollibee Group for capital appreciation and rental purposes. Investment properties, except land, are carried at cost, including transaction costs, less accumulated depreciation and amortization and any impairment in value. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Land is carried at cost less any impairment in value.

The depreciation of buildings and building improvements are calculated on a straight-line basis over the estimated useful lives of the assets which are five (5) to twenty (20) years.

The residual values, if any, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at each financial year-end.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.



Transfers to investment property are made only when there is a change in use, evidenced by ending of ownership-occupation, or commencement of an operating lease to another party. Transfers from investment property are made only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

#### Business Combinations

Business combinations are accounted for using the acquisition method. Applying the acquisition method requires the (a) determination whether the Jollibee Group will be identified as the acquirer, (b) determination of the acquisition-date, (c) recognition and measurement of the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree and (d) recognition and measurement of goodwill or a gain from a bargain purchase.

When the Jollibee Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date.

The cost of an acquisition is measured as the aggregate of the (a) consideration transferred by the Jollibee Group, measured at acquisition-date fair value, (b) amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of the Jollibee Group's previously held equity interest in the acquiree in a business combination achieved in stages. Acquisition costs incurred are expensed and included in "General and administrative expenses" account in the consolidated statement of comprehensive income.

*Initial Measurement of Non-controlling Interest.* For each business combination, the Jollibee Group measures the non-controlling interest in the acquiree using the proportionate share of the acquiree's identifiable net assets.

*Business Combination Achieved in Stages.* In a business combination achieved in stages, the Jollibee Group remeasures its previously held equity interests in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss.

*Measurement Period.* If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Jollibee Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The measurement period ends as soon as the Jollibee Group receives the information it was seeking about facts and circumstances that existed as at the acquisition-date or learns that more information is not obtainable. The measurement period does not exceed one year from the acquisition-date.

*Contingent Consideration or Earn-out.* Any contingent consideration or earn-out in relation to a business combination is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognized either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

#### Goodwill or Gain on a Bargain Purchase

*Initial Measurement of Goodwill or Gain on a Bargain Purchase.* Goodwill is initially measured by the Jollibee Group at cost being the excess of the total consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on a bargain purchase. Before recognizing a gain on a bargain purchase, the Jollibee Group determines whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognize any additional assets or liabilities that are identified in that review.



*Subsequent Measurement of Goodwill.* Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

*Impairment Testing of Goodwill.* For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition-date, allocated to each of the Jollibee Group's CGU, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Jollibee Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.

*Frequency of Impairment Testing.* Irrespective of whether there is any indication of impairment, the Jollibee Group tests goodwill acquired in a business combination for impairment annually as at December 31 and more frequently when circumstances indicate that the carrying amount is impaired.

*Allocation of Impairment Loss.* An impairment loss is recognized for a CGU if the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit or group of units first to reduce the carrying amount of goodwill allocated to the CGU or group of units and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units.

#### Intangible Assets

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed at the individual asset level as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At a minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The estimated useful lives used in amortizing computer software and other intangible assets are disclosed in Note 14.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.



Interests in and Advances to Joint Ventures, Co-venturers and an Associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Jollibee Group's investments in its associate and joint ventures are accounted for using the equity method based on the percentage share of ownership and capitalization. Interests in joint ventures are accounted for under the equity method from the date the joint control is obtained.

Under the equity method, the investment in an associate or joint ventures are carried in the consolidated statement of financial position at cost plus the Jollibee Group's share in post-acquisition changes in the net assets of an associate or joint ventures, less any impairment in value. Goodwill relating to the associate or joint ventures is included in the carrying amount of the investment and is not amortized. The consolidated statement of comprehensive income include the Jollibee Group's share in the financial performance of the associate or joint ventures. The Jollibee Group's share in profit or loss of the associate is shown on the face of the consolidated statement of comprehensive income as "Equity in net losses of joint ventures and an associate", which is the profit or loss attributable to equity holders of the joint ventures and an associate.

When the Jollibee Group's share of losses in the associate or joint ventures equals or exceeds its interest, including any other unsecured receivables, the Jollibee Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or joint ventures. Where there has been a change recognized directly in the equity of the associate or joint venture, the Jollibee Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the Parent Company and the associate or joint ventures are identical and the latter's accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances. Unrealized gains arising from transactions with the associate or joint ventures are eliminated to the extent of the Jollibee Group's interests in the associate or joint ventures against the related investments. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment in the asset transferred.

The Jollibee Group ceases to use the equity method of accounting on the date from which it no longer has joint control in the joint ventures, no longer has significant influence over an associate, or when the interest becomes held for sale.

Upon loss of significant influence over the associate or joint control over the joint ventures, the Jollibee Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the associate or former jointly controlled entities upon loss of significant influence or joint control, and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss. When the remaining interest in joint ventures constitutes significant influence, it is accounted for as interest in an associate.





### Impairment of Nonfinancial Assets

The carrying values of interests in and advances to joint ventures, co-venturers and an associate, property, plant and equipment, investment properties, goodwill and other intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGU are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, willing parties, less costs of disposal. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

For nonfinancial assets, excluding goodwill, 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 profit or loss. After such a reversal, the depreciation charge is 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 and Additional Paid-in Capital.* Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

*Subscriptions Receivable.* Subscriptions receivable represents common stock subscribed and issued by the Parent Company but payment from the shareholders has not yet been received.

*Retained Earnings.* Retained earnings represent the Jollibee Group's accumulated earnings, net of dividends declared.

*Dividends.* The Jollibee Group recognizes a liability to make cash distribution to its equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Group. A corresponding amount is recognized directly in the equity. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the reporting period.

*Treasury Shares.* Acquisitions of treasury shares are recorded at cost. The total cost of treasury shares is shown in the consolidated statement of financial position as a deduction from the total equity. Upon re-issuance or resale of the treasury shares, cost of common stock held in treasury account is credited for the cost of the treasury shares determined using the simple average method. Gain on sale is credited to additional paid-in capital. Losses are charged against additional paid-in



capital but only to the extent of previous gain from original issuance, sale or retirement for the same class of stock. Otherwise, losses are charged to retained earnings.

#### Revenue

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Jollibee Group and the amount of revenue can be reliably measured, regardless of when the collection was made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, sales taxes and duties. The Jollibee Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Jollibee Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks.

The following specific recognition criteria must also be met before revenue is recognized:

*Sale of Goods.* Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the customers, which is normally upon delivery. Sales returns and sales discounts are deducted from sales to arrive at net sales shown in the consolidated statement of comprehensive income.

*Royalty Fees.* Revenue from royalty fees is recognized as the royalty accrues in accordance with the terms of the agreement calculated as a percentage of the franchisees' net sales.

*Franchise Fees.* Revenue from franchise fees is recognized when all services or conditions relating to a transaction have been substantially performed.

*Service Fees.* Revenue is recognized in the period in which the service has been rendered.

*Rent Income.* Rent income from operating leases is recognized on a straight-line basis over the lease terms.

*Interest Income.* Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

*Other Income.* Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Jollibee Group through an increase in asset or reduction in liability and that can be measured reliably.

#### Cost and Expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized as incurred. Advertising and promotions expenses include costs incurred for advertising schemes and promotional activities for new products. The amount of expenses incurred by the Jollibee Group is reduced by the network advertising and promotional costs reimbursed by the Jollibee Group's franchisees and subsidiaries.

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in



which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### Pension Benefits

The pension 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 (if any), 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.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

Net interest on the pension liability or asset is the change during the period in the liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the pension liability or asset is recognized under “Cost of Sales” and “General and Administrative expenses” in the consolidated statement of comprehensive income as expense or income with pension asset in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan liability or assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI 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 or qualifying insurance policies. Plan assets are not available to the creditors of the Jollibee Group, nor can they be paid directly to the Jollibee Group. 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Jollibee Group also participates in various government-defined contribution schemes for the People’s Republic of China (PRC)-based and USA-based subsidiaries. Under these schemes, pension benefits of existing and retired employees are guaranteed by the local pension benefit plan, and each subsidiary has no further obligations beyond the annual contribution.



#### Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. Jollibee Group recognizes undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period.

#### Share-based Payments

The Jollibee Group has stock option plans granting its management and employees an option to purchase a fixed number of shares of stock at a stated price during a specified period (“equity-settled transactions”).

The cost of the options granted to the Jollibee Group’s management and employees that becomes vested is recognized in profit or loss over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant management and employees become fully entitled to the award (“vesting date”).

The fair value is determined using the Black-Scholes Option Pricing Model. The cumulative expense recognized for the share-based transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Jollibee Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit in profit or loss or the investment account for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of a share-based award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment agreement, or is otherwise beneficial to the management and employee as measured at the date of modification.

Where a share-based award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if there were a modification of the original award.

#### Research and Development Costs

Research costs are expensed as incurred. Development cost incurred on an individual project is capitalized when its future recoverability can reasonably be regarded as assured. Any expenditure capitalized is amortized in line with the expected future sales from the related project.

#### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the agreement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

*Jollibee Group as Lessee.* Leases which do not transfer to the Jollibee Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term and carried at amortized cost. The related accretion is



recognized as interest income and the amortization as rent expense. Associated costs, such as maintenance and insurance, are expensed as incurred.

*Jollibee Group as Lessor.* Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rent income. Rent income from operating leases is recognized as income in profit or loss on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

#### Provisions

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

#### Foreign Currency Transactions and Translations

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. Each entity in the Jollibee Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of subsidiaries domiciled and operating in the Philippines are also determined to be the Philippine Peso. Where the functional currency is the Philippine Peso, transactions in foreign currencies 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 rate of exchange at reporting date. All differences are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The functional currencies of the Jollibee Group's foreign operations are US dollar (USD), PRC Renminbi (RMB), Indonesia rupiah, Vietnam dong and Hong Kong dollar. As of the reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the reporting date while the income and expense accounts are translated at the weighted average exchange rates for the year. The resulting translation differences are included in the consolidated statement of changes in equity under the account "Cumulative translation adjustments of foreign subsidiaries, joint ventures and an associate" and in OCI. On disposal of a foreign subsidiary, the accumulated exchange differences are recognized in profit or loss.

#### Taxes

*Current Tax.* Current tax liabilities for the current and prior periods are measured at the amount expected to be 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 reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



*Deferred Tax.* Deferred tax is provided using balance sheet 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 assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of excess of MCIT over RCIT and NOLCO can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interest in a joint venture, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transactions, affects neither the accounting profit nor taxable profit; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as reduction in goodwill, as long as it does not exceed goodwill, if it was incurred during the measurement period or recognize in profit or loss.

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



*Value Added Tax (VAT)*. Revenue, expenses and assets are recognized net of the amount of tax, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation 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 taxation authority is included as part of “Other current assets” or “Trade payables and other current liabilities” accounts in the consolidated statement of financial position.

#### Earnings per Share (EPS) Attributable to Equity Holders of the Parent Company

Basic EPS is calculated by dividing the net income for the year attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any.

Diluted EPS is computed by dividing the net income for the year attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the period, adjusted for any potential common shares resulting from the assumed exercise of outstanding stock options. Outstanding stock options will have dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option.

Where the EPS effect of the shares to be issued to management and employees under the stock option plan would be anti-dilutive, the basic and diluted EPS would be stated at the same amount.

#### Contingencies

Contingent liabilities are not recognized in the consolidated 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 consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

#### Business Segments

The Jollibee Group is organized and managed separately according to the nature of operations and geographical locations of businesses. The three major operating businesses of the Jollibee Group are food service, franchising and leasing while geographical segments are segregated to Philippine businesses and international businesses. These operating and geographical businesses are the basis upon which the Jollibee Group reports its primary segment information presented in Note 5.

#### Events after the Reporting Period

Post year-end events that provide additional information about the Jollibee Group’s financial position at reporting date (adjusting events) are reflected in the Jollibee Group’s consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.



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#### 4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts on the consolidated financial statements and related notes at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. The Jollibee Group believes the following represents a summary of these significant judgments, estimates and assumptions and the related impact and associated risks on the Jollibee Group's consolidated financial statements.

##### Judgments

In the process of applying the Jollibee Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

*Functional Currency.* Management has determined that the functional and presentation currency of the Parent Company and its Philippine-based subsidiaries is the Philippine peso, being the currency of the primary environment in which the Parent Company and its major subsidiaries operate. The functional currencies of its foreign operations are determined as the currency in the country where the subsidiary operates. For consolidation purposes, the foreign subsidiaries' balances are translated to Philippine peso which is the Parent Company's functional and presentation currency.

*Operating Lease Commitments - Jollibee Group as Lessee.* The Jollibee Group has entered into commercial property leases for its QSRs and offices as a lessee. Management has determined, based on an evaluation of the terms and condition of the arrangements that all the significant risks and benefits of ownership of these properties, which the Jollibee Group leases under various lease arrangements, remain with the lessors. Accordingly, the leases are accounted for as operating leases.

Rent expense amounted to ₱7,072.7 million, ₱6,287.3 million and ₱5,895.9 million in 2014, 2013 and 2012, respectively (see Notes 21, 22 and 29).

*Operating Lease Commitments - Jollibee Group as Lessor.* The Jollibee Group has entered into commercial property leases on its investment property portfolio and various sublease agreements. Management has determined, based on an evaluation of the terms and conditions of the arrangements, that the Jollibee Group retains all the significant risks and benefits of ownership of the properties which are leased out. Accordingly, the leases are accounted for as operating leases.

Rent income amounted to ₱90.6 million, ₱97.5 million and ₱93.6 million in 2014, 2013 and 2012, respectively (see Notes 20 and 29).

*Assessing Joint Control of an Arrangement and the Type of Arrangement.* Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Jollibee Group assessed that it has joint control in all joint arrangements by virtue of a contractual agreement with other stockholders. The Jollibee Group's joint ventures have separate legal entity and the shareholders have right to their net assets (see Note 11).





*Material Partly-Owned Subsidiaries*

The consolidated financial statements include additional information about subsidiaries that have non-controlling interests that are material to the Jollibee Group (see Note 11). Management determined material partly-owned subsidiaries as those with balance of non-controlling interest greater than 5% of non-controlling interests and those subsidiaries which type of activities they engage in is important to the group as at end of the year.

*Material Associates and Joint Ventures*

The consolidated financial statements include additional information about associates and joint ventures that are material to the Jollibee Group (see Note 11). Management determined material associates as those associates where the Company's carrying amount of investment is greater than 5% of the total investments in associates and interest in joint ventures as at end of the year.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date that has 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 Jollibee Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to changes on market circumstances arising beyond the control of the Jollibee Group. Such changes are reflected in the assumptions when they occur.

*Impairment Loss on Receivables.* The Jollibee Group maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of allowance is evaluated on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Jollibee Group's relationship with the customers and counterparties, average age of accounts and collection experience. The Jollibee Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The review is done quarterly and annually using a combination of specific and collective assessments. The amount and timing of recorded expenses for any period would differ if the Jollibee Group made different judgments or utilized different methodologies. An increase in allowance account would increase general and administrative expenses and decrease current assets

Provision for impairment loss on receivables in 2014, 2013 and 2012 amounted to ₱36.3 million, ₱34.0 million and ₱97.6 million, respectively, resulting from specific and collective assessments. The carrying amount of receivables amounted to ₱7,621.2 million and ₱3,082.9 million as at December 31, 2014 and 2013, respectively (see Notes 7 and 22).

*Net Realizable Value of Inventories.* The Jollibee Group writes down inventories to net realizable value, through the use of an allowance account, whenever the net realizable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

The estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amounts the inventories are expected to be realized. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date. The allowance account is reviewed on a regular basis to reflect the accurate valuation in the financial records.



The Jollibee Group assessed that the net realizable value for some inventories is lower than cost, hence, it recognized provision for inventory obsolescence amounting to ₱11.1 million, ₱9.4 million and ₱2.2 million in 2014, 2013 and 2012, respectively (see Note 22). In addition, reversals of previously recognized provisions amounting to ₱8.5 million and ₱13.3 million were recognized in 2014 and 2012, respectively, while no reversal was recognized in 2013 (see Note 22). The Jollibee Group also wrote off allowance for inventory obsolescence amounting to ₱4.4 million in 2012. No write-offs were made in 2014 and 2013. The carrying amount of inventories amounted to ₱5,971.8 million and ₱3,560.4 million as at December 31, 2014 and 2013, respectively (see Note 8).

*Estimation of Useful Lives of Property, Plant and Equipment and Investment Properties.* The Jollibee Group estimates the useful lives of property, plant and equipment and investment properties based on the period over which the property, plant and equipment and investment properties are expected to be available for use and on the collective assessment of the industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property, plant and equipment and investment properties are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits in the use of property, plant and equipment and investment properties. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amount and timing of recording the depreciation and amortization for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment and investment properties would increase the recorded depreciation and amortization and decrease noncurrent assets.

There was no change in the estimated useful lives of property, plant and equipment and investment properties in 2014, 2013 and 2012.

*Impairment of Goodwill and Other Intangible Assets.* The Jollibee Group determines whether goodwill and other intangible assets with indefinite useful life is impaired at least on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use requires the Jollibee Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Management has determined that goodwill and other intangible assets are not impaired. The carrying amount of goodwill and other intangible assets amounted to ₱9,385.1 million and ₱9,103.6 million as at December 31, 2014 and 2013, respectively (see Note 14).

*Impairment of Property, Plant and Equipment, Investment Properties, Interests in and Advances to Joint Ventures, Co-venturers and an Associate.* The Jollibee Group performs impairment review of property, plant and equipment, investment properties, interests in and advances to joint ventures, co-venturers and an associate when certain impairment indicators are present. Determining the fair value of assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Jollibee Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Jollibee Group to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the Jollibee Group's financial position and performance.



Reversal of impairment loss amounted to ₱62.6 million, ₱13.3 million and nil in 2014, 2013 and 2012, respectively, while provision for impairment loss amounted to ₱2.0 million, nil and ₱29.5 million in 2014, 2013 and 2012, respectively (see Note 22). The aggregate carrying values of property, plant and equipment, investment properties, interests in and advances to joint ventures, co-venturers and an associate amounted to ₱17,778.1 million and ₱15,846.6 million as at December 31, 2014 and 2013, respectively (see Notes 11, 12 and 13).

*Realizability of Deferred Tax Assets.* The carrying amounts of deferred tax assets at each reporting date is reviewed and reduced to the extent that there are no longer sufficient taxable profits available to allow all or part of the deferred tax assets to be utilized. The Jollibee Group's assessment on the recognition of deferred tax assets is based on the forecasted taxable income. This forecast is based on past results and future expectations on revenue and expenses.

The carrying amount of deferred tax assets amounted to ₱1,535.0 million and ₱1,316.6 million as at December 31, 2014 and 2013, respectively (see Note 24).

*Present Value of Defined Benefit Obligation.* The pension expense as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and the future salary 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.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The carrying amount of pension liability amounted to ₱832.4 million and ₱932.8 million as at December 31, 2014 and 2013, respectively (see Note 25).

*Share-based Payments.* The Parent Company measures the cost of its equity-settled transactions with management and employees by reference to the fair value of the equity instruments at the grant date. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about these inputs. The fair value of the share option is being determined using the Black-Scholes Option Pricing Model. The expected life of the stock options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of the Parent Company.

Total expense arising from share-based payment recognized by the Jollibee Group amounted to ₱166.5 million, ₱150.4 million and ₱77.0 million in 2014, 2013 and 2012, respectively (see Notes 22 and 26).

*Fair Value of Financial Assets and Liabilities.* When the fair values of financial assets and financial liabilities recorded or disclosed in the parent company statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flow 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. 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 value of financial assets and liabilities are discussed in Note 31.

*Contingent Consideration or Earn-out.* The Jollibee Group has an existing joint venture agreement with contingent consideration or earn-out provisions. This requires the estimation of payout associated with the probability-weighted discounted cash flow model, taking into consideration the specific conditions outlined in the purchase agreement that must be met to satisfy the contingency.

*Provisions.* The Jollibee Group recognizes a provision for an obligation resulting from a past event when it has assessed that it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. These assessments are made based on available evidence, including the opinion of experts. Future events and developments may result in changes in these assessments which may impact the financial condition and results of operations.

There were no additional provisions recorded in 2014, 2013 and 2012. Total outstanding provisions amounted to ₱30.5 million as at December 31, 2014 and 2013 (see Note 17).

*Contingencies.* The Jollibee Group is currently involved in litigations, claims and disputes which are normal to its business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with the Jollibee Group's legal counsels and based upon an analysis of potential results (see Note 29).

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## 5. Segment Information

For management purposes, the Jollibee Group is organized into segments based on the nature of the products and services offered and geographical locations. The Executive Management Committee monitors the operating results of its segments separately for resource allocation and performance assessment. Segment results are evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

### Business Segments

The Jollibee Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

- The food service segment is involved in the operations of QSRs and the manufacture of food products to be sold to Jollibee Group-owned and franchised QSR outlets.
- The franchising segment is involved in the franchising of the Jollibee Group's QSR store concepts.
- The leasing segment leases store sites mainly to the Jollibee Group's independent franchisees.



The following tables present certain information on revenues, expenses, assets and liabilities and other segment information of the different business segments as at and for the years ended December 31, 2014 and 2013 and 2012:

	2014				Consolidated
	Food Service	Franchising	Leasing	Eliminations	
	<i>(In Thousands)</i>				
Revenues from external customers	₱86,508,256	₱3,986,141	₱176,841	₱-	₱90,671,238
Inter-segment revenues	27,496,871	766,560	3,680,420	(31,943,851)	-
Segment revenues	114,005,127	4,752,701	3,857,261	(31,943,851)	90,671,238
Segment expenses	(111,886,809)	(766,560)	(3,847,589)	31,943,851	(84,557,107)
Net reversal of provisions for impairment losses on property, plant and equipment, investment properties, receivables and inventories	22,637	-	-	-	22,637
Equity in net loss of joint ventures and an associate	(126,174)	-	-	-	(126,174)
Other segment income	653,783	-	5,521	-	659,304
<b>Segment result</b>	<b>₱2,668,564</b>	<b>₱3,986,141</b>	<b>₱15,193</b>	<b>₱-</b>	<b>6,669,898</b>
Interest income					242,045
Interest expense					(152,471)
Income before income tax					6,759,472
Provision for income tax					(1,270,530)
<b>Net income</b>					<b>₱5,488,942</b>
<b>Assets and Liabilities</b>					
Segment assets	₱52,993,539	₱-	₱373,176	₱-	₱53,366,715
Deferred tax assets – net	743,530	-	8,435	-	751,965
<b>Consolidated assets</b>	<b>53,737,069</b>	<b>₱-</b>	<b>₱381,611</b>	<b>₱-</b>	<b>₱54,118,680</b>
Segment liabilities	₱20,605,297	₱-	₱98,621	₱-	₱20,703,918
Deferred tax liabilities – net	11,378	-	-	-	11,378
Long-term debt - including current portion	5,143,533	-	-	-	5,143,533
Income tax payable	178,872	-	2,957	-	181,829
<b>Consolidated liabilities</b>	<b>₱25,939,080</b>	<b>₱-</b>	<b>₱101,578</b>	<b>₱-</b>	<b>₱26,040,658</b>
<b>Other Segment Information</b>					
Capital expenditures	₱5,641,696	₱-	₱-	₱-	₱5,641,696
Depreciation and amortization	3,179,208	-	7,172	-	3,186,380



	2013				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenues from external customers	₱76,595,268	₱3,503,960	₱183,541	₱-	₱80,282,769
Inter-segment revenues	23,891,327	665,299	3,130,550	(27,687,176)	-
Segment revenues	100,486,595	4,169,259	3,314,091	(27,687,176)	80,282,769
Segment expenses	(98,060,904)	(665,299)	(3,281,467)	27,687,176	(74,320,494)
Impairment losses on property, plant and equipment, investment properties, receivables, inventory and contingencies	(31,178)	-	-	-	(31,178)
Equity in net loss of joint ventures and an associate	(115,561)	-	-	-	(115,561)
Other segment income	329,816	-	7,509	-	337,325
<b>Segment result</b>	<b>₱2,608,768</b>	<b>₱3,503,960</b>	<b>₱40,133</b>	<b>₱-</b>	<b>6,152,861</b>
Interest income					245,574
Interest expense					(152,920)
Income before income tax					6,245,515
Provision for income tax					(1,522,708)
<b>Net income</b>					<b>₱4,722,807</b>
<b>Assets and Liabilities</b>					
Segment assets	₱44,909,353	₱-	₱361,084	₱-	₱45,270,437
Deferred tax assets – net	740,289	-	15,908	-	756,197
<b>Consolidated assets</b>	<b>45,649,642</b>	<b>₱-</b>	<b>₱376,992</b>	<b>₱-</b>	<b>₱46,026,634</b>
Segment liabilities	₱16,913,356	₱-	₱110,190	₱-	₱17,023,546
Deferred tax liabilities – net	315,170	-	2,987	-	318,157
Long-term debt - including current portion	5,169,246	-	-	-	5,169,246
Income tax payable	152,387	-	2,358	-	154,745
<b>Consolidated liabilities</b>	<b>₱22,550,159</b>	<b>₱-</b>	<b>₱115,535</b>	<b>₱-</b>	<b>₱22,665,694</b>
<b>Other Segment Information</b>					
Capital expenditures	₱4,175,146	₱-	₱-	₱-	₱4,175,146
Depreciation and amortization	3,063,998	-	8,458	-	3,072,456
	2012				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenues from external customers	₱67,751,942	₱3,143,620	₱163,477	₱-	₱71,059,039
Inter-segment revenues	21,173,546	559,947	1,889,953	(23,623,446)	-
Segment revenues	88,925,488	3,703,567	2,053,430	(23,623,446)	71,059,039
Segment expenses	(87,603,459)	(559,947)	(2,120,384)	23,623,446	(66,660,344)
Impairment losses on property, plant and equipment, investment properties and security deposit	(53,677)	-	-	-	(53,677)
Equity in net loss of joint ventures and an associate	(50,954)	-	-	-	(50,954)
Other segment income	488,029	-	15,506	-	503,535
<b>Segment result</b>	<b>₱1,705,427</b>	<b>₱3,143,620</b>	<b>(₱51,448)</b>	<b>₱-</b>	<b>4,797,599</b>
Interest income					270,114
Interest expense					(206,013)
Income before income tax					4,861,700
Provision for income tax					(1,149,704)
<b>Net income</b>					<b>₱3,711,996</b>
<b>Assets and Liabilities</b>					
Segment assets	₱40,637,819	₱-	₱444,490	₱-	₱41,082,309
Deferred tax assets – net	667,539	-	18,283	-	685,822
<b>Consolidated assets</b>	<b>₱41,305,358</b>	<b>₱-</b>	<b>₱462,773</b>	<b>₱-</b>	<b>₱41,768,131</b>
Segment liabilities	₱14,032,646	₱-	₱123,023	₱-	₱14,155,669
Deferred tax liabilities – net	371,280	-	3,465	-	374,745
Long-term debt - including current portion	5,427,456	-	-	-	5,427,456
Income tax payable	77,361	-	1,597	-	78,958
<b>Consolidated liabilities</b>	<b>₱19,908,743</b>	<b>₱-</b>	<b>₱128,085</b>	<b>₱-</b>	<b>₱20,036,828</b>
<b>Other Segment Information</b>					
Capital expenditures	₱3,755,907	₱-	₱-	₱-	₱3,755,907
Depreciation and amortization	2,700,694	-	4,942	-	2,705,636



Geographical Segments

The Jollibee Group's geographical segments are based on the location of the assets producing revenues in the Philippines and in other locations (which includes PRC, USA, UAE, Hongkong, Brunei, Saudi Arabia, Singapore, Kuwait, Qatar and Vietnam.). Sales to external customers disclosed in the geographical segments are based on the geographical location of the customers.

Majority of the Jollibee Group's revenues were generated from the Philippines, which is the Jollibee Group's country of domicile.

The Jollibee Group does not have a single external customer which revenue amounts to 10% or more of the Jollibee Group's revenues.

The following table presents revenues, segment assets and capital expenditures of the Jollibee Group's geographical segments:

	<b>2014</b>			
	<b>Philippines</b>	<b>International</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<i>(In Thousands)</i>			
Segment revenues	<b>₱70,179,960</b>	<b>₱20,689,510</b>	<b>(₱198,232)</b>	<b>₱90,671,238</b>
Segment assets	<b>36,417,986</b>	<b>16,948,729</b>	-	<b>53,366,715</b>
Capital expenditures	<b>4,529,006</b>	<b>1,112,690</b>	-	<b>5,641,696</b>

	<b>2013</b>			
	<b>Philippines</b>	<b>International</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<i>(In Thousands)</i>			
Segment revenues	<b>₱62,002,412</b>	<b>₱18,439,768</b>	<b>(₱159,411)</b>	<b>₱80,282,769</b>
Segment assets	<b>29,402,035</b>	<b>15,868,402</b>	-	<b>45,270,437</b>
Capital expenditures	<b>2,686,332</b>	<b>1,488,814</b>	-	<b>4,175,146</b>

	<b>2012</b>			
	<b>Philippines</b>	<b>International</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<i>(In Thousands)</i>			
Segment revenues	<b>₱55,680,452</b>	<b>₱15,668,586</b>	<b>(₱289,999)</b>	<b>₱71,059,039</b>
Segment assets	<b>26,439,607</b>	<b>14,642,702</b>	-	<b>41,082,309</b>
Capital expenditures	<b>2,250,655</b>	<b>1,505,252</b>	-	<b>3,755,907</b>

**6. Cash and Cash Equivalents**

This account consists of:

	<b>2014</b>	<b>2013</b>
Cash on hand	<b>₱403,680,062</b>	<b>₱220,019,290</b>
Cash in banks	<b>4,165,160,508</b>	<b>4,313,506,109</b>
Short-term deposits	<b>3,049,632,697</b>	<b>5,370,351,669</b>
	<b>₱7,618,473,267</b>	<b>₱9,903,877,068</b>

Cash in banks earn interest at the respective savings or special demand deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Jollibee Group, and earn interest at the respective short-term deposit rates.



Interest income earned from cash in banks and short-term deposits amounted to ₱111.8 million, ₱145.6 million and ₱159.9 million in 2014, 2013 and 2012, respectively (see Note 23).

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## 7. Receivables

This account consists of:

	2014	2013
Trade	<b>₱7,479,202,252</b>	₱3,128,358,963
Less allowance for impairment loss	<b>208,940,071</b>	274,461,795
	<b>7,270,262,181</b>	2,853,897,168
Advances to employees	<b>157,067,206</b>	112,214,103
Current portion of employee car plan receivables	<b>65,327,161</b>	33,366,298
Others	<b>128,536,704</b>	83,395,109
	<b>₱7,621,193,252</b>	₱3,082,872,678

Trade receivables are noninterest-bearing and are generally on 30-60 day terms.

Advances to employees, current portion of employee car plan receivables and other receivables are normally collectible within the next financial year.

The movements in the allowance for impairment loss for trade receivables as at December 31 are as follows:

	2014	2013
Balance at beginning of year	<b>₱274,461,795</b>	₱260,138,120
Provisions (see Note 22)	<b>36,301,470</b>	34,007,984
Write-off	<b>(101,112,448)</b>	(22,801,774)
Reversals (see Note 22)	<b>(868,308)</b>	-
Translation adjustments	<b>157,562</b>	3,117,465
Balance at end of year	<b>₱208,940,071</b>	₱274,461,795

The provisions in 2014 and 2013 resulted from specific and collective impairment assessments performed by the Jollibee Group.

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## 8. Inventories

This account consists of:

	2014	2013
At cost:		
Food supplies and processed inventories	<b>₱5,677,944,750</b>	₱3,390,581,280
Packaging, store and other supplies	<b>245,482,727</b>	119,209,912
	<b>5,923,427,477</b>	3,509,791,192
At net realizable value -		
Novelty items	<b>48,386,514</b>	50,640,942
Total inventories at lower of cost and net realizable value	<b>₱5,971,813,991</b>	₱3,560,432,134





The cost of novelty items carried at net realizable value amounted to ₱67.5 million and ₱67.2 million as at December 31, 2014 and 2013, respectively.

The movements in the allowance for inventory obsolescence as at December 31 are as follows:

	2014	2013
Balance at beginning of year	₱16,566,344	₱7,198,880
Provisions (see Note 22)	11,066,386	9,367,464
Reversals (see Note 22)	(8,489,305)	-
Balance at end of year	₱19,143,425	₱16,566,344

#### 9. Other Current Assets

This account consists of:

	2014	2013
Deposits to suppliers and others	₱1,522,311,747	₱840,873,736
Prepaid expenses:		
Taxes	512,684,524	297,092,018
Rent	493,117,721	465,306,028
Insurance and other prepayments	185,355,486	147,069,555
Supplies	96,441,466	86,653,768
	₱2,809,910,944	₱1,836,995,105

Deposits to suppliers are generally applied to purchase of inventories and availment of services within the next financial year.

Prepaid expenses consist of the unexpired portion of insurance, rent, advertising and other expenses paid in advance. Supplies pertain to the unused office and operating supplies as at the end of the year.

Prepaid taxes mainly represent creditable withholding taxes that can be applied in the following year against the corporate income tax due of Jollibee Group or can be claimed as tax refund from BIR.

#### 10. Available-for-Sale Financial Assets

This account consists mainly of shares in golf and leisure clubs as at December 31, 2014 and 2013.

The movements on the carrying value of AFS financial assets are as follows:

	2014	2013
Balance at beginning of year	₱21,479,461	₱128,149,438
Additions	-	300,000
Changes in fair value	-	(102,626,829)
Write-off	-	(4,343,148)
Balance at end of year	₱21,479,461	₱21,479,461



The changes in fair value in 2013 were as a result of the reversal of previously recorded OCI of certain public utility companies' shares out of AFS to "Others" under "Receivables" as they have already been called for redemption.

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## 11. Business Combinations, Incorporation of New Subsidiaries, and Interests in and Advances to Joint Ventures, Co-venturers and an Associate

### A. Business Combinations

#### *Business Combination through Acquisition of Equity Shares*

##### Acquisitions in 2012 and Prior

*San Pin Wang.* On March 9, 2012, the Jollibee Group, through JWPL, completed its acquisition of 55% of Guangxi San Pin Wang Food and Beverage Management Company Limited ("San Pin Wang") which operates the San Pin Wang beef noodle business in South China for a total acquisition cost of RMB30.0 million (P195.9 million). The Jollibee Group paid RMB20.0 million (P135.1 million) as of December 31, 2012. The remaining RMB10.0 million (P67.6 million) was paid in March 2013. The remaining 45% is held by Guangxi Zong Kai Food Beverage Investment Company Limited ("GZK").

Subsequent to the acquisition date, the Jollibee Group and GZK contributed additional investments amounting to RMB11.0 million (P74.6 million) and RMB9.0 million (P59.2 million), respectively.

The primary reason for the acquisition of San Pin Wang is to expand the Jollibee Group's chain of QSRs and to serve high-quality but affordable noodles to urban areas in China.

As part of the purchase agreement with GZK, a contingent consideration has been agreed. This consideration is contingent upon a target net income after tax of San Pin Wang for the next three years. In May 2013, the Jollibee Group paid RMB7.5 million (P50.1 million) as the contingent consideration for the year 2012. The remaining contingent consideration is due for final measurement and payment to the former shareholders in May 2016.

As at December 31, 2014 and 2013, accrual for contingent consideration amounted to P72.2 million (RMB9.8 million) and P71.6 million (RMB9.8 million), respectively.

Total goodwill recognized for this business combination upon finalization amounted to P292.1 million, determined as follows:

Fair value of consideration transferred:	
Cash	P135,110,309
Subscription payable	60,826,786
Contingent consideration	121,743,395
<hr/>	
Total	317,680,490
Non-controlling interests' share in the net assets acquired	20,895,511
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Aggregate amount	338,576,001
Less acquisition - date fair value of net assets acquired	46,434,469
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Goodwill (see Note 14)	P292,141,532
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Goodwill pertains to the value of expected synergy arising from the business combination.



The net cash outflow on the acquisition is as follows:

Cash paid on acquisition	₱135,110,309
Less cash acquired from subsidiary	7,525,090
	₱127,585,219

San Pin Wang contributed RMB106.0 million (₱709.6 million) and RMB 0.94 million (₱6.5 million) from the date of acquisition to December 31, 2012 to the consolidated revenue and consolidated net income for the period, respectively. If the business combination had taken place at the beginning of 2012, consolidated revenue and consolidated net income for the year would have been RMB10,640.7 million (₱71,212.6 million) and RMB539.6 million (₱3,712.2 million), respectively.

*Mang Inasal.* On November 22, 2010, the Jollibee Group, through the Parent Company, acquired 70% of the issued and outstanding shares of Mang Inasal from Injap Investments, Inc. (the seller), owner and operator of Mang Inasal restaurant business in the Philippines, for a total acquisition cost of ₱2,976.2 million. The Jollibee Group paid ₱2,700.0 million as of December 31, 2010. The present value of the remaining 10% of the purchase price is payable over a 3-year period as follows:

50%	12 months from November 22, 2010 (closing date)
25%	24 months from closing date
25%	36 months from closing date

The balance of liability for acquisition of Mang Inasal as at December 31, 2014 and 2013 are as follows:

	2014	2013
Balance at beginning of year	₱75,000,000	₱72,292,267
Payment	(75,000,000)	-
Accretion (see Note 23)	-	2,707,733
Balance at end of year	₱-	₱75,000,000

As at December 31, 2014, the Jollibee Group has fully settled its liability for acquisition of Mang Inasal.

*Business Combination through Purchase of Assets*

*Chowking US Operations.* On May 27, 2011, the Jollibee Group, through its wholly-owned subsidiary, TTC, entered into an Asset Purchase Agreement with Fortune Capital Corporation, owner and operator of all Chowking stores in the USA as the master licensee therein, to purchase the latter's property and equipment, inventories and security deposits of its twenty (20) existing stores. The purchase consideration amounted to USD16.0 million (₱693.3 million). The Jollibee Group paid USD13.6 million resulting to an outstanding balance of USD2.4 million (₱109.7 million) as of December 31, 2012 which shall be paid over the next five (5) years.



The balance of liability for acquisition of Chowking US operations as at December 31, 2014 and 2013 is as follows:

	2014	2013
Balance at beginning of year	<b>₱90,023,088</b>	₱109,757,490
Accretion (see Note 23)	<b>6,856,382</b>	6,620,533
Payment	<b>(34,920,000)</b>	(34,560,000)
Translation adjustments	<b>(165,398)</b>	8,205,065
<b>Balance at end of year</b>	<b>₱61,794,072</b>	<b>₱90,023,088</b>
<b>In original currency</b>	<b>USD1,381,799</b>	<b>USD2,026,908</b>
Current portion of liability	<b>₱32,906,018</b>	₱32,666,875
Noncurrent portion of liability	<b>28,888,054</b>	57,356,213
	<b>₱61,794,072</b>	<b>₱90,023,088</b>

With this acquisition, the Jollibee Group took a more active role to further the growth of the Chowking business in the USA.

#### B. Incorporation of New Subsidiaries

*Golden Cup Pte. Ltd.* (Golden Cup). On December 19, 2014, the Jollibee Group, through JWPL, entered into a joint agreement to form Golden Cup together with Jasmine Asset Holding Ltd. (Jasmine), to own and operate Dunkin' Donuts restaurants in the PRC.

JWPL owns 60% of the business and Jasmine owns the other 40%. JWPL and Jasmine have committed to invest up to USD300.0 million to the Joint Venture, of which up to USD180.0 million will be contributed by JWPL in proportion to its ownership in the business. JWPL shall be responsible for directing the day to day operations of the business. Golden Cup was incorporated on December 22, 2014 but has not yet started commercial operations.

*Golden Beeworks Pte. Ltd.* (Golden Beeworks). On May 16, 2012, the Jollibee Group, through GPPL, entered into an agreement to form Golden Beeworks together with Beeworks, Inc ("Beeworks"), to own and operate Jollibee stores in Singapore. Under the agreement, the parties will establish Golden Beeworks in Singapore which will be owned 60% by GPPL and 40% by Beeworks. GPPL will have full management control of the company, while leveraging on Beeworks' experience, reputation and network to establish the "Jollibee" brand in Singapore. The initial funding for Golden Beeworks is USD1.0 million. Golden Beeworks was incorporated on July 19, 2012 and started its commercial operation on March 12, 2013.

As at December 31, 2014, capital contributions of the Jollibee Group to Golden Beeworks amounted to ₱38.6 million.



C. Partly-owned Subsidiaries with Material Non-Controlling Interest

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operation	2014	2013
Mang Inasal	Philippines	30%	30%
JFPPL	Singapore	30%	30%
San Pin Wang	People's Republic of China	45%	45%

*Summarized Statement of Comprehensive Income for 2014*

	Mang Inasal	JFPPL	San Pin Wang
Revenues	₱6,113,830,460	₱1,366,618,701	₱1,009,152,336
Net income	333,620,513	72,129,007	44,378,997
Other comprehensive income (loss)	(8,489,686)	25,727,395	9,631,698
Total comprehensive income	325,130,827	97,856,402	54,010,695
Total comprehensive income attributable to non-controlling interests	97,161,103	19,486,974	12,248,570
Dividends paid to non-controlling interests	36,000,000	—	—

*Summarized Statement of Comprehensive Income for 2013*

	Mang Inasal	JFPPL	San Pin Wang
Revenues	₱5,024,650,246	₱922,513,905	₱88,524,112
Net income (loss)	243,925,820	(23,880,385)	(22,758,697)
Other comprehensive income (loss)	(858,376)	33,534,645	28,127,143
Total comprehensive income	243,067,445	9,654,260	5,368,446
Total comprehensive income attributable to non-controlling interests	77,455,459	2,700,169	3,865,149
Dividends paid to non-controlling interests	30,000,000	—	—

*Summarized Statement of Comprehensive Income for 2012*

	Mang Inasal	JFPPL	San Pin Wang
Revenues	₱4,808,345,023	₱36,365,967	₱1,112,306,669
Net income (loss)	168,479,571	(24,756,569)	10,822,549
Other comprehensive income (loss)	—	1,011	(3,220,775)
Total comprehensive income	168,479,571	(24,755,558)	7,601,774
Total comprehensive income attributable to non-controlling interests	27,746,735	(11,294,550)	(2,255,665)
Dividends paid to non-controlling interests	45,000,000	—	—



*Summarized Statement of Financial Position as at December 31, 2014*

	<b>Mang Inasal</b>	<b>JFPPL</b>	<b>San Pin Wang</b>
Current assets	<b>₱1,937,781,602</b>	<b>₱512,981,429</b>	<b>₱197,034,498</b>
Noncurrent assets	<b>382,460,649</b>	<b>735,873,410</b>	<b>126,397,868</b>
Current liabilities	<b>1,427,536,973</b>	<b>425,432,584</b>	<b>96,116,405</b>
Noncurrent liabilities	<b>151,894,483</b>	<b>442,728,000</b>	<b>16,307,317</b>
Total equity	<b>740,810,795</b>	<b>380,694,255</b>	<b>211,008,644</b>
Equity attributable to non-controlling interests	<b>654,683,854</b>	<b>114,208,276</b>	<b>93,901,565</b>

*Summarized Statement of Financial Position as at December 31, 2013*

	<b>Mang Inasal</b>	<b>JFPPL</b>	<b>San Pin Wang</b>
Current assets	<b>₱1,160,523,661</b>	<b>₱401,781,653</b>	<b>₱199,066,935</b>
Noncurrent assets	<b>336,151,664</b>	<b>440,901,558</b>	<b>106,677,352</b>
Current liabilities	<b>833,984,844</b>	<b>313,682,561</b>	<b>119,270,638</b>
Noncurrent liabilities	<b>129,446,412</b>	<b>177,580,000</b>	<b>2,684,049</b>
Total equity	<b>533,244,069</b>	<b>351,420,650</b>	<b>183,789,600</b>
Equity attributable to non-controlling interests	<b>593,522,751</b>	<b>94,721,302</b>	<b>81,652,995</b>

*Summarized Statement of Financial Position as at December 31, 2012*

	<b>Mang Inasal</b>	<b>JFPPL</b>	<b>San Pin Wang</b>
Current assets	<b>₱889,286,750</b>	<b>₱6,014,729</b>	<b>₱139,346,180</b>
Noncurrent assets	<b>320,748,285</b>	<b>248,255,657</b>	<b>108,871,703</b>
Current liabilities	<b>701,260,666</b>	<b>28,913,277</b>	<b>60,400,592</b>
Noncurrent liabilities	<b>118,729,387</b>	<b>–</b>	<b>–</b>
Total equity	<b>390,044,982</b>	<b>225,357,109</b>	<b>187,817,291</b>
Equity attributable to non-controlling interests	<b>545,786,042</b>	<b>67,607,133</b>	<b>77,787,846</b>

*Summarized Cash Flow Information for 2014*

	<b>Mang Inasal</b>	<b>JFPPL</b>	<b>San Pin Wang</b>
Net cash provided by (used in) operating activities	<b>(₱398,225,144)</b>	<b>₱14,304,136</b>	<b>₱6,339,091</b>
Net cash used in investing activities	<b>(102,215,833)</b>	<b>(294,084,243)</b>	<b>(15,301,329)</b>
Net cash provided by financing activities	<b>250,000,000</b>	<b>265,148,000</b>	<b>–</b>
Net decrease in cash and cash equivalents	<b>(250,440,977)</b>	<b>(14,632,107)</b>	<b>(8,962,238)</b>

*Summarized Cash Flow Information for 2013*

	<b>Mang Inasal</b>	<b>JFPPL</b>	<b>San Pin Wang</b>
Net cash provided by (used in) operating activities	<b>₱360,181,397</b>	<b>(₱97,598,466)</b>	<b>(₱4,249,883)</b>
Net cash used in investing activities	<b>(69,758,734)</b>	<b>(41,977,010)</b>	<b>(34,800,901)</b>
Net cash provided by (used in) financing activities	<b>(100,000,000)</b>	<b>177,580,000</b>	<b>–</b>
Net increase (decrease) in cash and cash equivalents	<b>190,556,600</b>	<b>38,004,524</b>	<b>(39,050,784)</b>



*Summarized Cash Flow Information for 2012*

	Mang Inasal	JFPPL	San Pin Wang
Net cash provided by (used in) operating activities	₱414,847,292	₱125,497,481	(₱51,336,402)
Net cash used in investing activities	(117,069,644)	(109,662,093)	(39,009,357)
Net cash provided by (used in) financing activities	(150,000,000)	(13,299,879)	133,778,486
Net increase in cash and cash equivalents	147,777,648	2,535,509	43,432,727

D. Interests in and Advances to Joint Ventures, Co-venturers and an Associate

	2014	2013
Interests in and advances to SuperFoods joint ventures and co-venturers	<b>₱3,144,855,846</b>	₱3,113,802,292
Interest in joint venture - Wowprime	<b>165,339,382</b>	157,675,953
	<b>3,310,195,228</b>	3,271,478,245
Interest in an associate	<b>78,707,378</b>	50,915,520
	<b>₱3,388,902,606</b>	₱3,322,393,765

*SuperFoods Group.* On January 20, 2012, upon fulfillment of certain legal and regulatory requirements in Vietnam, the Jollibee Group, through JWPL, acquired effective ownership of 50% share in the business of the SuperFoods Group through formation of joint ventures. This consists of a 49% share in SF Vung Tau Joint Stock Company, organized in Vietnam, and a 60% share in Blue Sky Holding Limited in Hongkong (the SuperFoods Holding Companies). The formation of joint ventures is an implementation of the Framework Agreement made on May 20, 2011 between the Jollibee Group, through JWPL and its partner, Viet Thai International Joint Stock Company and Viet Thai International Company limited (collectively, SuperFoods Group). The Framework Agreement provided for the Jollibee Group to contribute a total of USD25 million to gain 50% effective ownership of the joint ventures. Loans and deposits were made to SuperFoods Group and co-venturers prior to the formation of the joint ventures in 2012.

Pursuant to the Framework Agreement, the preliminary consideration for the 50% share in Superfoods Group amounted to a cash payment of USD25 million in 2011.

The Supplemental Agreement further provides that JWPL shall be required to pay the co-venturers an additional amount in 2016 based upon achieving a positive amount determined in accordance with a formula contained in the agreement. Based on management's assessment using the earn-out formula, no additional consideration needs to be recognized as of January 20, 2012, date of acquisition, and as of December 31, 2012, 2013 and 2014.

In accordance with the Framework Agreement, JWPL, through its 99%-owned subsidiary JSF, extended loans to the SuperFoods Group with the details as follows:



Loan to Co-venturers

Loan to the owners of the SuperFoods Group amounting to USD35.0 million (₱1,565.2 million), extended on June 30, 2011, is payable in June 2016. The loan bears interest of 5% per annum payable in lump sum also in June 2016. The loan is agreed to be used for general corporate purposes. Total interest from this loan amounted to USD1.8 million (₱79.3 million), USD1.4 million (₱62.6 million) and USD 1.8 million (₱79.6 million) for the years ended December 31, 2014, 2013 and 2012, respectively. The USD35.0 million loan is secured by a mortgage by the co-venturers of all their shares in SuperFoods Holding Companies.

On April 30, 2013, an additional loan was extended to SuperFoods Group amounting to USD1.0 million (₱44.7 million) payable in February 2014 but was extended to April 2015. The loan bears interest of 5% per annum payable in lump sum also in April 2015. The loan is agreed to be used for general corporate purposes. Total interest from this loan amounted to USD0.05 million (₱2.3 million) and USD0.03 million (₱1.5 million) for the years ended December 31, 2014 and 2013, respectively.

On August 22, 2013, an additional loan was extended to SuperFoods Group amounting to USD1.0 million (₱44.7 million) payable in August 2014. The date of payment was extended to August 2015. As of August 2014, the principal was subject to 5% interest per annum. However, with the extension to August 2015, the sum of principal and the accumulated interest as of August 2014 shall be subject to 4.99% interest per annum. The loan is agreed to be used for general corporate purposes. Total interest from this loan amounted to USD0.05 million (₱2.3 million) and USD0.02 million (₱0.8 million) for the years ended December 31, 2014 and in 2013.

Loan to Blue Sky

On June 10, 2011, a loan was extended to Blue Sky Holdings Limited (Blue Sky), the Hong Kong-based joint venture, amounting to USD5.0 million (₱223.6 million) payable in June 2014. The date of payment was extended to June 2015. As of June 2014, the principal was subject to 5% interest per annum. However, with the extension to June 2015, the sum of the principal and the accumulated interest as of June 2014 shall be subject to 4.99% interest per annum. Total interest from this loan amounted to USD0.3 million (₱11.8 million), USD0.3 million (₱11.3 million) and USD0.3 million (₱11.3 million) for the years ended December 31, 2014, 2013 and 2012, respectively.

On May 7, 2012, an additional loan was extended to Blue Sky amounting to USD2.5 million (₱111.8 million) payable in May 2014. The due date of payment was extended to May 2015. As of May 2014, the principal was subject to 5% interest per annum. However, with the extension to May 2015, the sum of the principal and the accumulated interests as of May 2014 shall be subject to 4.99% interest per annum. Total interest from this loan amounted to USD0.1 million (₱5.8 million), USD0.1 million (₱5.7 million) and USD0.1 million (₱3.7 million) for the years ended December 31, 2014, 2013 and 2012, respectively.





The details of Jollibee Group's interests in SuperFoods joint venture and advances to co-venturers as at December 31, 2014 and 2013 are as follows:

	2014	2013
Interest in a joint venture - cost	<b>₱1,086,562,975</b>	₱1,086,562,975
Equity in net loss:		
Balance at the beginning of year	<b>(172,909,359)</b>	(72,463,639)
Equity in net loss for the year	<b>(86,630,512)</b>	(100,445,720)
	<b>(259,539,871)</b>	(172,909,359)
Advances to the joint ventures and co-venturer:		
Balance at beginning of year	<b>2,200,148,676</b>	1,877,068,264
Additions	-	88,790,000
Accrual of interest (see Note 23)	<b>101,577,556</b>	81,335,640
Translation adjustments	<b>16,106,510</b>	152,954,772
Balance at end of year	<b>2,317,832,742</b>	2,200,148,676
	<b>₱3,144,855,846</b>	₱3,113,802,292

The aggregate amounts of assets and liabilities as of December 31, 2014 and 2013 of SuperFoods Group are as follows:

	2014	2013
Current assets	<b>₱391,071,679</b>	₱402,113,549
Noncurrent assets	<b>1,092,536,978</b>	980,914,259
Total assets	<b>₱1,483,608,657</b>	₱1,383,027,808
Current liabilities	<b>₱580,354,963</b>	₱473,141,806
Noncurrent liabilities	<b>768,588,861</b>	609,348,409
Total liabilities	<b>₱1,348,943,824</b>	₱1,082,490,215

The amounts of assets and liabilities above include the following:

	2014	2013
Cash and cash equivalents	<b>₱66,982,823</b>	₱88,194,498
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	<b>19,619,006</b>	336,217,760
Noncurrent financial liabilities (excluding provisions)	<b>768,588,861</b>	609,348,409

The amounts of the income and expenses account include the following:

	2014	2013
Revenues	<b>₱2,317,386,922</b>	₱1,936,000,491
Net loss	<b>(173,261,023)</b>	(200,891,440)
Total comprehensive loss	<b>(173,261,023)</b>	(200,891,440)



	2014	2013
Depreciation and amortization	₱99,921,184	₱118,111,479
Interest income	102,437	3,395,889
Interest expense	55,331,753	53,280,507
Provision for income tax	2,162,576	84,749

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements:

	2014	2013
Net assets	₱134,664,833	₱300,537,593
Proportion of the Jollibee Group's ownership	50%	50%
	67,332,416	150,268,797
Goodwill	674,794,753	674,794,753
Cumulative translation adjustments	84,895,935	88,590,066
	₱827,023,104	₱913,653,616

*Wowprime.* On August 22, 2012, the Jollibee Group, through JWPL and GPPL, entered into an agreement with Hoppime Ltd., a subsidiary of Wowprime Corporation of Taiwan (Wowprime) and some key executives of Wowprime, to establish a joint venture entity to own and operate the 12 Hotpot brand in the People's Republic of China, Hong Kong and Macau. The "12 Hotpot" restaurant is known in Taiwan for its low-priced hot dishes.

The joint venture entity, incorporated as WJ Investments Limited (WJ), is 48% owned by the Jollibee Group and 48% by Wowprime's subsidiary and executives. The remaining 4% is owned by certain individuals with experience in the retail sector in China. Through their subsidiaries, Jollibee Group and Wowprime will share control and management of WJ.

The Jollibee Group has invested USD2.4 million (₱98.0 million) as at December 31, 2012. The first store started commercial operations in January 2013. On October 31, 2013, the Jollibee Group invested an additional USD2.4 million (₱103.6 million).

The details of Jollibee Group's interest in Wowprime joint venture as at December 31, 2014 and 2013 are as follows:

	2014	2013
Interest in the joint venture:		
Balance at beginning of year	₱201,648,000	₱98,040,000
Investment during the year	74,998,875	103,608,000
Balance at end of year	276,646,875	201,648,000
Cumulative equity in net loss:		
Balance at beginning of year	(43,972,047)	-
Equity in net loss during the year	(67,335,446)	(43,972,047)
Balance at end of year	(111,307,493)	(43,972,047)
Balance at end of year	₱165,339,382	₱157,675,953



The aggregate amounts of assets and liabilities as at December 31, 2014 and 2013 pertaining to Wowprime are as follows:

	2014	2013
Current assets	<b>₹231,353,675</b>	₹280,636,849
Noncurrent assets	<b>184,734,574</b>	95,707,772
<b>Total assets</b>	<b>₹416,088,249</b>	<b>₹376,344,621</b>
<b>Current liabilities</b>	<b>₹49,968,723</b>	<b>₹23,160,593</b>

The amounts of assets and liabilities above include the following:

	2014	2013
Cash and cash equivalents	<b>₹146,008,593</b>	₹255,653,861
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	<b>303,141</b>	15,594,727

The amounts of the income and expenses account include the following:

	2014	2013
Revenues	<b>₹239,974,834</b>	₹48,433,607
Net loss	<b>(140,282,180)</b>	(91,608,431)
<b>Total comprehensive loss</b>	<b>(140,282,180)</b>	<b>(91,608,431)</b>
	<b>2014</b>	<b>2013</b>
Depreciation and amortization	<b>₹30,365,317</b>	₹7,787,242
Interest income	<b>3,173,567</b>	731,355

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements:

	2014	2013
Net assets	<b>₹366,119,526</b>	₹353,184,028
Proportion of the Jollibee Group's ownership	<b>48%</b>	48%
	<b>175,737,372</b>	169,528,333
Cumulative translation adjustments	<b>(10,397,990)</b>	(11,852,380)
	<b>₹165,339,382</b>	<b>₹157,675,953</b>

#### *Interest in an Associate*

*Entrek.* The Jollibee Group, through JIBL, has 1/3 or 33.33% ownership over Entrek (B) SDN BHD (Entrek), a company that operates Jollibee stores in Brunei.

The details of the Jollibee Group's interest in an associate as at December 31, 2014 and 2013 are as follows:

	2014	2013
Interests in an associate - cost	<b>₹16,660,000</b>	₹16,660,000
Cumulative equity in net earnings:		
Balance at beginning of year	<b>34,255,520</b>	5,633,981
Equity in net earnings during the year	<b>27,791,858</b>	28,621,539
Balance at end of year	<b>62,047,378</b>	34,255,520
	<b>₹78,707,378</b>	<b>₹50,915,520</b>



The aggregate amounts as at December 31, 2014 and 2013 related to the Jollibee Group's interest in Entrek follow:

	2014	2013
Current assets	<b>₱413,250,302</b>	₱333,980,312
Noncurrent assets	<b>74,443,908</b>	83,117,796
<b>Total assets</b>	<b>₱487,694,210</b>	₱417,098,108
<b>Current liabilities</b>	<b>₱210,041,343</b>	₱202,049,401
	2014	2013
Revenues	<b>₱519,839,966</b>	₱507,409,777
Total comprehensive income	<b>83,375,574</b>	85,864,160

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements:

	2014	2013
Net assets	<b>₱277,652,867</b>	₱215,048,707
Proportion of the Jollibee Group's ownership	<b>33.33%</b>	33.33%
	<b>92,550,956</b>	71,682,902
Impairment loss recognized in 2011	<b>(16,660,000)</b>	(16,660,000)
Cumulative translation adjustments	<b>2,816,422</b>	(4,107,382)
	<b>₱78,707,378</b>	₱50,915,520

#### E. Signing of New Joint Venture Agreement

*Golden Crown Foods LLC* (GCFL). On February 25, 2014, the Jollibee Group, through GPPL, signed a joint agreement with GCFL to establish a joint venture entity to own and operate the Jollibee Brand in the United Arab Emirates.

The Jollibee Group owns 49% of the joint venture while GCPL owns 51%. GPPL and GCFL will share control and management of the joint venture entity equally. The initial funding for the formation of the joint venture entity is approximately USD0.08 million.

The incorporation of the joint venture entity is still in process as at December 31, 2014.



## 12. Property, Plant and Equipment

The rollforward analysis of property, plant and equipment are as follows:

	2014							
	Land and Land Improvements	Plant, Buildings, Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
	(In Thousands)							
<b>Cost</b>								
Balance at beginning of year	₱666,214	₱1,698,277	₱12,985,033	₱11,045,453	₱888,507	₱376,573	₱548,004	₱28,208,061
Additions	–	109,475	993,013	1,146,091	132,650	29,461	2,634,785	5,045,475
Transfers	–	1,097	198,923	42,376	48	–	(242,444)	–
Retirements and disposals	–	(141,190)	(814,067)	(908,748)	(91,236)	(27,295)	(33,817)	(2,016,353)
Reclassifications (see Note 13)	–	717,112	(47,826)	680,489	49,308	133,118	(1,628,397)	(96,196)
Translation adjustments	429	129,179	(48,613)	(19,128)	1,624	(712)	(2,894)	59,885
Balance at end of year	666,643	2,513,950	13,266,463	11,986,533	980,901	511,145	1,275,237	31,200,872
<b>Accumulated Depreciation and Amortization</b>								
Balance at beginning of year	7,313	720,755	7,197,208	7,608,975	618,496	266,673	–	16,419,420
Depreciation and amortization (see Notes 21 and 22)	107	86,354	1,522,480	1,358,648	130,898	43,664	–	3,142,151
Transfers	–	–	(150)	102	48	–	–	–
Retirements and disposals	–	(41,001)	(678,063)	(852,408)	(86,703)	(25,664)	–	(1,683,839)
Reclassifications (see Note 13)	–	212,372	(237,424)	(4,486)	(4,261)	6,161	–	(27,638)
Translation adjustments	–	22,872	(30,897)	(7,361)	918	(321)	–	(14,789)
Balance at end of year	7,420	1,001,352	7,773,154	8,103,470	659,396	290,513	–	17,835,305
<b>Accumulated Impairment Losses</b>								
Balance at beginning of year	–	–	–	16,200	–	–	–	16,200
Additions during the year (see Note 22)	–	–	–	2,000	–	–	–	2,000
Reversals during the year (see Note 22)	–	–	–	(16,200)	–	–	–	(16,200)
Balance at end of year	–	–	–	2,000	–	–	–	2,000
<b>Net Book Value</b>	<b>₱659,223</b>	<b>₱1,512,598</b>	<b>₱5,493,309</b>	<b>₱3,881,063</b>	<b>₱321,505</b>	<b>₱220,632</b>	<b>₱1,275,237</b>	<b>₱13,363,567</b>

	2013							
	Land and Land Improvements	Plant, Buildings, Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
	(In Thousands)							
<b>Cost</b>								
Balance at beginning of year	₱661,794	₱1,678,661	₱11,683,920	₱10,190,137	₱923,867	₱361,975	₱292,754	₱25,793,108
Additions	–	5,704	1,201,548	1,416,123	135,420	52,518	1,096,563	3,907,876
Transfers	–	–	(15)	10,940	–	–	(10,925)	–
Retirements and disposals	–	–	(865,459)	(822,814)	(187,167)	(44,368)	(230,021)	(2,149,829)
Reclassifications	–	854	526,967	79,943	3,388	1,962	(612,260)	854
Translation adjustments	4,420	13,058	438,072	171,124	12,999	4,486	11,893	656,052
Balance at end of year	666,214	1,698,277	12,985,033	11,045,453	888,507	376,573	548,004	28,208,061
<b>Accumulated Depreciation and Amortization</b>								
Balance at beginning of year	7,186	668,534	6,064,413	7,045,793	665,546	252,672	–	14,704,144
Depreciation and amortization (see Notes 21 and 22)	127	51,534	1,607,616	1,229,317	124,933	46,024	–	3,059,551
Retirements and disposals	–	–	(678,604)	(759,932)	(177,943)	(35,674)	–	(1,652,153)
Reclassifications	–	–	(1,106)	43	(12)	1,075	–	–
Translation adjustments	–	687	204,889	93,754	5,972	2,576	–	307,878
Balance at end of year	7,313	720,755	7,197,208	7,608,975	618,496	266,673	–	16,419,420
<b>Accumulated Impairment Losses</b>								
Balance at beginning of year	–	–	–	29,500	–	–	–	29,500
Reversal of impairment during the year (see Note 22)	–	–	–	(13,300)	–	–	–	(13,300)
Balance at end of year	–	–	–	16,200	–	–	–	16,200
<b>Net Book Value</b>	<b>₱658,901</b>	<b>₱977,522</b>	<b>₱5,787,825</b>	<b>₱3,420,278</b>	<b>₱270,011</b>	<b>₱109,900</b>	<b>₱548,004</b>	<b>₱11,772,441</b>

The cost of fully depreciated property, plant and equipment still in use amounted to ₱7,405.7 million and ₱7,448.7 million as at December 31, 2014 and 2013, respectively.

Loss on disposals and retirements of property, plant and equipment and investment properties amounted to ₱156.6 million, ₱446.2 million and ₱318.6 million in 2014, 2013, and 2012, respectively.

Construction in progress account mainly pertains to costs incurred for ongoing construction of plants and properties, including soon-to-open stores.



In 2014 and 2013, management reassessed the recoverable amount of the Company's office, store and food processing equipment of which reassessment process includes actual inspection of the Company's existing assets and recognized a reversal of provision amounting to ₱16.2 million in 2014 and ₱13.3 million in 2013, based on fair value less cost to sell and presented under the "General and administrative expenses" account in the statements of comprehensive income (see Note 22).

### 13. Investment Properties

The rollforward analysis of this account follows:

	2014		
	Land	Buildings and Building Improvements	Total
	<i>(In Thousands)</i>		
<b>Cost</b>			
Balance at beginning of year	₱714,455	₱336,030	₱1,050,485
Additions	276,252	1,233	277,485
Retirements and disposals	(7,279)	(167,312)	(174,591)
Reclassifications (see Note 12)	-	96,196	96,196
Translation adjustments	-	11,693	11,693
Balance at end of year	983,428	277,840	1,261,268
<b>Accumulated Depreciation and Amortization</b>			
Balance at beginning of year	-	252,271	252,271
Depreciation (see Notes 21 and 22)	-	6,965	6,965
Retirements and disposals	-	(59,293)	(59,293)
Reclassifications (see Note 12)	-	27,638	27,638
Translation adjustments	-	8,042	8,042
Balance at end of year	-	235,623	235,623
<b>Accumulated Impairment Losses</b>			
Balance at beginning year	46,447	-	46,447
Reversals during the year (see Note 22)	(46,447)	-	(46,447)
Balance at end of year	-	-	-
<b>Net Book Value</b>	<b>₱983,428</b>	<b>₱42,217</b>	<b>₱1,025,645</b>

	2013		
	Land	Buildings and Building Improvements	Total
	<i>(In Thousands)</i>		
<b>Cost</b>			
Balance at beginning of year	₱714,455	₱323,086	₱1,037,541
Translation adjustments	-	12,944	12,944
Balance at end of year	714,455	336,030	1,050,485
<b>Accumulated Depreciation and Amortization</b>			
Balance at beginning of year	-	237,081	237,081
Depreciation (see Notes 21 and 22)	-	12,905	12,905
Translation adjustments	-	2,285	2,285
Balance at end of year	-	252,271	252,271
<b>Accumulated Impairment Losses</b>			
Balance at beginning and end of year	46,447	-	46,447
<b>Net Book Value</b>	<b>₱668,008</b>	<b>₱83,759</b>	<b>₱751,767</b>



In 2014, the Jollibee Group transferred certain units of a building with carrying amount of ₱68.6 million as at December 31, 2014 from property, plant and equipment to investment property due to end of owner-occupation.

The cost of fully depreciated buildings still being leased out by the Jollibee Group amounted to ₱182.0 million and ₱202.0 million as at December 31, 2014 and 2013, respectively.

The Jollibee Group's investment properties have aggregate fair values of ₱1,414.3 million and ₱1,050.5 million as at December 31, 2014 and 2013, respectively, as determined by independent appraisers, Asian Appraisal and Tan - Gatue Appraisal Associates, Inc. in 2014 and 2011, respectively. The valuations performed by the independent appraisers are in accordance with recognized professional appraisal standards.

In 2014, the Company reversed the allowance for impairment loss recognized in 2011 amounting to ₱46.4 million as a result of the increase in the fair value of the land compared to the carrying amount of the property had no impairment loss was recognized. The reversal of impairment loss is presented in the statement of comprehensive income.

In determining the fair value of the investment properties, the independent appraisers used the market data approach for land and cost approach for buildings and building improvements. For land, fair value is based on sales and listings of comparable properties within the vicinity after adjustments for differences in location, size and shape of the lot, time elements and other factors between the properties and their comparable properties. For buildings and building improvements, fair value is based on the current cost of replacement of the properties in accordance with prevailing market prices for materials, labor, and contractors' overhead, profit and fees in the locality after adjustments for depreciation due to physical deterioration, functional and economic obsolescence based on personal inspection of the buildings and building improvements and in comparison to similar new properties. Fair value hierarchy disclosures for investment properties have been provided in Note 31.

Rent income derived from income-generating properties amounted to ₱26.0 million, ₱31.1 million and ₱32.0 million in 2014, 2013 and 2012, respectively (see Notes 20 and 29). Direct operating costs relating to the investment properties that generated rent income recognized under "Cost of sales" and "General and administrative expenses" accounts in the consolidated statements of comprehensive income amounted to ₱24.5 million, ₱23.2 million and ₱21.5 million in 2014, 2013 and 2012, respectively.

No investment properties as at December 31, 2014 and 2013 have been pledged as security or collateral for the Company's debts.



#### 14. Goodwill and Other Intangible Assets

This account consists of:

	2014	2013
Goodwill	<b>₱6,822,526,341</b>	₱6,822,526,341
Trademark	<b>2,004,255,942</b>	2,004,255,942
Computer software	<b>536,291,694</b>	267,270,178
Other intangible assets, net of accumulated amortization	<b>22,036,316</b>	9,584,387
	<b>₱9,385,110,293</b>	₱9,103,636,848

##### *Goodwill and trademark*

Goodwill and trademark are acquired through business combinations related to the following group of CGUs as at December 31, 2014 and 2013:

Goodwill:		
Hong Zhuang Yuan		₱2,497,252,906
Mang Inasal		1,781,266,639
Red Ribbon Bakeshop:		
Philippine operations		737,939,101
US operations		434,651,055
Yong He King:		
Yong He King		429,016,109
Hangzhou Yonghe		106,264,544
Chowking US operations		383,855,247
San Pin Wang (see Note 11)		292,141,532
Chow Fun		154,894,001
Burger King Group		5,245,207
Total goodwill		6,822,526,341
Trademark -		
Mang Inasal		2,004,255,942
Goodwill and trademark		₱8,826,782,283

##### *Computer software*

The Jollibee Group's computer software pertains to the Enterprise Resource Planning (ERP) System. The Jollibee Group used the asset starting August 1, 2014, which has an estimated useful life of five (5) years.

The rollforward analysis of the computer software is as follows:

	2014	2013
Balance at beginning of year	<b>₱267,270,178</b>	₱-
Additions	<b>300,480,300</b>	267,270,178
Amortizations (see Note 22)	<b>(31,458,784)</b>	-
Balance at end of year	<b>₱536,291,694</b>	₱267,270,178





*Other intangible assets*

The rollforward analysis of other intangible assets as of December 31, 2014 and 2013 is as follows:

	2014	2013
Cost:		
Balance at beginning of year	P18,052,904	P16,034,234
Additions	18,256,301	2,018,670
Balance at end of year	<b>P36,309,205</b>	P18,052,904
Accumulated amortization:		
Balance at beginning of year	P8,468,517	P5,257,372
Amortizations (see Note 22)	5,804,372	3,211,145
Balance at end of year	<b>P14,272,889</b>	P8,468,517
Net book value:		
At December 31	<b>P22,036,316</b>	P9,584,387
At January 1	<b>9,584,387</b>	10,776,862

Impairment Testing of Goodwill and Trademark

Goodwill acquired through business combinations have been allocated to nine (9) groups of CGUs, which are subsidiaries of the Parent Company, owned directly or indirectly. The recoverable amounts of the groups of CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by BOD covering a five-year period.

The calculation of value in use is most sensitive to the following assumptions which vary per geographical location:

CGUs	Geographical Location	Pre-tax Discount Rate	Long-term Growth Rate
Hong Zhuang Yuan	PRC	9.57%	6.60%
Mang Inasal	Philippines	9.69%	6.12%
Red Ribbon Bakeshop:			
Philippine operations	Philippines	9.63%	6.12%
US operations	USA	8.08%	2.94%
Yong He King	PRC	9.48%	6.60%
Chowking US Operations	USA	7.96%	2.94%
Chow Fun	USA	8.06%	2.94%
Burger King	Philippines	9.05%	6.12%
San Pin Wang	PRC	9.59%	6.60%

Key assumptions with respect to the calculation of value in use of the groups of CGUs as at December 31, 2014 and 2013 on which management had based its cash flow projection to undertake impairment testing of goodwill are as follows:

- a) Discount rates - discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Jollibee Group and its CGUs and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived using the Capital Asset Pricing Model (CAPM). The cost of debt is based on the interest bearing borrowings the Jollibee Group is obliged to



service. CGU-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

- b) Long-term growth rates - rates are determined with consideration of historical and projected results, as well as the economic environment in which the CGUs operate.
- c) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margin - is based on the most recent value achieved in the year preceding the start of the budget period, and adjusted for planned efficiency improvement, if any.

No impairment loss was recognized for goodwill and trademark for the years ended December 31, 2014, 2013 and 2012.

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### 15. Other Noncurrent Assets

This account consists of:

	2014	2013
Security and other deposits (see Notes 30 and 31)	<b>₱1,522,942,799</b>	₱1,360,230,842
Noncurrent portion of:		
Rent and other long-term prepayments	<b>318,547,751</b>	239,797,867
Employee car plan receivables (see Notes 30 and 31)	<b>130,234,889</b>	106,011,234
Deferred rent expense	<b>78,087,841</b>	61,261,913
Deferred compensation	<b>13,256,501</b>	13,433,144
Returnable containers	<b>23,458,995</b>	21,303,019
Other assets	<b>53,019,885</b>	91,237,373
	<b>₱2,139,548,661</b>	₱1,893,275,392

Security and other deposits represent deposits for operating leases entered into by the Jollibee Group as lessee and other deposits. The security deposits are recoverable from the lessors at the end of the lease term, which ranges from three to twenty years. These are presented at amortized cost. The discount rates used range from 2.00% to 22.00% in 2014 and 2013. The difference between the fair value at initial recognition and the notional amount of the security deposits is charged to "Deferred rent expense" account and amortized on straight-line basis over the lease terms.

Accretion of interest on refundable deposits and employee car plan receivables amounted to ₱25.2 million and ₱18.9 million in 2014 and 2013, respectively (see Note 23).



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**16. Trade Payables and Other Current Liabilities**

This account consists of:

	2014	2013
Trade	<b>₱6,575,866,203</b>	₱6,006,639,836
Accruals for:		
Local and other taxes	<b>2,129,608,286</b>	1,650,647,422
Salaries, wages and employee benefits	<b>1,356,033,704</b>	1,516,033,345
Advertising and promotions	<b>1,022,030,971</b>	1,022,817,189
Rent	<b>727,097,312</b>	534,417,910
Utilities	<b>326,583,023</b>	329,764,448
Freight	<b>270,636,918</b>	197,069,154
Operating supplies	<b>232,297,364</b>	174,724,487
Repairs and maintenance	<b>219,646,777</b>	143,883,572
Professional fees	<b>152,476,539</b>	114,884,136
Store operations, corporate events and others	<b>2,106,557,671</b>	1,572,317,710
Customers' deposits	<b>731,790,996</b>	602,100,377
Unearned revenue from gift certificates	<b>67,634,181</b>	47,629,038
Dividends payable	<b>56,350,870</b>	29,374,422
Other current liabilities	<b>321,054,359</b>	307,622,975
	<b>₱16,295,665,174</b>	₱14,249,926,021

Trade payables to suppliers are noninterest-bearing and are normally settled on a 30-day term.

Accrued expenses are noninterest-bearing and are normally settled within the next financial year.

Accretion of interest on the liability of acquisition of businesses and customers' deposits amounted to ₱18.1 million and ₱19.1 million in 2014 and 2013, respectively (see Note 23).

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**17. Provisions**

The Jollibee Group has outstanding provisions amounting to ₱30.5 million as at December 31, 2014 and 2013, consisting mainly of provisions for legal claims.

These include estimates of legal services, settlement amounts and other costs of claims made against the Jollibee Group. Other information on the claims is not disclosed as this may prejudice the Jollibee Group's position on such claims. The Jollibee Group's management, after consultation with its legal counsel, believes that the provisions are sufficient to meet the costs related to the claims.



## 18. Short and Long-term Debts

### Short-term Debt

Short-term debt consists of unsecured bank loans of the Parent Company. These loans were availed in 2014 with maturities of one year or less with interest rates ranging from 1.8% to 1.9%. Short-term debt amounted to ₱1,865.0 million as of December 31, 2014.

Interest expense recognized on short-term debt amounted to ₱3.2 million, nil and ₱14.8 million in 2014, 2013 and 2012, respectively (see Note 23).

### Long-term Debt

As at December 31, the long-term debt consists of the following:

	2014	2013
Principal	<b>₱5,153,136,000</b>	₱5,176,745,744
Unamortized debt issue cost	<b>(9,603,030)</b>	(7,500,000)
	<b>₱5,143,532,970</b>	₱5,169,245,744

The details of long-term debt follow:

	2014	2013
USD-denominated:		
Loan 1	<b>₱1,453,400,000</b>	₱1,775,800,000
Loan 2	<b>804,960,000</b>	799,110,000
Loan 3	-	443,950,000
Loan 4	-	329,362,744
Loan 5	<b>178,880,000</b>	177,580,000
Loan 6	<b>263,848,000</b>	-
PHP-denominated:		
Loan 7	<b>1,493,863,636</b>	1,492,500,000
Loan 8	<b>796,533,334</b>	-
Loan 9	<b>152,048,000</b>	150,943,000
	<b>5,143,532,970</b>	5,169,245,744
Less current portion	<b>715,520,000</b>	1,106,275,244
	<b>₱4,428,012,970</b>	₱4,062,970,500

*USD-denominated loans of JWPL.* Loan 1 consists of a 5-year unsecured loan acquired from a local bank on February 25, 2013 amounting to USD40.0 million (or ₱1,632.0 million) subject to quarterly interest repricing with one-time option to fix in the future. The interest rate is based on three-month U.S. Dollar London Interbank Offered Rate (USD LIBOR) plus spread of 100 basis points. The principal is payable in 16 quarterly installments commencing on May 26, 2014 up to February 26, 2018, the date of maturity.

Loan 2 consists of a 4-year unsecured loan acquired from a local bank on October 25, 2013 amounting to USD18.0 million (or ₱777.8 million) with an interest rate based on three-month USD LIBOR plus spread of 1.00% subject to interest repricing every quarter. The principal is payable in 12 quarterly installment commencing on January 25, 2015 up to October 25, 2017, the date of maturity.

Loan 3 consists of a 3-year unsecured loan acquired from a local bank on April 29, 2011 amounting to USD40.0 million (or ₱1,712.0 million) with fixed interest rate of 2.53% per annum.



The principal is payable in 4 semi-annual installment commencing on October 29, 2012 up to April 28, 2014, the date of maturity. The loan was fully paid in April 2014.

Loan 4 consists of a 3-year unsecured loan acquired from a foreign bank on May 9, 2011 amounting to USD30.0 million (or ₱1,287.9 million) with fixed interest rate of 2.72% per annum. The principal is payable in 4 semi-annual installment commencing on November 9, 2012 up to May 8, 2014, the date of maturity. The loan was fully paid in May 2014.

The loan agreements above (loans 1 - 4) provide certain restrictions and requirements principally with respect to maintenance of required financial ratios, which include debt to equity ratio which is not to exceed 1.5 and debt service coverage ratio not to exceed 2.0, and material change in ownership or control. As at December 31, 2014 and 2013, the Jollibee Group is in compliance with the terms of its loan covenants.

*USD-denominated loans of JFPPL.* Loan 5 consists of a 5-year unsecured loan acquired from a local bank on May 8, 2013 amounting to USD4.0 million (or ₱163.3 million) with an interest rate based on three-month USD LIBOR plus spread of 100 basis points subject to repricing every quarter. The principal is payable on May 7, 2018, the date of maturity.

Loan 6 consists of a 5-year unsecured loan acquired from a local bank on April 25, 2014 amounting to USD5.9 million (or ₱257.5 million) with an interest rate of 1.48% subject to repricing every quarter. The principal is payable on April 24, 2019, the date of maturity.

*PHP-denominated loans of the Parent Company.* On December 9, 2013, the Parent Company refinanced its ₱1,500.0 million term loan from local bank due on December 16, 2013 by availing a term loan of the same amount (Loan 7). The new loan is payable over five years and six months from the date of drawdown with annual principal repayments of ₱15.0 million starting on the 30th month from the date of drawdown and ₱1,455.0 million upon maturity. The loan is subject to a variable interest rate based on three-month Philippine Dealing System Treasury Fixing (PDST-F) rate plus spread of 1.25%, which is payable and is reset on a quarterly basis, and to an interest rate floor based on the Bangko Sentral ng Pilipinas (BSP) Overnight Reverse Repurchase Agreement Rate. The loan was drawn on December 16, 2013 and will mature on June 17, 2019. The Parent Company incurred debt issue costs of ₱7.5 million, representing documentary stamp tax, in relation to this loan in 2013.

Under the loan agreement with local bank, the Parent Company has an option to convert the variable interest rate into a fixed interest rate based on the PDST-F rate for the remaining term of the loan and the spread of 1.00% on any interest payment date. The Parent Company also has an option to prepay the loan in full or in multiples of ₱10.0 million on any interest payment date.

Under the loan agreement, the Parent Company is subject to certain debt covenants which include among others the maintenance of a required Debt-to-Equity ratio and Debt-to-EBITDA ratio not to exceed 3.0. The Parent Company is in compliance with these debt covenants as at December 31, 2014 and 2013.

Loan 8 consists of a 5-year unsecured loan acquired from a local bank on April 21, 2014 amounting to ₱800.0 million. The loan is subject to a variable interest rate based on three-month PDST-F rate plus spread of 1.0%, and to an interest rate floor based on the BSP Special Deposit Account Rate plus spread of 1.0% or BSP Overnight Borrowing Rate plus spread of 1.0%. The Parent Company incurred debt issue costs of ₱4.0 million, representing documentary stamp tax, in relation to this loan. The principal is payable on April 21, 2019, the date of maturity.



Under the loan agreement with the local bank, the Parent Company has an option to convert the variable interest rate into a fixed interest rate equal to the sum of the Margin and the five-year treasury securities benchmark yield as displayed under the heading “Bid Yields” appearing on the PDST-F Benchmarks screen of the Philippine Dealing Exchange of Bloomberg on the date of the Option to Convert is exercised, subject to a floor rate of 4.75% per annum. The Parent Company also has an option to prepay the loan, wholly or partially, without penalty at any time during the term of the loan subject to certain conditions.

Under the loan agreement, the Parent Company is subject to certain debt covenants which include among others the maintenance of a required Debt-to-Equity ratio and Debt Service Coverage ratio not to exceed 3.0 and 1.3, respectively. The Parent Company is in compliance with these debt covenants as at December 31, 2014.

The details of the Parent Company’s PHP denominated long-term debt (Loans 7 and 8) as at December 31, 2014 and 2013 is as follows:

	2014	2013
Principal	<b>₱2,300,000,000</b>	₱1,500,000,000
Less unamortized debt issue cost	<b>(9,603,030)</b>	(7,500,000)
	<b>₱2,290,396,970</b>	₱1,492,500,000

The movements in unamortized debt issue cost in 2014 and 2013 are as follows:

	2014	2013
Balance at beginning of year	<b>₱7,500,000</b>	₱10,296,795
Additions	<b>4,000,000</b>	7,500,000
Amortizations	<b>(1,896,970)</b>	(10,296,795)
Balance at end of year	<b>₱9,603,030</b>	₱7,500,000

*PHP-denominated loan of PERF Restaurants, Inc. (PERF).* Loan 9 is a 5-year unsecured USD3.4 million (or ₱149.2 million) bearing fixed interest rate of 5.32% per annum.

The loan contains certain restrictive covenants and requirements with respect to the following:

- (a) Maintenance of the following ratios for the duration of the loan agreements: (1) minimum debt service coverage of 1.5:1; and (2) maximum debt to (EBITDA) of 4:1.
- (b) Restrictions on changes in ownership structure; incurrence of any additional loans with term of more than one year; repayment of intercompany borrowings from the Parent Company except those agreed upon signing of this Facility Agreement; investing or entering into any business substantially different from the business in which PERF is presently engaged; and enter into merger or consolidation, except where PERF is the surviving corporation, and the Parent Company remains as the majority beneficial owner of the surviving corporation.

As at December 31, 2014, PERF is in compliance with the terms of the loan agreement.

Interest expense recognized on long-term debt including amortization of debt issue cost, amounted to ₱131.2 million, ₱133.8 million and ₱171.1 million in 2014, 2013 and 2012, respectively (see Note 23).



Derivative, Hedges and Hedge Effectiveness Testing

In 2012, Loan 9 was converted into a deliverable cross-currency swap transaction to hedge in full the foreign currency risk and interest rate risk on its floating rate. Under the cross-currency swap, PERF received at inception PHP notional amount of ₱149.2 million and paid USD notional amount of USD3.4 million based on the PHP/USD spot reference rate of ₱43.87. At every interest payment date, PERF will receive variable interest based on 3-month US LIBOR plus spread and will pay fix interest rate. At maturity date, PERF will receive USD notional amount of USD3.4 million and pay PHP notional amount of ₱149.2 million. The USD receipts from the cross-currency swap correspond with the expected interest fixed principal amount due on the hedged loan. Similar with the hedged loan, the cross-currency swap is non-amortizing and will mature on December 21, 2016.

Effectively, the cross-currency swap transformed the floating rate USD loan into a fixed rate PHP loan.

Since the critical terms of the hedged loan and cross-currency swap matched, the hedge was assessed to be highly effective. As such, there was no ineffectiveness recognized in the profit or loss for the years ended December 31, 2014 and 2013.

The movement in fair value of cash flow hedge presented in equity under other comprehensive loss in 2014 and 2013 follows:

	2014	2013
Balance at beginning of year	<b>₱6,317,600</b>	₱13,124,439
Changes in fair value of the cash flow hedge	<b>(4,998,710)</b>	(20,212,711)
Transfer to profit or loss	<b>3,116,583</b>	13,405,872
Net movement on cash flow hedge	<b>(1,882,127)</b>	(6,806,839)
Balance at year-end	<b>4,435,473</b>	6,317,600
Non-controlling interests' share	<b>(2,040,318)</b>	(2,906,096)
	<b>₱2,395,155</b>	₱3,411,504

The foreign exchange revaluation of the hedged loan, amounting to ₱3.1 million and ₱13.4 million, was recognized in other comprehensive loss on derivative liability in 2014 and 2013, respectively.

The net movement in the fair value of the Company's derivative liability for the years ended December 31, 2014 and 2013 follows:

	2014	2013
Balance at beginning of year	<b>₱4,532,600</b>	₱22,782,820
Net changes in fair value	<b>(4,998,710)</b>	(20,212,711)
Settlements	<b>2,011,582</b>	1,962,491
Balance at end of year	<b>₱1,545,472</b>	₱4,532,600



## 19. Equity

### a. Capital Stock

The movements in the number of shares are as follows:

	2014	2013
Authorized - ₱1 par value	<b>₱1,450,000,000</b>	₱1,450,000,000
Issued and subscribed:		
Balance at beginning of the year	<b>₱1,068,608,675</b>	₱1,063,859,559
Issuances during the year	<b>12,431,639</b>	4,749,116
Balance at end of year	<b>1,081,040,314</b>	1,068,608,675
Subscription receivable	<b>(17,177,884)</b>	(17,177,884)
	<b>₱1,063,862,430</b>	₱1,051,430,791

The total number of shareholders of the Parent Company is 3,173 and 3,244 as at December 31, 2014 and 2013, respectively.

### b. Treasury Shares

The cost of common stock of the Parent Company held in treasury of ₱180.5 million consists of 16,447,340 shares as at December 31, 2014 and 2013.

### c. Excess of Cost over the Carrying Value of Non-controlling Interests Acquired

The amount of excess of cost over the carrying value of non-controlling interests acquired as at December 31, 2014 and 2013, recognized as part of “Equity Attributable to Equity Holders of the Parent Company” section in the consolidated statements of financial position, resulted from the following acquisitions of non-controlling interests:

20% of Greenwich in 2006	₱168,257,659
15% of Belmont in 2007	375,720,914
40% of Adgraphix in 2010	(1,214,087)
	<b>₱542,764,486</b>

### d. Retained Earnings

The Jollibee Group has a cash dividend policy of declaring one-third of the Jollibee Group’s net income for the year as cash dividends. It uses best estimate of its net income as basis for declaring cash dividends. Actual cash dividends per share declared as a percentage of the EPS are 32.3%, 75.5% and 61.5% in 2014, 2013 and 2012, respectively.

The Parent Company’s retained earnings available for dividend declaration, computed based on the guidelines provided in SEC Memorandum Circular No. 11, amounted to ₱9,423.8 million and ₱7,895.7 million as at December 31, 2014 and 2013, respectively.





The Parent Company's cash dividend declarations for 2014, 2013 and 2012 follow:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total Cash Dividends Declared
<b>2014</b>				
April 7	May 8	May 30	<b>₱0.75</b>	<b>₱788,176,867</b>
November 12	November 27	December 18	<b>0.89</b>	<b>945,305,674</b>
			<b>₱1.64</b>	<b>₱1,733,482,541</b>
<b>2013</b>				
April 11	May 7	May 30	₱0.65	₱680,017,923
August 6	September 19	October 14	2.00	2,099,932,206
November 12	November 29	December 16	0.71	745,597,226
			<b>₱3.36</b>	<b>₱3,525,547,355</b>
<b>2012</b>				
April 12	May 9	May 31	₱0.58	₱602,206,230
November 12	December 3	December 19	1.00	1,044,303,255
November 12	December 3	December 19	0.62	647,468,018
			<b>₱2.20</b>	<b>₱2,293,977,503</b>

An important part of Jollibee Group's growth strategy is the acquisition of new businesses in the Philippines and abroad. Examples were acquisitions of 85% of Yonghe King in 2004 in PRC (₱1,200.0 million), 100% of Red Ribbon in 2005 (₱1,700.0 million), the remaining 20% minority share in Greenwich in 2007 (₱384.0 million), the remaining 15% share of Yonghe King in 2007 (₱413.7 million), 100% of Hong Zhuang Yuan restaurant chain in PRC in 2008 (₱2,600.0 million), 70% of Mang Inasal in 2010 (₱2,976.2 million), 100% of Chowking US Operations in 2011 (₱693.3 million), 55% of San Pin Wang (₱195.9 million plus a contingent consideration) and 48% of WJ Investments Limited (₱98.0 million) in 2012.

The Jollibee Group plans to continue to make substantial acquisitions in the coming years. The Jollibee Group uses its cash generated from operations to finance these acquisitions and capital expenditures. These limit the amount of cash dividends that it can declare and pay, making the level of the retained earnings higher than the paid-up capital stock.

In support of the Jollibee Group's strategy, the BOD approved the appropriation of ₱5,200.0 million and ₱3,800.0 million on April 11, 2013 and February 15, 2012, respectively, for future expansion and capital expenditure. Thus as at December 31, 2014 and 2013, the details of the appropriated retained earnings follow:

Projects	Timeline	Amount
Acquisition of Businesses	2013 - 2018	₱7,600,000,000
Capital Expenditures	2013 - 2018	2,600,000,000
		<b>₱10,200,000,000</b>



The unappropriated retained earnings of the Parent Company is also restricted to the extent of cost of common stock held in treasury amounting to ₱180.5 million in both years as well as the undistributed retained earnings of its subsidiaries which amounted to ₱2,841.3 million and ₱629.2 million as at December 31, 2014 and 2013, respectively.

In relation with the SRC Rule 68, as Amended (2011), Annex 68-D, below is the summary of the Company's track record of registration of securities.

				2014	2013
	Number of shares registered	Issue/ offer price	Date of approval	Number of holders of securities as of December 31	Number of holders of securities as of December 31
Common shares	75,000,000	₱9	June 21, 1993	3,173	3,244

## 20. Royalty, Franchise Fees and Others

This account consists of:

	2014	2013	2012
Royalty fees	<b>₱3,914,101,302</b>	₱3,470,663,663	₱3,103,707,056
Franchise fees	<b>152,531,503</b>	104,671,216	108,902,005
Rent income (see Note 29)	<b>90,642,833</b>	97,500,225	93,552,079
Service fees	<b>78,544,132</b>	86,040,358	69,925,324
Other revenues	<b>225,640,720</b>	210,404,152	188,999,169
	<b>₱4,461,460,490</b>	₱3,969,279,614	₱3,565,085,633

The Jollibee Group has existing Royalty and Franchise Agreements with independent franchisees for the latter to operate quick service restaurant outlets under the "Jollibee", "Chowking", "Greenwich", "Red Ribbon", "Mang Inasal", "Yong He King" and "Hong Zhuang Yuan" concepts and trade names. In consideration thereof, the franchisees agree to pay franchise fees and monthly royalty fees equivalent to a certain percentage of the franchisees' net sales.

The franchisees also reimburse the Jollibee Group a share in the network advertising and promotional activities based on certain percentages of the former's net sales.



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## 21. Cost of Sales

This account consists of:

	2014	2013	2012
Cost of inventories	<b>₱43,228,221,857</b>	₱38,227,726,820	₱33,898,232,334
Personnel costs:			
Salaries, wages and other employee benefits	<b>9,205,954,169</b>	8,416,655,196	7,771,959,348
Pension expense (see Note 25)	<b>119,911,904</b>	102,196,339	57,928,961
Rent (see Note 29)	<b>6,671,204,628</b>	5,962,800,559	5,499,468,204
Electricity and other utilities	<b>3,767,659,068</b>	3,443,712,321	3,245,101,747
Depreciation and amortization (see Notes 12 and 13)	<b>2,859,700,438</b>	2,811,677,195	2,477,433,446
Contracted services and professional fees	<b>2,445,048,396</b>	1,733,982,204	1,237,433,220
Supplies	<b>2,149,191,146</b>	1,809,763,316	1,712,100,856
Repairs and maintenance	<b>943,277,853</b>	809,564,647	666,242,481
Security and janitorial	<b>382,980,808</b>	325,281,623	294,667,278
Communication	<b>151,658,421</b>	135,038,254	119,488,497
Entertainment, amusement and recreation	<b>27,276,536</b>	26,748,242	31,015,693
Others	<b>1,775,706,917</b>	1,479,616,348	1,424,426,678
	<b>₱73,727,792,141</b>	₱65,284,763,064	₱58,435,498,743

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## 22. General and Administrative Expenses

This account consists of:

	2014	2013	2012
Personnel costs:			
Salaries, wages and other employee benefits	<b>₱4,675,596,092</b>	₱3,731,010,808	₱3,104,737,878
Stock options expense (see Note 26)	<b>166,490,888</b>	150,418,741	76,984,373
Pension expense (see Note 25)	<b>125,671,823</b>	104,094,430	44,443,247
Taxes and licenses	<b>970,757,479</b>	885,250,840	793,134,792
Rent (see Note 29)	<b>401,539,745</b>	324,481,811	396,384,343
Transportation and travel	<b>393,123,071</b>	339,949,959	299,910,571
Professional fees	<b>356,335,140</b>	290,661,328	268,376,135
Depreciation and amortization (see Notes 12, 13 and 14)	<b>326,679,292</b>	260,778,625	228,192,916
Contracted services	<b>295,691,791</b>	73,413,676	49,912,515
Repairs and maintenance	<b>105,738,442</b>	88,207,428	43,774,873
Communication	<b>97,197,031</b>	80,101,891	87,824,802
Donations	<b>88,575,310</b>	92,513,001	68,199,176
Entertainment, amusement and recreation	<b>80,269,589</b>	105,201,772	105,401,780
Electricity and other utilities	<b>64,955,121</b>	51,858,492	58,686,416
Reversals of provision for impairment losses on:			
Receivables (see Note 7)	<b>(868,308)</b>	-	-
Inventories (see Note 8)	<b>(8,489,305)</b>	-	(13,316,722)
Property, plant and equipment (see Note 12)	<b>(16,200,000)</b>	(13,300,000)	-
Investment properties (see Note 13)	<b>(46,447,298)</b>	-	-
Provision for impairment losses on:			
Receivables (see Note 7)	<b>36,301,470</b>	34,007,984	97,559,491
Inventories (see Note 8)	<b>11,066,386</b>	9,367,464	2,154,527
Property, plant and equipment (see Note 12)	<b>2,000,000</b>	-	29,500,000
Investment properties	-	-	21,177,361
Security and other deposits	-	-	3,000,000
Supplies	<b>53,892,109</b>	52,966,197	59,372,615
Training	<b>47,586,227</b>	59,429,198	71,311,451
Insurance	<b>14,678,441</b>	12,275,733	10,284,642
Security and janitorial	<b>14,613,774</b>	18,596,895	22,168,913
Corporate events and others	<b>696,956,985</b>	676,600,923	979,626,852
	<b>₱8,953,711,295</b>	₱7,427,887,196	₱6,908,802,947



**23. Interest Income (Expense) and Other Income (Expense)**

	2014	2013	2012
<b>Interest income:</b>			
Cash and cash equivalents (see Note 6)	<b>₱111,812,888</b>	₱145,624,891	₱159,897,257
Accretion of interest on refundable deposits and employee car plan receivables (see Note 15)	<b>25,238,222</b>	18,909,301	21,613,453
Loans and advances (see Note 11)	<b>104,994,231</b>	81,039,616	88,603,447
	<b>₱242,045,341</b>	₱245,573,808	₱270,114,157
<b>Interest expense:</b>			
Long-term debt (see Note 18)	<b>(₱131,178,351)</b>	(₱133,771,329)	(₱171,059,541)
Short-term debt (see Note 18)	<b>(3,155,167)</b>	-	(14,799,129)
Accretion of interest on the liability and remeasurement of contingent consideration from acquisition of businesses and accretion of customers' deposits (see Notes 11 and 16)	<b>(18,137,735)</b>	(19,148,699)	(20,154,030)
	<b>(₱152,471,253)</b>	(₱152,920,028)	(₱206,012,700)
<b>Other income (expense):</b>			
Write-off of other liabilities	<b>₱357,935,555</b>	₱97,044,819	₱292,136,540
Rebates and suppliers' incentives	<b>258,778,135</b>	122,379,003	76,099,289
Penalties and charges	<b>27,448,182</b>	17,438,114	16,063,313
Pre-termination of operating leases	<b>25,797,871</b>	13,058,342	43,765,252
Charges to franchisees	<b>13,826,878</b>	24,360,500	43,898,382
Other rentals	<b>13,607,060</b>	6,820,323	6,977,700
Foreign exchange gain (loss) - net	<b>(1,143,310)</b>	46,628,738	(25,371,670)
Insurance claims and others	<b>(36,946,445)</b>	9,595,192	49,966,033
	<b>₱659,303,926</b>	₱337,325,031	₱503,534,839



## 24. Income Taxes

The Jollibee Group's provision for current income tax consists of the following:

	2014	2013	2012
Final tax withheld on:			
Royalty and franchise fee income	<b>₱868,377,737</b>	₱753,663,087	₱691,731,651
Interest income	<b>12,837,513</b>	40,615,554	28,094,896
RCIT:			
With itemized deduction	<b>467,843,856</b>	414,800,104	401,169,566
With optional standard deduction	<b>207,318,757</b>	175,871,530	156,164,621
MCIT	<b>138,390,687</b>	135,539,174	-
Dividend income	-	1,477,233	-
	<b>₱1,694,768,550</b>	₱1,521,966,682	₱1,277,160,734

For the years ended December 31, 2014 and 2013, Zenith, Grandworth and RRBHI, wholly-owned subsidiaries, elected to use OSD in computing for its taxable income. The total tax benefits from the availment of OSD amounted to ₱67.0 million, ₱60.0 million and ₱47.8 million in 2014, 2013 and 2012, respectively.

The components of the Jollibee Group's recognized net deferred tax assets follow:

	2014	2013
Deferred tax assets:		
Operating lease payables	<b>₱223,282,139</b>	₱227,428,655
NOLCO:		
PRC-based entities	<b>158,529,557</b>	233,568,177
Philippine-based entities	<b>128,403,747</b>	77,033,807
Pension liability and other benefits	<b>143,289,648</b>	121,663,646
Accumulated impairment loss in value of receivables, property, plant and equipment, investment properties, and other nonfinancial assets	<b>46,917,454</b>	55,275,147
Excess of MCIT over RCIT	<b>29,318,298</b>	20,616,788
Unamortized past service costs	<b>22,234,208</b>	27,770,876
Unaccreted discount on security deposits and employee car plan receivables	<b>7,709,222</b>	9,073,014
Unrealized foreign exchange loss	<b>87,101</b>	2,599,563
Others	<b>7,776,928</b>	7,513,467
Total	<b>₱767,548,302</b>	₱782,543,140
Deferred tax liabilities:		
Unaccreted discount on product security deposit	<b>5,989,024</b>	8,110,116
Operating lease receivables	<b>2,304,308</b>	2,407,133
Deferred rent expense	<b>1,954,470</b>	3,742,190
Unrealized foreign exchange gain	<b>225,174</b>	1,968,063
Pension asset	-	5,341,747
Others	<b>5,110,008</b>	4,777,031
	<b>15,582,984</b>	26,346,280
Deferred tax assets - net	<b>₱751,965,318</b>	₱756,196,860



The components of the Jollibee Group's recognized net deferred tax liabilities follow:

	2014	2013
Deferred tax assets:		
NOLCO - Philippine-based	<b>₱258,019,288</b>	₱-
Operating lease payables	<b>188,905,938</b>	184,292,117
Excess of MCIT over RCIT	<b>131,039,374</b>	2,204,170
Pension liability and other benefits	<b>101,993,678</b>	171,799,170
Unrealized foreign exchange loss	<b>39,909,725</b>	98,883,194
Unamortized past service costs	<b>11,158,566</b>	13,948,206
Accumulated impairment loss in value of property, plant and equipment, investment properties, and other nonfinancial assets	<b>9,798,861</b>	17,165,614
Unaccreted discount on security deposits and employee car plan receivables	<b>9,633,569</b>	13,944,952
Provisions for legal claims	<b>9,150,192</b>	9,150,192
Allowance for impairment loss on receivables	<b>7,849,611</b>	22,688,381
Others	<b>2,310</b>	2,310
	<b>767,461,112</b>	534,078,306
Deferred tax liabilities:		
Excess of fair value over book value of identifiable assets of acquired businesses	<b>692,125,788</b>	705,641,848
Unrealized foreign exchange gain	<b>39,156,609</b>	111,144,838
Prepaid rent	<b>34,082,168</b>	23,436,251
Deferred rent expense	<b>9,531,966</b>	9,531,966
Operating lease receivables	-	22,926
Others	<b>3,942,509</b>	2,457,595
	<b>778,839,040</b>	852,235,424
Deferred tax liabilities – net	<b>₱11,377,928</b>	₱318,157,118

The rollforward analysis of the net deferred tax assets and liabilities follows:

	2014	2013
Balance at beginning of year	<b>₱438,039,742</b>	₱311,077,621
Additions	<b>424,239,011</b>	(741,389)
Application of excess of MCIT over RCIT	-	(1,874,880)
Income tax effect of other remeasurements of net defined benefit plan	<b>(106,374,133)</b>	103,199,623
Translation adjustments	<b>(15,317,230)</b>	26,378,767
	<b>₱740,587,390</b>	₱438,039,742

OSD

The availment of the OSD method also affected the recognition of several deferred tax assets and liabilities. Deferred tax assets and liabilities, for which the related income and expense are not considered in determining gross income for income tax purposes, are not recognized. This is because the manner by which the Jollibee Group expects to recover or settle the underlying assets and liabilities, for which the deferred tax assets and liabilities were initially recognized, would not result to any future tax consequence under the OSD method. Meanwhile, deferred tax assets and liabilities, for which the related income and expense are considered in determining gross income for income tax purposes, are recognized only to the extent of their future tax consequence under



OSD method. Hence, the tax base of these deferred tax assets and liabilities is reduced by the 40% allowable deduction provided for under the OSD method.

Accordingly, the Jollibee Group's deferred tax assets and liabilities, which were not recognized due to the use of the OSD method in future years, are as follows:

	2014	2013
Deferred tax assets:		
Operating lease payables	<b>₱12,037,179</b>	₱14,185,024
Pension liability	<b>11,271,916</b>	8,001,665
Allowance for impairment losses on:		
Receivables	<b>3,963,705</b>	3,963,705
Inventories	-	25,858
Investment properties	-	10,334,189
Other noncurrent assets	-	3,676,834
Unamortized past service cost	<b>505,008</b>	627,013
Unaccreted discount on financial instruments	<b>261,468</b>	350,016
Others	<b>118,378</b>	118,378
	<b>28,157,654</b>	41,282,682
Deferred tax liabilities:		
Operating lease receivables	<b>6,518,762</b>	8,300,360
Deferred rent expense	<b>133,167</b>	201,113
Others	<b>249,331</b>	247,985
	<b>6,901,260</b>	8,749,458
	<b>₱21,256,394</b>	₱32,533,224

As at December 31, 2014, NOLCO and excess of MCIT over RCIT of the Philippine-based entities that can be claimed as deductions from taxable income and income tax due, respectively, are as follows:

Year Incurred/Paid	Carry Forward Benefit up to	NOLCO	Excess of MCIT over RCIT
2014	December 31, 2017	₱1,031,297,427	₱137,536,714
2013	December 31, 2016	121,422,688	16,383,798
2012	December 31, 2015	135,356,669	6,437,160
		<b>₱1,288,076,784</b>	<b>₱160,357,672</b>





The PRC enterprise income tax law provides that income tax rates are unified at 25%. As at December 31, 2014, NOLCO of the PRC-based entities that can be claimed as deductions from taxable income are as follows:

Year Incurred	Carry Forward Benefit Up to	Tax Losses	Deferred Tax at 25%
2014	December 31, 2018	₱197,014,877	₱49,253,719
2013	December 31, 2017	147,385,367	36,846,342
2012	December 31, 2016	205,671,911	51,417,978
2011	December 31, 2015	77,013,285	19,253,321
2010	December 31, 2014	7,032,792	1,758,198
		<b>₱634,118,232</b>	<b>₱158,529,558</b>

The reconciliation of provision for income tax computed at the statutory income tax rates to provision for income tax as shown in the consolidated statements of comprehensive income are as follows:

	2014	2013	2012
Provision for income tax at statutory income tax rates	<b>₱2,027,841,314</b>	₱1,873,654,379	₱1,458,509,911
Income tax effects of:			
Effect of different tax rate for royalty and franchise fees and interest income	<b>(437,765,322)</b>	(395,069,768)	(359,171,819)
Intrinsic value of stock options exercised	<b>(368,250,335)</b>	(109,909,193)	-
Difference between OSD and itemized deductions	<b>(66,824,198)</b>	(54,787,415)	(47,781,922)
Net movement in unrecognized DTA	<b>(7,456,616)</b>	2,540,695	(4,138,108)
Nondeductible expenses	<b>52,200,315</b>	52,598,260	27,788,407
Expired/written off NOLCO and excess of MCIT over RCIT	<b>8,363,448</b>	6,384,855	51,625,749
Unrecorded tax losses of BK Group	<b>5,857,945</b>	4,861,207	11,323,577
Others	<b>56,562,988</b>	142,435,051	11,548,256
	<b>₱1,270,529,539</b>	₱1,522,708,071	₱1,149,704,051

## 25. Pension Liability

### Defined Benefit Plan

The Parent Company and certain Philippine-based subsidiaries have funded, non-contributory defined benefit pension plan covering all permanent employees. The benefits are based on employees' projected salaries and number of years of service.

The funds are administered by a trustee bank. Subject to the specific instructions provided by Jollibee Group in writing, the Jollibee Group directs the trustee bank to hold, invest, and reinvest the funds and keep the same invested, in its sole discretion, without distinction between principal and income in, but not limited to, certain government securities and bonds, term loans, short-term fixed income securities and other loans and investments.



Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of provision for pension expense, included under "Cost of sales" and "General and administrative expenses" accounts in the consolidated statements of comprehensive income and "Pension liability" account in the consolidated statements of financial position, which are based on the latest actuarial valuation.

Changes in pension liability of the Jollibee Group in 2014 are as follows:

	<b>Present Value of Defined Benefit Obligation</b>	<b>Fair Value of Plan Assets</b>	<b>Pension Liability</b>
At January 1, 2014	<b>₱2,405,920,441</b>	<b>₱1,473,079,332</b>	<b>₱932,841,109</b>
Pension expense (see Notes 21 and 22):			
Current service cost	195,996,581	-	195,996,581
Net interest	125,947,807	76,360,661	49,587,146
	<b>321,944,388</b>	<b>76,360,661</b>	<b>245,583,727</b>
Benefits paid	(144,682,477)	(144,682,477)	-
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	-	104,557,655	(104,557,655)
Actuarial changes arising from changes in financial assumptions	224,517,003	-	224,517,003
Actuarial changes due to experience adjustment	(478,487,633)	-	(478,487,633)
	<b>(253,970,630)</b>	<b>104,557,655</b>	<b>(358,528,285)</b>
Contributions	-	58,300,000	(58,300,000)
Other adjustments	-	(70,793,699)	70,793,699
At December 31, 2014	<b>₱2,329,211,722</b>	<b>₱1,496,821,472</b>	<b>₱832,390,250</b>



Changes in pension liability of the Jollibee Group in 2013 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At January 1, 2013	₱1,879,417,452	₱1,357,838,850	₱521,578,602
Pension expense (see Notes 21 and 22):			
Current service cost	162,902,800	–	162,902,800
Net interest	120,486,015	80,944,803	39,541,212
Adjustments due to curtailment	3,846,757	–	3,846,757
	287,235,572	80,944,803	206,290,769
Benefits paid	(169,833,368)	(143,509,013)	(26,324,355)
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	58,504,692	(58,504,692)
Actuarial changes arising from changes in financial assumptions	159,546,177	–	159,546,177
Actuarial changes due to experience adjustment	249,554,608	–	249,554,608
	409,100,785	58,504,692	350,596,093
Contributions	–	119,300,000	(119,300,000)
At December 31, 2013	₱2,405,920,441	₱1,473,079,332	₱932,841,109

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The following table presents the estimated fair values of the assets of the plan:

	2014	2013
Cash and cash equivalents	₱122,140,365	₱152,755,806
Investments in government and corporate debt securities	1,116,827,875	973,525,894
Investments in quoted equity securities		
Holding firms	95,898,420	95,381,636
Property	65,193,429	63,636,911
Food, beverage and tobacco	64,476,681	58,864,127
Banks	43,416,176	30,966,661
Electricity, energy, power and water	29,694,338	12,337,971
Telecommunications	24,632,600	48,697,750
Others	26,584,565	31,985,361
Interest and dividends receivable	15,445,663	30,984,022
Fund liabilities	(107,488,640)	(26,056,807)
	₱1,496,821,472	₱1,473,079,332



The plan's assets and investments consist of the following:

- Investments in government securities which consist of retail treasury bonds that bear interest ranging from 2.35%-8.13% and have maturities from February 2015 to August 2037 and fixed-rate treasury notes that bear interest ranging from 2.88%-11.70% and have maturities from September 2016 to October 2037.
- Investments in equity securities consist of listed equity securities including investment in equity securities of the Parent Company for certain retirement plans of the Jollibee Group (see Note 27).
- Investments in debt securities consist of long-term corporate bonds in the power sector, which bear interest ranging from 6.30%-7.75% maturing from April 2017 to April 2037.
- Other financial assets held by the retirement plan are primarily accrued interest income on cash and cash equivalents, debt instruments and other securities.

Pension costs as well as the present value of the pension liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans are shown below:

	<b>December 31, 2014</b>	December 31, 2013	January 1, 2013
Discount rate	<b>4.60% - 4.70%</b>	5.00% - 6.00%	5.70% - 6.30%
Salary increase rate	<b>7.00%</b>	6.50% - 7.11%	7.00% - 7.50%

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

	December 31, 2014	
	Increase (Decrease)	Philippine Plan
Discount rates	+0.50 basis points	(₱757,777,465)
	-0.50 basis points	1,029,419,507
Future salary increases	+0.50%	₱1,015,034,231
	-0.50%	(778,272,017)

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2014:

Less than 1 year	₱125,937,856
More than 1 year to 5 years	539,415,516
More than 5 years to 10 years	1,179,774,525
More than 10 years to 15 years	1,811,548,405
More than 15 years to 20 years	2,059,412,925
More than 20 years	7,110,256,644



The Jollibee Group does not have a formal asset-liability matching strategy. The overall investment policy and strategy of the retirement plan is based on the client suitability assessment, as provided by its trustee bank, in compliance with the Bangko Sentral ng Pilipinas requirements. It does not, however, ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plan.

The plan assets are primarily exposed to financial risks such as liquidity risk and price risk. Liquidity risk pertains to the plan's ability to meet its obligation to the employees upon retirement. To effectively manage liquidity risk, the trustee bank maintains assets in cash and short-term deposits. Price risk pertains mainly to fluctuation in market prices of the retirement funds marketable securities. In order to effectively manage price risk, the trustee bank continuously assesses these risks by closely monitoring the market value of the securities and implementing prudent investment strategies.

The Jollibee Group expects to contribute ₱125.9 million to the defined benefit pension plans in 2015.

The average duration of the defined benefit obligation is 10 years as at December 31, 2014 and 2013.

#### Defined Contribution Plan

The employees of the PRC-domiciled and USA-based subsidiaries of the Jollibee Group are members of a state-managed pension benefit scheme operated by the national governments. These subsidiaries are required to contribute a specified percentage of their payroll costs to the pension benefit scheme to fund the benefits. The only obligation of these subsidiaries with respect to the pension benefit scheme is to make the specified contributions.

The contributions made to the scheme and recognized as part of other employee benefits amounted to ₱354.4 million, ₱156.8 million and ₱280.2 million in 2014, 2013 and 2012, respectively (see Notes 21 and 22).

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## **26. Stock Option Plans**

### Senior Management Stock Option and Incentive Plan

On December 17, 2002, the SEC approved the exemption requested by the Jollibee Group on the registration requirements of the 101,500,000 options underlying the Parent Company's common shares to be issued pursuant to the Jollibee Group's Senior Management Stock Option and Incentive Plan (the Plan). The Plan covers selected key members of management of the Jollibee Group, certain subsidiaries and designated affiliated entities.

The Plan is divided into two programs, namely, the Management Stock Option Program (MSOP) and the Executive Long-term Incentive Program (ELTIP). The MSOP provides a yearly stock option grant program based on company and individual performance while the ELTIP provides stock ownership as an incentive to reinforce entrepreneurial and long-term ownership behavior of executive participants.

*MSOP.* The MSOP is a yearly stock option grant program open to members of the corporate management committee of the Jollibee Group and members of the management committee, key talents and designated consultants of some of the business units.



Each MSOP cycle refers to the period commencing on the MSOP grant date and ending on the last day of the MSOP exercise period. Vesting is conditional on the employment of the employee-participants to the Jollibee Group within the vesting period. The options will vest at the rate of one-third of the total options granted on each anniversary of the MSOP grant date until the third anniversary.

The exercise price of the stock options is determined by the Jollibee Group with reference to prevailing market prices over the three months immediately preceding the date of grant for the 1st up to the 7th MSOP cycle. Starting with the 8th MSOP cycle, the exercise price of the option is determined by the Jollibee Group with reference to the market closing price as at date of grant.

The stock options expire eight years after grant date. The Jollibee Group does not pay cash as a form of settlement.

On July 1, 2004, the Compensation Committee of the Jollibee Group granted 2,385,000 options under the 1st MSOP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted from the start of the grant date on each anniversary date which will start after a year from the MSOP grant date. One-third of the options granted, or 795,000 options, vested and may be exercised starting July 1, 2005 and expired on June 30, 2012. On July 1, 2005 to 2014, the Compensation Committee granted series of MSOP grants under the 2nd to 11th MSOP cycle to eligible participants. The options vest similar to the 1st MSOP cycle. The second and third MSOP cycles expired in June 30, 2013 and 2014, respectively.

The movements in the number of stock options outstanding and related weighted average exercise prices (WAEP) are as follows:

	2014		2013		2012	
	Number of Options	WAEP	Number of Options	WAEP	Number of Options	WAEP
Total options granted as at end of year	<b>36,863,194</b>	<b>₱73.58</b>	33,404,194	₱62.69	29,808,694	₱53.07
Outstanding at beginning of year	<b>16,915,937</b>	<b>₱83.77</b>	16,788,056	₱63.90	17,505,395	₱52.39
Options granted during the year	<b>3,459,000</b>	<b>178.66</b>	3,595,500	142.51	3,018,030	107.90
Options exercised during the year	<b>(6,765,662)</b>	<b>63.57</b>	(3,373,561)	46.34	(3,375,915)	41.80
Options forfeited during the year	-	-	(94,058)	74.45	(359,454)	80.52
Outstanding at end of year	<b>13,609,275</b>	<b>₱117.51</b>	16,915,937	₱83.77	16,788,056	₱63.90
Exercisable at end of year	<b>6,865,265</b>	<b>₱79.42</b>	10,216,427	₱57.83	10,367,798	₱45.83

The weighted average share price is ₱181.34, ₱143.27 and ₱103.41 in 2014, 2013 and 2012, respectively. The weighted average remaining contractual life for the stock options outstanding as of December 31, 2014, 2013 and 2012 is 5.83 years, 4.83 years and 4.66 years, respectively.



The weighted average fair value of stock options granted in 2014, 2013 and 2012 is ₱32.39, ₱30.55 and ₱23.43, respectively. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The inputs to the model used for the options granted on the dates of grant for each MSOP cycle are shown below:

MSOP Cycle	Year of Grant	Dividend Yield	Expected Volatility	Risk-free Interest Rate	Expected Life of the Option	Stock Price on Grant Date	Exercise Price
1st	2004	1.72%	36.91%	6.20%	5-7 years	₱24.00	₱20.00
2nd	2005	1.72%	36.91%	6.20%	5-7 years	29.00	27.50
3rd	2006	1.72%	36.91%	6.20%	5-7 years	35.00	32.32
4th	2007	1.70%	28.06%	6.41%	3-4 years	52.50	50.77
5th	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
6th	2009	2.00%	30.37%	5.28%	3-4 years	48.00	45.45
7th	2010	2.00%	29.72%	5.25%	3-4 years	70.00	57.77
8th	2011	2.00%	34.53%	4.18%	3-4 years	89.90	89.90
9th	2012	2.00%	28.72%	3.50%	3-4 years	107.90	107.90
10 <sup>th</sup>	2013	2.00%	29.38%	2.68%	3-4 years	145.00	145.00
11 <sup>th</sup>	2014	2.00%	24.87%	2.64%	3-4 years	179.80	179.80

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

*ELTIP.* The ELTIP entitlement is given to members of the corporate management committee.

Each ELTIP cycle refers to the period commencing on the ELTIP entitlement date and ending on the last day of the ELTIP exercise period. Actual grant and vesting is conditional upon achievement of the Jollibee Group's minimum medium to long-term goals and individual targets in a given period, and the employment of the employee-participants to the Jollibee Group within the vesting period. If the goals are achieved, the options will be granted. Starting with the 3rd ELTIP cycle, a percentage of the options to be granted are based on the percentage of growth in annual earnings per share such that 100%, 50% or 25% of the options granted when percentage of growth in annual earnings per share are 12% and above, 10% to less than 12% or 8% to less than 10%, respectively.

The exercise price of the stock options is determined by the Jollibee Group with reference to prevailing market prices over the three months immediately preceding the date of entitlement.

The Jollibee Group does not pay cash as a form of settlement. Starting with the 3rd ELTIP cycle, the exercise price of the option is determined by the Jollibee Group with reference to the closing market price as of the date of grant.

On July 1, 2004, the Compensation Committee gave an entitlement of 22,750,000 options under the 1st ELTIP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted on each anniversary date which will start after a year of the ELTIP grant date. One-third of the options granted, or 7,583,333 options, vested and may be exercised starting July 1, 2007 and expired on June 30, 2012. On July 1, 2008 and October 19, 2012, a total entitlement of 20,399,999 and 24,350,000 options was given to eligible participants under the 2nd and 3rd ELTIP cycle, respectively.



The movements in the number of stock options outstanding for the 2nd and 3rd ELTIP cycles and related WAEP for the years ended December 31, 2014, 2013 and 2012 follow:

	2014		2013		2012	
	Number of Options	WAEP	Number of Options	WAEP	Number of Options	WAEP
Total options given as at end of year	<b>67,499,999</b>	<b>₱56.66</b>	67,499,999	₱56.66	66,749,999	₱56.12
Outstanding at beginning of year	<b>37,186,110</b>	<b>₱82.51</b>	37,811,665	₱80.51	27,674,569	₱32.52
Options granted during the year	-	-	750,000	105.00	23,600,000	105.00
Options exercised during the year	<b>(5,665,977)</b>	<b>39.85</b>	(1,375,555)	39.85	(12,962,905)	24.19
Options forfeited during the year	<b>(249,573)</b>	<b>105.00</b>	-	-	(499,999)	39.85
Outstanding at end of year	<b>31,270,560</b>	<b>₱90.06</b>	37,186,110	₱82.51	37,811,665	₱80.51
Exercisable at end of year	<b>7,170,133</b>	<b>₱39.85</b>	12,836,110	₱39.85	7,411,665	₱39.85

The weighted average remaining contractual life for the stock options outstanding as of 2014, 2013 and 2012 is 4.85 years, 5.30 years and 5.68 years, respectively.

The fair value of stock options granted is ₱22.96 in 2014 and 2013. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The stock options granted under the 2nd and 3rd ELTIP cycles will expire on April 30, 2017 and 2020, respectively. The inputs to the model used for the options granted on the dates of grant for each ELTIP cycle is shown below:

ELTIP Cycle	Year of Grant	Dividend Yield	Expected Volatility	Risk-free Interest Rate	Expected Life of the Option	Stock Price on Grant Date	Exercise Price
1 <sup>st</sup>	2004	1.72%	36.91%	6.20%	5 years	₱24.00	₱20.00
2 <sup>nd</sup>	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
3 <sup>rd</sup>	2012	2.00%	28.74%	3.60%	3-4 years	105.00	105.00

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The cost of the stock options expense charged to operations under “General and administrative expenses” account amounted to ₱166.5 million, ₱150.4 million and ₱77.0 million in 2014, 2013 and 2012, respectively (see Note 22). Correspondingly, a credit was made to additional paid-in-capital.

## 27. Related Party Transactions

The Jollibee Group has transactions with related parties. Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Jollibee Group, including holding companies, subsidiaries and fellow subsidiaries are related entities of the Jollibee Group. Individuals owning, directly or indirectly, an interest in the voting power of the Jollibee Group that give them significant influence over the enterprise; key management personnel, including directors and officers of the Jollibee Group, and close members of the family of these individuals and companies associated with these individuals also constitute related entities.





Compensation of Key Management Personnel of the Jollibee Group

The aggregate compensation and benefits to key management personnel of the Jollibee Group in 2014, 2013 and 2012 are as follows:

	2014	2013	2012
Salaries and short-term benefits	<b>₱687,549,458</b>	₱584,663,115	₱442,497,940
Stock options expense (see Note 26)	<b>166,490,888</b>	150,418,741	76,984,373
Net pension expense	<b>59,134,502</b>	46,292,773	41,900,346
Employee car plan and other long-term benefits	<b>41,335,689</b>	34,443,875	28,405,255
	<b>₱954,510,537</b>	₱815,818,504	₱589,787,914

Transactions with the Retirement Plans

As at December 31, 2014 and 2013, certain retirement funds of the Jollibee Group include investment in equity securities of the Parent Company with details as follows:

	2014	2013
Number of shares	<b>187,340</b>	179,110
Cost	<b>₱7,963,810</b>	₱6,503,796
Market value	<b>40,278,100</b>	31,003,941
Unrealized gain	<b>₱32,314,290</b>	₱24,500,145

Transactions with a Joint Venture

As at December 31, 2014 and 2013, the Jollibee Group has outstanding advances to SuperFoods Group. The terms of these advances are disclosed in Note 11.

**28. Earnings Per Share**

Basic and diluted EPS are computed as follows:

	2014	2013	2012
(a) Net income attributable to the equity holders of the Parent Company	<b>₱5,361,978,768</b>	₱4,671,559,394	₱3,727,084,297
(b) Weighted average number of shares - basic	<b>1,056,590,489</b>	1,049,704,316	1,041,923,753
Weighted average number of shares outstanding under the stock option plan	<b>51,249,701</b>	54,309,458	33,470,157
Weighted average number of shares that would have been purchased at fair market value	<b>(25,692,236)</b>	(32,513,336)	(14,521,214)
(c) Adjusted weighted average shares - diluted	<b>1,082,147,954</b>	1,071,500,438	1,060,872,696
EPS:			
Basic (a/b)	<b>₱5.075</b>	₱4.450	₱3.577
Diluted (a/c)	<b>4.955</b>	4.360	3.513

There were no anti-dilutive options outstanding as at December 31, 2014 and 2013.



## 29. Commitments and Contingencies

### a. Operating lease commitments - Jollibee Group as lessee

The Jollibee Group has various operating lease commitments for quick service restaurant outlets and offices. The noncancellable periods of the leases range from 3 to 20 years, mostly containing renewal options. Some of the leases contain escalation clauses. The lease contracts on certain sales outlets provide for the payment of additional rentals based on certain percentages of sales of the outlets. Rent payments in accordance with the terms of the lease agreements amounted to ₱7,071.0 million, ₱6,294.7 million and ₱5,779.0 million in 2014, 2013 and 2012, respectively. Of the total rent payments, variable rent portion amounted to ₱1,322.5 million, ₱1,447.0 million, ₱1,277.1 million in 2014, 2013, and 2012, respectively.

The future minimum lease payments for the noncancellable periods of the operating leases follows:

	2014	2013	2012
Within one year	<b>₱1,254,614,379</b>	₱2,500,831,215	₱2,391,671,677
After one year but not more than five years	<b>4,486,065,276</b>	8,090,153,478	7,953,687,706
More than five years	<b>3,951,886,603</b>	3,911,301,278	5,965,097,801
	<b>₱9,692,566,258</b>	₱14,502,285,971	₱16,310,457,184

Rent expense recognized on a straight-line basis amounted to ₱7,072.7 million, ₱6,287.3 million and ₱5,895.9 million in 2014, 2013 and 2012, respectively (see Notes 21 and 22). The difference of rent expense recognized under the straight-line method and the rent amounts due in accordance with the terms of the lease agreements amounting to ₱1.7 million and ₱7.4 million in 2014 and 2013, respectively, are charged to "Operating lease payables" account in the consolidated statements of financial position.

### b. Operating lease commitments - Jollibee Group as lessor

The Jollibee Group entered into commercial property leases for its investment property units and various sublease agreements. Noncancellable periods of the lease range from 3 to 20 years, mostly containing renewal options. All leases include a clause to enable upward revision of the rent charges on an annual basis based on prevailing market conditions. Rent income in accordance with the terms of the lease agreements amounted to ₱92.6 million, ₱98.7 million and ₱97.8 million in 2014, 2013 and 2012, respectively.

The future minimum rent receivables for the noncancellable periods of the operating leases follows:

	2014	2013	2012
Within one year	<b>₱5,332,376</b>	₱2,184,390	₱25,350,190
After one year but not more than five years	<b>3,295,213</b>	5,223,839	41,607,749
More than five years		-	2,314,149
	<b>₱8,627,589</b>	₱7,408,229	₱69,272,088

Rent income recognized on a straight-line basis amounted to ₱90.6 million, ₱97.5 million and ₱93.6 million in 2014, 2013 and 2012, respectively (see Note 20). The difference of rent income recognized under the straight-line method and the rent amounts in accordance with the



terms of the lease agreements amounting to ₱2.0 million and ₱1.2 million in 2014 and 2013, respectively, are included under “Operating lease receivables” account in the consolidated statements of financial position.

c. Contingencies

The Jollibee Group is involved in litigations, claims and disputes which are normal to its business. Management believes that the ultimate liability, if any, with respect to these litigations, claims and disputes will not materially affect the financial position and financial performance of the Jollibee Group. Thus, other than the provisions in Note 17, there were no other provisions made for contingencies.

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### 30. Financial Risk Management Objectives and Policies

The Jollibee Group’s principal financial instruments comprise of cash and cash equivalents and receivables. The main purpose of these financial instruments is to obtain financing for the Jollibee Group’s operations. The Jollibee Group has other financial assets and liabilities such as other noncurrent assets and trade payables and other current liabilities which arise directly from its operations.

The main risks arising from these financial instruments are credit risk and liquidity risk. The Jollibee Group does not engage in any long-term debt and foreign currency-denominated transactions that may cause exposure to interest rate risk and foreign currency risk, respectively. The policies for managing each of these risks are summarized as follows:

#### Equity Price Risk

The Jollibee Group is not exposed to significant equity price risk on its investment in quoted equity securities consisting of investment in club shares.

#### Interest Rate Risk

Interest rate risk arises from the possibility that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

The Jollibee Group’s exposure to interest rate risk relates primarily to long-term debt with floating interest rates. Floating rate financial instruments are subject to cash flow interest rate risk. The Jollibee Group’s interest rate exposure management policy centers on reducing the Company’s overall interest expense and exposure to changes in the interest rates.

To manage the interest rate risk related to the Company’s long-term debt, the Company uses a derivative instrument to fix the interest rate over the term of the debt (see Note 18).

There is minimal exposure on the other sources of the Jollibee Group’s interest rate risk. These other sources are from the Jollibee Group’s cash in bank, short-term deposits, refundable deposits and employees’ car plan receivables.



The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's equity as at December 31, 2014 and 2013. The impact on the Company's equity is due to changes in the fair value of cross-currency swaps designated as cash flow hedges.

Derivative Instrument

	<b>Increase/ Decrease in Basis Points</b>	<b>Effect in Profit or Loss Before Income Tax</b>	<b>Effect in Equity Before Income Tax</b>
<b>2014</b>			
<b>USD</b>	<b>+100</b>	<b>(₱203)</b>	<b>(₱110,192)</b>
	<b>-100</b>	<b>215</b>	<b>(114,914)</b>
<b>PHP</b>	<b>+100</b>	<b>(26,800)</b>	<b>(4,927,786)</b>
	<b>-100</b>	<b>27,802</b>	<b>5,138,954</b>
<hr/>			
	Increase/ Decrease in Basis Points	Effect in Profit or Loss Before Income Tax	Effect in Equity Before Income Tax
<b>2013</b>			
<b>USD</b>	<b>+100</b>	<b>(₱101,186)</b>	<b>(₱110,395)</b>
	<b>-100</b>	<b>109,430</b>	<b>115,129</b>
<b>PHP</b>	<b>+100</b>	<b>(4,522,944)</b>	<b>(4,900,986)</b>
	<b>-100</b>	<b>4,877,210</b>	<b>5,111,152</b>

Long-term Debt with Floating Interest Rates

	<b>Increase/ Decrease in Basis Points</b>	<b>Effect in Profit or Loss Before Income Tax</b>
<b>2014</b>		
<b>USD</b>	<b>+100</b>	<b>(27,010,880)</b>
	<b>-100</b>	<b>27,010,880</b>
<b>PHP</b>	<b>+100</b>	<b>(22,903,970)</b>
	<b>-100</b>	<b>22,903,970</b>
<hr/>		
	Increase/ Decrease in Basis Points	Effect in Profit or Loss Before Income Tax
<b>2013</b>		
<b>USD</b>	<b>+100</b>	<b>(27,524,900)</b>
	<b>-100</b>	<b>27,524,900</b>
<b>PHP</b>	<b>+100</b>	<b>(14,925,000)</b>
	<b>-100</b>	<b>14,925,000</b>

Foreign Currency Risk

The Jollibee Group's exposure to foreign currency risk arises from the Parent Company's investments outside the Philippines, which are mainly in PRC and USA. While the foreign businesses have been rapidly growing, the net assets of foreign businesses account for only 9.12%



and 10.84% of the consolidated net assets of the Jollibee Group as at December 31, 2014 and 2013, respectively.

The Jollibee Group also has transactional foreign currency exposures. Such exposure arises from the Jollibee Group's Philippine operations' cash and cash equivalents, receivables and long-term debt in foreign currencies.

The following table shows the Jollibee Group's Philippine operations' foreign currency-denominated monetary assets and liabilities and their peso equivalents as at December 31:

	2014			2013		
	USD	RMB	PHP Equivalent	USD	RMB	PHP Equivalent
<b>Assets</b>						
Cash and cash equivalents	814,608	8,074	36,487,269	1,095,583	8,074	48,697,439
Receivables	291,896	-	13,053,586	388,260	-	17,236,812
<b>Liability</b>						
Long-term debt	(3,400,000)	-	(152,048,000)	(3,400,000)	-	(150,943,000)
<b>Net exposure</b>	<b>(2,293,496)</b>	<b>8,074</b>	<b>(102,507,145)</b>	<b>(1,916,157)</b>	<b>8,074</b>	<b>(85,008,749)</b>

*Foreign Currency Risk Sensitivity Analysis*

The Jollibee Group has recognized in its profit or loss, foreign currency exchange gain (loss) included under "Other income" account which amounted to (₱2.3 million), ₱46.6 million and (₱25.4 million) on its net foreign currency-denominated assets in 2014, 2013 and 2012, respectively (see Note 23). This resulted from the movements of the Philippine peso against the USD and RMB as shown in the following table:

	Peso to	
	USD	RMB
<b>December 31, 2014</b>	<b>44.72</b>	<b>7.18</b>
December 31, 2013	44.40	7.31

The following table demonstrates the sensitivity to a reasonably possible change in USD and RMB to Philippine peso exchange rate, with all other variables held constant, of the Jollibee Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as at December 31:

	2014		2013	
	Effect on Income before Income Tax	Effect on Equity before Income Tax	Effect on Income before Income Tax	Effect on Equity before Income Tax
Appreciation (Depreciation) of ₱ against Foreign Currency				
USD				
₱1.50	(₱3,440)	(₱3,440)	(₱2,874)	(₱2,874)
(1.50)	3,440	3,440	2,874	2,874
1.00	(2,293)	(2,293)	(1,916)	(1,916)
(1.00)	2,293	2,293	1,916	1,916
RMB				
0.95	7.7	7.7	7.7	7.7
(0.95)	(7.7)	(7.7)	(7.7)	(7.7)
0.63	5.1	5.1	5.1	5.1
(0.63)	(5.1)	(5.1)	(5.1)	(5.1)

(In Thousands)



Credit Risk

Credit risk is the risk that a customer or counterparty fails to fulfill its contractual obligations to the Jollibee Group. This includes risk of non-payment by borrowers and issuers, failed settlement of transactions and default on outstanding contracts.

The Jollibee Group has a strict credit policy. Its credit transactions are with franchisees and customers that have gone through rigorous screening before granting them the franchise. The credit terms are very short, while deposits and advance payments are also required before rendering the service or delivering the goods, thus, mitigating the possibility of non-collection. In cases of non-collection, defaults of the debtors are not tolerated; the exposure is contained the moment a default occurs and transactions that will increase the exposure of the Jollibee Group are not permitted.

The Jollibee Group has no significant concentration of credit risk with counterparty. The Jollibee Group's franchisee profile is such that no single franchisee accounts for more than 5% of the total system wide sales of the Jollibee Group.

The aging analysis of loans and receivables as at December 31 are as follows:

	2014						
	Total	Neither Past Due nor Impaired	Past Due but not Impaired (Age in Days)				Impaired
			1-30	31-60	61-120	Over 120	
			<i>(In Millions)</i>				
Cash and cash equivalents*	₱7,214.8	₱7,214.8	₱-	₱-	₱-	₱-	₱-
Receivables:							
Trade	7,479.2	2,914.9	1,771.6	808.0	940.2	835.6	208.9
Employee car plan receivables**	195.6	195.6	-	-	-	-	-
Advances to employees	157.1	157.1	-	-	-	-	-
Other receivables***	121.6	121.6	-	-	-	-	-
Other noncurrent assets:							
Security and other deposits	1,522.9	1,522.9	-	-	-	-	-
Operating lease receivables	21.1	21.1	-	-	-	-	-
	16,712.3	12,148.0	1,771.6	808.0	940.2	835.6	208.9
AFS Financial Assets	21.5	21.5	-	-	-	-	-
	₱16,733.8	₱12,169.5	₱1,771.6	₱808.0	₱940.2	₱835.6	₱208.9

	2013						
	Total	Neither Past Due nor Impaired	Past Due but not Impaired (Age in Days)				Impaired
			1-30	31-60	61-120	Over 120	
			<i>(In Millions)</i>				
Cash and cash equivalents*	₱9,683.9	₱9,683.9	₱-	₱-	₱-	₱-	₱-
Receivables:							
Trade	3,128.4	1,782.3	294.3	92.3	91.0	594.0	274.5
Employee car plan receivables**	139.4	139.4	-	-	-	-	-
Advances to employees	112.2	112.2	-	-	-	-	-
Other receivables***	76.8	76.8	-	-	-	-	-
Other noncurrent assets:							
Security and other deposits	1,360.2	1,360.2	-	-	-	-	-
Operating lease receivables	21.3	21.3	-	-	-	-	-
	14,522.2	13,176.1	294.3	92.3	91.0	594.0	274.5
AFS Financial Assets	21.5	21.5	-	-	-	-	-
	₱14,543.7	₱13,197.6	₱294.3	₱92.3.0	₱91.0	₱594	₱274.5

\*Excluding cash on hand amounting to ₱403.7 million and ₱220.0 million in 2014 and 2013, respectively.

\*\*Including noncurrent portion of employee car plan receivables.

\*\*\*Excluding receivables from government agencies amounting to ₱6.9 million and ₱6.6 million in 2014 and 2013, respectively.



*Credit Risk Exposure.* The table below shows the maximum exposure to credit risk of the Jollibee Group as at December 31, without considering the effects of collaterals and other credit risk mitigation techniques:

2014			
Gross Maximum Exposure (a)	Fair Value and Financial Effect of Collateral or Credit Enhancement (b)	Net Exposure (c) = (a) - (b)	
<i>(In Millions)</i>			
<b>Financial Assets</b>			
Cash and cash equivalents*	₱7,214.8	₱149.6	₱7,065.2**
Receivables:			
Trade	7,479.2	197.6	7,281.6***
Employee car plan receivables	195.6	-	195.6
Advances to employees	157.1	-	157.1
Other receivables****	121.6	-	121.6
Other noncurrent assets:			
Security and other deposits	1,522.9	-	1,522.9
Operating lease receivables	21.1	-	21.1
AFS financial asset	21.5	-	21.5
	<b>₱16,733.8</b>	<b>₱347.2</b>	<b>₱16,386.6</b>
2013			
Gross Maximum Exposure (a)	Fair Value and Financial Effect of Collateral or Credit Enhancement (b)	Net Exposure (c) = (a) - (b)	
<i>(In Millions)</i>			
<b>Financial Assets</b>			
Cash and cash equivalents*	₱9,683.9	₱129.1	₱9,554.8**
Receivables:			
Trade	3,128.4	96.8	3,031.6***
Employee car plan receivables	139.4	-	139.4
Advances to employees	112.2	-	112.2
Other receivables****	76.8	-	76.8
Other noncurrent assets:			
Security and other deposits	1,360.2	-	1,360.2
Operating lease receivables	21.3	-	21.3
AFS financial asset	21.5	-	21.5
	<b>₱14,543.7</b>	<b>₱225.9</b>	<b>₱14,317.8</b>

\* Excluding cash on hand amounting to ₱403.7 million and ₱220.0 million in 2014 and 2013, respectively.

\*\* Gross financial assets after taking into account insurance bank deposits for cash and cash equivalents.

\*\*\* Gross financial assets after taking into account payables to the same counterparty.

\*\*\*\* Excluding receivables from government agencies amounting to ₱6.9 million and ₱6.6 million in 2014 and 2013, respectively.

With respect to credit risk arising from financial assets of the Jollibee Group, the Jollibee Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.



*Credit Quality.* The tables below show the credit quality by class of financial assets that are neither past due nor impaired, based on the Jollibee Group's credit rating system as at December 31, 2014 and 2013.

	2014				
	Total	Neither Past Due nor Impaired			Past Due or Impaired
		A	B	C	
	<i>(In Millions)</i>				
<b>Receivables</b>					
Trade	₱7,479.2	₱2,216.8	₱562.3	₱135.8	₱4,564.3
Employee car plan receivables*	195.6	195.6	-	-	-
Advances to employees	157.1	157.1	-	-	-
Other receivables**	121.6	121.6	-	-	-
<b>AFS financial asset</b>	<b>21.5</b>	<b>21.5</b>			
	<b>₱7,975.0</b>	<b>₱2,712.6</b>	<b>₱562.3</b>	<b>₱135.8</b>	<b>₱4,564.3</b>
	2013				
	Total	Neither Past Due nor Impaired			Past Due or Impaired
		A	B	C	
	<i>(In Millions)</i>				
<b>Receivables</b>					
Trade	3,128.4	1,171.2	539.5	71.6	1,346.1
Employee car plan receivables*	139.4	139.4	-	-	-
Advances to employees	112.2	112.2	-	-	-
Other receivables**	76.8	76.8	-	-	-
<b>AFS financial asset</b>	<b>21.5</b>	<b>21.5</b>			
	<b>₱3,478.3</b>	<b>₱1,521.1</b>	<b>₱539.5</b>	<b>₱71.6</b>	<b>₱1,346.1</b>

\*Including noncurrent portion of employee car plan receivables.

\*\*Excluding receivables from government agencies amounting to ₱6.9 million and ₱6.6 million in 2014 and 2013, respectively.

The credit quality of financial assets is managed by the Jollibee Group using internal credit ratings, as shown below:

- A - For counterparty that is not expected by the Jollibee Group to default in settling its obligations, thus, credit risk exposure is minimal. This counterparty normally includes financial institutions, related parties and customers who pay on or before due date.
- B - For counterparty with tolerable delays (normally from 1 to 30 days) in settling its obligations to the Jollibee Group. The delays may be due to cut-off differences and/or clarifications on contracts/billings.
- C - For counterparty who consistently defaults in settling its obligation, but with continuing business transactions with the Jollibee Group, and may be or actually referred to legal and/or subjected to cash before delivery (CBD) scheme. Under this scheme, the customer's credit line is suspended and all subsequent orders are paid in cash before delivery. The CBD status will only be lifted upon full settlement of the receivables and approval of management. Thereafter, the regular credit term and normal billing and collection processes will resume.

#### Liquidity Risk

The Jollibee Group's exposure to liquidity risk refers to the risk that its financial liabilities are not serviced in a timely manner and that its working capital requirements and planned capital expenditures are not met. To manage this exposure and to ensure sufficient liquidity levels, the Jollibee Group closely monitors its cash flows.

On a weekly basis, the Jollibee Group's Cash and Banking Team monitors its collections, expenditures and any excess/deficiency in the working capital requirements, by preparing cash position reports that present actual and projected cash flows for the subsequent week. Cash outflows resulting from major expenditures are planned so that money market placements are





available in time with the planned major expenditure. In addition, the Jollibee Group has short-term cash deposits and has available credit lines with accredited banking institutions, in case there is a sudden deficiency. The Jollibee Group maintains a level of cash and cash equivalents deemed sufficient to finance the operations. No changes were made in the objectives, policies or processes of the Jollibee Group during the years ended December 31, 2014 and 2013.

The Jollibee Group's financial assets, which have maturity of less than 12 months and are used to meet its short-term liquidity needs, are cash and cash equivalents and trade receivables amounting to ₱7,214.8 million and ₱7,479.2 million, respectively, as at December 31, 2014 and ₱9,683.9 million and ₱3,128.4 million, respectively, as at December 31, 2013.

The tables below summarize the maturity profile of the Jollibee Group's financial liabilities based on the contractual undiscounted cash flows as at December 31:

	2014				Total
	Due and Demandable	Less than 1 Year	1 to 5 Years	Over 5 Years	
<b>Financial Liabilities</b>					
Trade payables and other current liabilities*	₱-	₱12,742,389,003	₱-	₱-	₱12,742,389,003
Long-term debt (including current portion)	-	715,520,000	4,428,012,970	-	5,143,532,970
Liability for acquisition of businesses (including current portion)	-	32,906,018	101,064,311	-	133,970,329
Operating lease payables	-	142,438,494	486,815,789	915,591,908	1,544,846,191
<b>Total Financial Liabilities</b>	<b>₱-</b>	<b>₱13,633,253,515</b>	<b>₱5,015,893,070</b>	<b>₱915,591,908</b>	<b>₱19,564,738,493</b>

\*Excluding other "Accrued salaries, wages and employee benefits", "Output VAT ad other local taxes" and "Unearned revenue from gift certificates."

	2013				Total
	Due and Demandable	Less than 1 Year	1 to 5 Years	Over 5 Years	
<b>Financial Liabilities</b>					
Trade payables and other current liabilities*	₱-	₱11,035,616,216	₱-	₱-	₱11,035,616,216
Long-term debt (including current portion)	-	1,106,275,244	2,594,907,750	1,468,062,750	5,169,245,744
Liability for acquisition of businesses (including current portion)	-	107,666,875	129,007,932	-	236,674,807
Operating lease payables	-	144,730,977	494,650,869	929,689,615	1,569,071,461
<b>Total Financial Liabilities</b>	<b>₱-</b>	<b>₱12,394,289,312</b>	<b>₱3,218,566,551</b>	<b>₱2,397,752,365</b>	<b>₱18,010,608,228</b>

\*Excluding other "Accrued salaries, wages and employee benefits", "Output VAT ad other local taxes" and "Unearned revenue from gift certificates."

### Capital Management

Capital includes equity attributable to equity holders of the Parent Company.

The primary objective of the Jollibee Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Jollibee Group has sufficient capitalization.

The Jollibee Group generates cash flows from operations sufficient to finance its organic growth. It declares cash dividends representing about one-third of its consolidated net income, a ratio that would still leave some additional cash for future acquisitions. If needed, the Jollibee Group would borrow money for acquisitions of new businesses.



As at December 31, 2014 and 2013, the Jollibee Group's debt ratio and net debt ratio are as follows:

*Debt Ratio*

	2014	2013
Total debt (a)	<b>₱26,040,658,079</b>	₱22,665,694,036
Total equity attributable to equity holders of the Parent Company	<b>27,190,326,655</b>	22,548,878,780
Total debt and equity attributable to equity holders of the Parent Company (b)	<b>₱53,230,984,734</b>	₱45,214,572,816
Debt ratio (a/b)	<b>49%</b>	50%

*Net Debt Ratio*

	2014	2013
Total debt	<b>₱26,040,658,079</b>	₱22,665,694,036
Less cash and cash equivalents	<b>7,618,473,267</b>	9,903,877,068
Net debt (a)	<b>18,422,184,812</b>	12,761,816,968
Total equity attributable to equity holders of the Parent Company	<b>27,190,326,655</b>	22,548,878,780
Net debt and equity attributable to equity holders of the Parent Company (b)	<b>₱45,612,511,467</b>	₱35,310,695,748
Net debt ratio (a/b)	<b>40%</b>	36%

### 31. Fair Value of Financial Assets and Liabilities

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

*Financial Instruments Whose Carrying Amounts Approximate Fair Value.* Management has determined that the carrying amounts of cash and cash equivalents, receivables, trade payables and other current liabilities, short-term debt, current portion of due to related parties, current portion of liability for acquisition of a business, based on their notional amounts, reasonably approximate their fair values because of their short-term nature or due to the immaterial effect of discounting when the present value of future cash flows from these instruments are calculated.

*AFS Financial Assets.* The fair value of investments in quoted shares of stock is based on quoted prices. The Jollibee Group does not have the intention to dispose these financial assets in the near term.

*Investment Properties.* In determining the fair value of the investment properties, the market data approach has been used for land and the cost approach for buildings and building improvements. For land, fair value is based on sales and listings of comparable properties within the vicinity after adjustments for differences in location, size and shape of the lot, time elements and other factors between the properties and their comparable properties. For buildings and building improvements, fair value is based on the current cost of replacement of the properties in accordance with prevailing market prices for materials, labor, and contractors' overhead, profit and fees in the locality after adjustments for depreciation due to physical deterioration, functional and economic obsolescence based on personal inspection of the buildings and building improvements and in comparison to similar new properties.



*Security Deposits, Employee Car Plan Receivable, Long Term Debt and Derivative Liability.*

Management has determined that the estimated fair value of security and other deposits, noncurrent portion of employee car plan receivables, long-term debt and liability for acquisition of businesses are based on the discounted value of future cash flows using applicable rates as follows:

	<b>2014</b>	2013
Security and other deposits	<b>0.48%-5.44%</b>	0.23%–8.65%
Employee car plan receivables	<b>0.35%-9.37%</b>	0.36%–8.84%
Long term debt	<b>1.48%-3.31%</b>	1.18%-2.53%
Derivative liability	<b>0.96%-1.00%</b>	0.93%-1.00%

The following table provides the fair value measurement hierarchy of the Jollibee Group's recurring financial assets and liabilities.

Quantitative disclosure fair value measurement hierarchy for assets as at December 31, 2014:

	Carrying Value	Fair Value Measurement Using			
		Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Available-for-sale financial assets					
Quoted equity shares - club shares	₱21,479,461	₱21,479,461	₱-	₱21,479,461	₱-
Assets for which fair values are disclosed:					
Investment properties:	1,025,645,034	1,414,303,072	-	1,414,303,072	-
Land	983,427,880	1,311,229,072	-	1,311,229,072	-
Building	42,217,154	103,074,000	-	103,074,000	-
Other noncurrent assets:					
Security and other deposits	1,522,942,799	1,545,877,698	-	1,545,877,698	-
Employee car plan receivables	130,234,889	139,690,838	-	139,690,838	-

Quantitative fair value measurement hierarchy for assets as at December 31, 2013:

	Carrying Value	Fair Value Measurement Using			
		Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Available-for-sale financial assets					
Quoted equity shares - club shares	₱21,479,461	₱21,479,461	₱-	₱21,479,461	₱-
Assets for which fair values are disclosed:					
Investment properties:	751,767,041	1,050,485,262	-	1,050,485,262	-
Land	668,008,149	714,455,447	-	714,455,447	-
Building	83,758,892	336,029,815	-	336,029,815	-
Other noncurrent assets:					
Security and other deposits	1,360,230,842	1,414,161,439	-	1,414,161,439	-
Employee car plan receivables	106,011,234	116,155,190	-	116,155,190	-



Quantitative fair value measurement hierarchy for liabilities as at December 31, 2014:

	Date of Valuation	Total	Fair Value Measurement Using		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities measured at fair value:					
Derivative liability	December 31, 2014	₱1,545,472	₱-	₱1,545,472	₱-
Contingent consideration	December 31, 2014	72,176,257	-	-	72,176,257
Long-term debt	December 31, 2014	4,491,484,970	-	4,491,484,970	-
Liabilities disclosed at fair value:					
Long-term debt	December 31, 2014	147,297,754		147,297,754	-

Quantitative disclosure fair value measurement hierarchy for liabilities as at December 31, 2013:

	Date of Valuation	Total	Fair Value Measurement Using		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities measured at fair value:					
Derivative liability	December 31, 2013	₱4,532,600	₱-	₱4,532,600	₱-
Contingent consideration	December 31, 2013	71,651,719	-	-	71,651,719
Long-term debt	December 31, 2013	4,244,990,000	-	4,244,990,000	-
Liabilities disclosed at fair value:					
Long-term debt	December 31, 2013	920,360,179	-	920,360,179	-

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements during the year.

Description of significant unobservable input to the measurement of the contingent consideration as at December 31, 2013 is as follows:

	Valuation Technique	Significant Unobservable Input	Range of Input	Sensitivity of the Input to Fair Value
Contingent consideration	Multiple-scenario weighted-probability approach	Revenue growth rate used to forecast EBITDA	7.8% to 25.0%	Increase (decrease) in the discount would increase (decrease) the fair value.

## 32. Events after the Reporting Period

### Dividend Declaration

On April, 7, 2015, the BOD approved a regular cash dividend of ₱0.80 a share of common stock to all stockholders of record as of May 7, 2015. Consequently, the cash dividend is expected to be paid out by May 29, 2015. The cash dividend is 6.7% higher than the ₱0.75 regular dividend a share declared in April 2014.

### Loans Availed

*Parent Company.* On January 14 and January 30, 2015, the Parent Company refinanced its short-term loans with a local bank amounting to ₱815.0 million and ₱1,050.0 million with fixed interest rates of 1.9% and 2.1%, respectively. The principal amounts were due on February 27, 2015. However, on due date, the Parent Company refinanced both loans to form a combined loan of ₱1,865.0 million with fixed interest rate of 2.4% payable on May 29, 2015.

On February 12, 2015, the Parent Company availed a short-term loan from a local bank amounting to ₱681.0 million with a fixed interest rate of 2.4%. The principal and interest were both due on



March 30, 2015, original date of maturity. However, the principal was extended until June 30, 2015 with a new fixed interest rate of 2.5%.

*JWPL.* On February 12, 2015, JWPL availed a short-term loan from a local bank amounting to USD6.0 million (₱266.2 million) with an interest rate of 1.5%, subject to monthly repricing. The principal is payable on February 5, 2016.

*Zenith.* On March 20, 2015, Zenith availed a short-term loan from a local bank amounting to ₱200.0 million with a fixed interest rate of 2.5%. The principal and interest are both payable on June 19, 2015, the date of maturity.

On March 27, 2015, Zenith availed a short-term loan from a local bank amounting to ₱170.0 million with a fixed interest rate of 2.5%. The principal and interest are both payable on June 26, 2015, the date of maturity.

*Mang Inasal.* On February 27, 2015, Mang Inasal availed a short-term loan from a local bank amounting to ₱315.0 million with a fixed interest rate of 2.4%. The principal and interest were both due on March 30, 2015, original date of maturity. However, the principal was extended until June 30, 2015 with a new fixed interest rate of 2.5%.

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### 33. Non-cash Transactions

In 2013, the Jollibee Group's principal non-cash transactions under investing activities pertains to the reclassification of trademark and patents under "Other noncurrent assets" account to "Intangible assets" account amounting to ₱9.8 million.

In 2013, the Jollibee Group's principal non-cash transaction under financing activities pertains to the refinancing of Parent Company's loan with a local bank amounting to ₱1,500.0 million within five (5) years and six (6) months from December 9, 2013.

There were no significant non-cash transactions in 2014.

