Jollibee Foods
CORPORATION

A WORLD OF JOY

2019 ANNUAL REPORT

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CHAIRMAN'S MESSAGE

"In each crisis, JFC not only survived but grew stronger afterwards."

TONY TAN CAKTIONG
Chairman of the Board

JFC: RESILIENT IN CRISIS, ADAPTIVE FOR STRONG RECOVERY

I am reporting to you the highlights of Jollibee Foods Corporation's performance in 2019. I would like first, though to say something about our present situation with the COVID 19 pandemic and what I think about what it means to our business.

The current crisis is quite significant: it affects every country in the world and practically every industry and business. The economic engines of the world suddenly slowed down, many even suspended in the past three months because of COVID 19. There was nothing like it before in our lifetime. It is natural for us—investors, management, employees, franchisees, suppliers, and other business partners and stakeholders to be afraid about the present and our future.

But I would like to ask you, for a while to step back and look at the big picture and a longer frame of time.

In 1983 and 1984, we experienced a serious political crisis in the Philippines, followed by a big foreign exchange and economic crisis. The Philippine peso devalued by as much as 60% versus the US dollar, foreign currencies became quite difficult to obtain as foreign and even local investors brought their money out of the Philippines. Interest rate went up to 31% as inflation rate reached 49%. In 1983, Philippine gross domestic product grew by only 1.9%, and then declined by 7% in 1984. Many companies were struggling to survive, and some went out of business.

At that time, Jollibee Foods Corporation was only five years old and had 13 stores and only one brand—Jollibee. We were very small at that time. In order to survive, we aggressively reduced our costs, and also increased some of our prices even though people didn't have money at that time. It was very tough! I remember counting our cash to see if we would make it through the tough times. But we survived. I had this belief that we should give our customers more than they expected. I was thinking that we should not be greedy in our daily lives or business; we just needed to strike the right balance by sharing the benefits with whomever we were dealing with.

True enough, our customers kept coming back to our stores and bought our Yum Burgers and Chicken Joy! The company still made some profit, which was 70% higher than in previous year. By 1985, our sales were higher than in 1983 by 207%, profit by 138% and our number of stores had increased from 13 in 1983 to 28 by the end of 1985.

The rest as they say is history. JFC kept growing profitably, acquiring brands in the process both here in the Philippines and abroad. There were several other crises since then, such as the EDSA revolution in 1986, the Asian Financial Crisis in 1997, the World Recession caused by the September 11, 2001 terror attack in New York City and the World Financial Crisis of 2008, which was followed by a global recession. In each crisis, JFC not only survived but grew stronger afterwards.

Today, we are again facing an economic crisis triggered by a health crisis. The negative impact of the pandemic on our business is quite significant as it is on practically all other businesses. And it is quite different from other crises that we faced before. But if we take the right but tough actions, we will recover once again, strongly as before.

We are actually in a much better position now to survive and prosper than in 1983 and 84 and in subsequent crises. We have more brands now, a total of 15. We have close to 6,000 stores. We are far more diversified—with 30% of our business coming from overseas. We have presence in 34 countries. We have much larger and stronger financial resources. Most

"These are times of great change but let me assure you that some things in JFC have not changed. Our mission remains the same: to serve great tasting food bringing the joy of eating to everyone! Our vision is still– to be one of the top 5 restaurant companies in the world!"

importantly, we have a much stronger management team, organization and business partners. We should, therefore, face the current crisis with resolve to take the right actions and with confidence that not only we will survive this, but emerge stronger out of it!

Let me now discuss the highlight in 2019 on building solid foundations for our long-term growth.

In 2019 Jollibee Foods Corporation made significant investments to drive and support its long- term growth. Our company successfully completed the acquisition of The Coffee Bean and Tea Leaf® (CBTL) on September 24, 2019. Based in Los Angeles, California in the United States, this acquisition is the largest in JFC's history with an acquisition price of US$329 million covering more than 1,100 stores. It is also the most multinational with presence in 26 countries. In the fourth quarter of 2019, CBTL contributed 11% to JFC's consolidated system wide sales and increased international business' contribution to 33% of worldwide system sales. The acquisition increased JFC's total store count to 5,971 worldwide. CBTL is now JFC's second largest business after the Jollibee brand. Combined with Highlands Coffee based in Vietnam, JFC can now become an important player in the large, fast growing and profitable coffee business market.

While we continued to build drivers for our long-term growth, JFC also continued to help create value for the communities where we do business through the programs of the Jollibee Group Foundation. The Farmers Entrepreneurship Program or FEP enabled smallholder farmers to supply farm products to large companies like JFC. Since the program's launch in 2008, the number of participating farmer cooperatives grew from one to seventeen. Since 2009, at least 7,000 metric tons of

vegetables have been delivered to JFC, with farmers earning more than Php300.0 million in sales. The members of these farmer cooperatives have been enjoying increasing income and standards of living due to the Farmer Entrepreneurship Program.

The Busog, Lusog, Talino (BLT) School Feeding Program continued to support the Department of Education's school-based feeding program through the BLT School Feeding kitchens. These kitchens are where meals are prepared following JFC's nutrition, food safety, and quality standards for hundreds of pupils per day. In 2019, 34 BLT Kitchens served over 28,000 pupils in 305 schools nationwide.

Access, Curriculum, and Employability (ACE) Scholarship Program, another program of the Jollibee Group Foundation has provided educational assistance to more than 2,200 underprivileged Filipino youth so that they can access gainful employment and build productive lives for themselves and their families. Among them are 500 scholars under Don Bosco's Technical Mechanical and Agriculture-related courses who graduation in 2019. The pilot run of the Quick Service Restaurant Operations curriculum in partnership with the Anihan Technical School was successfully completed with all 27 female scholars graduating.

JGF's FoodAid program meanwhile supported more than 64,000 people with food assistance. They were those who suffered from natural calamities like the earthquakes that occurred in the island of Mindanao in Southern Philippines.

2019 was a very challenging year for JFC. It has turned out that the challenges that have arisen in 2020 are even far greater! Nevertheless, I am very confident that our business and our organization will continue to withstand and weather this storm and that we will emerge even stronger out of these challenges. We had demonstrated this strength in previous crises. We will once again demonstrate this strength in this crisis.

I would like to thank our management, employees, franchisees, suppliers and other business partners for their commitment and contribution to our company in the past year. I would like to thank my fellow Directors for their continued strong support and guidance. I would also like to extend my gratitude to our customers and our loyal shareholders for their confidence and continued support. The crisis and setbacks we are facing, however significant are temporary. We shall create sustained long-term value for all our stakeholders.

These are times of great change but let me assure you that some things in JFC have not changed. Our mission remains the same: "to serve great tasting food bringing the joy of eating to everyone!" Our vision is still– "to be one of the top 5 restaurant companies in the world!"

TONY TAN CAKTIONG
Chairman of the Board

CHIEF EXECUTIVE OFFICER'S MESSAGE

"We have a clear vision and we stay focused on our mission– to serve great tasting food, bringing the joy of eating to everyone!"

ERNESTO TANMANTIONG
Chief Executive Officer

WE WILL EMERGE STRONGER OUT OF THIS CRISIS

I will report on the performance of Jollibee Foods Corporation in 2019 to be followed by an update on the condition of our business so far this year, given the very significant impact of the COVID 19 pandemic to JFC.

In 2019, we took further significant steps in our acquisition-based growth. As reported by our Chairman, in September, we announced the completion of the acquisition of The Coffee Bean and Tea Leaf ® (CBTL). This company is a wholly-owned subsidiary of Super Magnificent Coffee Company, based in Singapore and 80% owned by JFC through its wholly owned subsidiary Jollibee Worldwide Pte. Ltd. (JWPL), also based in Singapore. At the end of 2019, CBTL's total revenues were USD302.1 million. It had 1,173 outlets in 27 countries, of which 286 are in the US, South Korea 291, Philippines 156, Indonesia 83 and the rest in various parts of Asia and the Middle East. CBTL added 19.9% to JFC's store network growth for 2019.

JFC's consolidated revenues increased by 11.5% in 2019 compared to 2018. System-wide sales grew by 14.9%. Global same-store sales grew by 2.8% while restaurant expansion contributed 13.1%, partly offset by the negative impact of changes in currency exchange rates.

Same-store sales growth of the domestic business grew by 3.3% driven by the continued growth in volume of customer visits in the stores compared to a year ago and strong growth in other channels for all brands. Foreign business grew by 27.3%, with CBTL accounting for 14.7%. New stores grew by 29.9% and same-store sales growth at 1.2%. This was partly offset by the -3.8% impact of currency exchanges rates. North America business grew by 59.3%, including CBTL; Europe, Middle East and Asia business by 17.3% and the China business by -3.8%.

In terms of profit, the business environment proved to be more difficult than what we anticipated. Consolidated operating profit declined by 29.8% to Php6.5 billion, caused by short-term challenges in specific businesses, mainly Red Ribbon in the Philippines and Smashburger in the United States. Red Ribbon was adversely affected by product supply shortage as it transferred its main production to a new commissary in April 2019. Smashburger, on the other hand, introduced major changes while creating short term disruption in sales and profit are expected to eventually drive sustainable sales growth and strengthen the brand. It also rebuilt and strengthened its leadership team to accelerate sales and profit growth. By the fourth quarter of 2019, we saw a gradual recovery in Smashburger's sales performance as same-store sale growth was down to single-digit negative from double-digit negatives in the first three quarters of the year.

Consolidated net income attributable to equity holders of the Parent Company of Php6.4 billion in 2019 was 21.7% lower than the Php8.2 billion generated in 2018. The net income for 2019 and 2018 already include the impact of Philippine Financial Reporting Standard (PFRS) 16, Leases, which essentially translates leased spaces into assets in the form of right-of-use, but not owned.

JFC's total assets increased by 24.4% to Php187.3 billion in 2019 compared to 2018 total assets primarily due to an increase in intangible assets from the acquisition of CBTL and an increase in right-of-use assets mainly from CBTL. The increase was offset by a decrease in right-of-use assets due to closure of underperforming Smashburger stores.

"I have always believed in our JFC family's resiliency and perseverance that have seen us through many obstacles before."

In 2019, JFC spent Php10.0 billion in capital expenditures for new stores and the renovation of existing stores and supply chain facilities. That was 5.5% higher than the level of investment for 2018. JFC opened 273 stores in the Philippines and 224 new stores abroad, ending 2019 with 5,971 stores. This was 32.1% higher compared to 4,521 stores at the end of 2018, with CBTL adding 26.0% to the growth. Organically, JFC grew by 6.1%. Some highlights from 2019 include the opening of the first Jollibee store in Guam in April and the first Panda Express franchise store in the Philippines in December, which generated sales above expectations. Zenith Foods Corporation, a wholly-owned subsidiary of JFC also started the operations of its new commissary in Canlubang, Laguna that supplies the products of Red Ribbon stores to major parts of Luzon Island.

In 2019, JFC declared cash dividends of Php2.58 per share, representing a payout of 43.8%. This payout was 4.0% higher than what was declared in 2018.

That concludes my report for 2019, let me now give you an update on the current situation of our business.

In the first quarter of 2020, the system-wide sales of JFC, a measure of all sales to consumers, both from company-owned, and franchised stores increased by only 1.6% to Php55.2 billion compared to the same quarter last year. Revenues decreased by 2.3% to Php39.4 billion due to the temporary closure of a high number of stores in the Philippines and markets abroad. JFC incurred significant losses in the first quarter of 2020 amounting to Php1.7 billion.

System wide sales included the consolidation of CBTL. Excluding the impact of the consolidation of CBTL that took effect on September 24, 2019, system wide sales declined by 10.0%.

In January, before the outbreak of COVID-19, JFC's global system wide sales, which included CBTL increased significantly by 24.9%. In February, system wide sales growth slowed down to 15.7% and in March, to negative 32.5% when lock downs and other forms of restrictions were imposed in China, the Philippines, the United States and other countries. By the end of March, 2020, about 50% of our stores worldwide were closed temporarily.

As our Chief Financial Officer, Mr. Ysmael V. Baysa stated in our first quarter disclosure: "JFC's financial performance in 2020 will not be a good one. It will incur even higher losses in the 2nd quarter when the full impact of the lock downs on the business will be felt. We expect the business to start recovering in the 3rd and 4th quarters, but we assume that the recovery will be slow".

As our Chairman stated in his message, the negative impact of the pandemic on our business is quite significant as it is on practically all other businesses. It is also quite different from other crises that we faced before. But if we take the right but tough actions, we will recover once again, strongly.

In May, we disclosed that we will spend Php7 billion for the rationalization of our non-performing stores, store network, supply chain facilities and management and support group structure. This will include building drivers of revenue growth for the future including strengthening our other channels such as food delivery to homes and offices, take-out and drive-thru even as we continue to open new stores in prime locations. The changes will be global in scope including our acquired businesses in the United States where we will pursue aggressive store and overhead rationalization in North America.

JFC has also reduced its planned capital expenditures for 2020 from Php14.2 billion to Php5.2 billion. Operating costs are also significantly being reduced at all levels and in all regions in the world. JFC, however, will continue to open new stores on a very selective basis for the balance of the year.

As the communities where we do business suffered due to the lockdowns which started in mid-March, we responded by providing aid to people most affected by the COVID-19 in the country.

JFC, through its social responsibility arm, the Jollibee Group Foundation donated Php220 million worth of food from our brands. Php100 million was used to provide meals for 1.3 million health and checkpoint front liners throughout the country. Php120 million was used to provide 2.5 million food packs to more than 500 thousand indigent families and to make food donations to 27 community kitchens serving front liners and other communities. This was done in coordination with various public and private institutions to distribute food aid to lower-income sectors of the society. JFC was giving similar assistance to hospitals and health care institutions in China and the United States where we operate.

We also allocated an emergency response fund amounting to Php1.0 billion to provide our employees and our partners in the Philippines with the needed financial support to help them cope with the Enhanced Community Quarantine.

"While the pandemic adversely impacted JFC's revenues and profit, we strengthened our balance sheet."

The JFC Group of Companies has been following all the regulations and guidelines imposed by government authorities and health care institutions in all countries where we do business to ensure the safety of all our workers, customers, and other stakeholders. Our employees at support services and main offices in most countries worked from home while many restaurant outlets and some commissaries were temporarily closed.

While the pandemic adversely impacted JFC's revenues and profit, we strengthened our balance sheet. At the end of the first quarter, JFC was in a net cash position with a total cash balance of Php26.5 billion compared to Php20.9 billion at the end of 2019. Total bank debts amounted to Php25.6 billion, 71% of which is long term, significantly lower than at the end of 2019 of Php44.8 billion. Total equity attributable to the Parent Company stood at Php81.2 billion compared to Php52.6 billion at the end of 2019.

In January this year, we issued our first US dollar-denominated guaranteed senior perpetual capital securities amounting to US$600.0 million with a coupon rate of 3.9%. This was the lowest coupon for a perpetual bond issued so far in the Philippines, the largest amount in a debut issuance for a perpetual bond in the Philippines and one of the first perpetual bond issuances by any Asian restaurant company. The transaction marked the first time that JFC tapped the debt capital market and the capital market since our IPO in 1993. We used most of the proceeds from this bond issuance to fully pay the US$400.0 million short term loan we obtained to finance the acquisition of CBTL. This perpetual bond is accounted for as equity.

As part of JFC's effort to continue serving all our stakeholders even in the middle of a crisis, JFC declared a cash dividend of Php0.62 per share representing 50% of the cash dividend declared at about the same time last year. We paid out this dividend from JFC's cash reserves on May 22, 2020.

I am also happy to share that in June, JFC successfully priced a US$300.0 million 5.5-year and a US$300.0 million 10-year Reg S only dual tranche US dollar-denominated guaranteed senior notes offering, with a coupon rate of 4.125% and 4.750%, respectively and payable semi-annually. This offering represented JFC's second international capital markets transaction, following the successful issuance of our US$600.0 million senior perpetual capital securities in January 2020. The notes were issued by JWPL.

Yes, the COVID-19 pandemic has significantly disrupted our business and our lives, but JFC is adapting very quickly and decisively as I have reported to you. I am confident as ever about the bright future of our company. Recovery is already starting to take place in the United States of America, China and other countries where the lockdown restrictions are slowly easing. I have always believed in our JFC family's resiliency and perseverance that have seen us through many obstacles before. We have a clear vision and we stay focused on our mission–"to serve great tasting food, bringing the joy of eating to everyone!" This is our pledge to our customers and the communities that surround us. We will emerge as a stronger business and organization out of this crisis!

In closing, I would like to thank our management, employees, franchisees, suppliers and other business partners worldwide who work hard every day to ensure that we stay true to our mission even in these trying times. I also thank our Board of Directors for their unwavering guidance and support. And to our customers and shareholders, who are the center of everything we do, we sincerely appreciate the trust you continue to place in us.

ERNESTO TANMANTIONG
Chief Executive Officer

HOME OF THE WORLD-FAMOUS

CHICKENJOY

1,100+ STORES IN THE PHILIPPINES

MARKET LEADER IN CHICKEN SEGMENT

JOLLIBEE PHILIPPINES
Great Tasting Products, Innovations Drive Stellar Performance

Jollibee rose to greater heights in 2019 with a stellar business performance driven by superior-tasting products supported by highly-effective marketing campaigns and operational excellence, a strong focus on innovations, and its ever-aggressive store network expansion. Jollibee Philippines ended the year with a systemwide sales growth of 10.7% and a total of 1,195 stores locally. Overseas, 39 new stores were opened, bringing its international store network to 266 by year-end.

Jollibee's best-selling Chickenjoy successfully maintained its market dominance by reinforcing its taste superiority. It has also remained to be an enabler of family bonding through relentless 365 days of advertising that included its "Para sa Pamilya, only the best" campaign featuring the Muhlach celebrity-family. Still the market leaders in the Spaghetti and Beef Burger categories, both Jolly Spaghetti and Yumburger launched campaigns that continued to harp on taste superiority, with the "Pinakamasarap na, pinaka-affordable pa" ("Most delicious and most affordable") and "Beefy Langhap-Sarap" ("Beefy delicious aroma"), respectively.

The year 2019 proved to be very exciting with the introduction of new products that delivered incremental sales: Jollibee Bacon Cheesy Yumburger, Crispy Spice Fries, Cookies 'n Cream Sundae, Cheesy Bacon Pie, Cheesy Corned Beef Pie, Ube Twirl, and the Jollibee Buko Pie, which turned out to be a huge hit and was sold out in just six weeks.

Jollibee also aggressively grew its channels business through the Grab Food partnership and the relaunch of the new Jollibee Delivery Website.

Exciting novelty items were also released to heighten brand love among fans and collectors. These include the Jollibee University Athletics Association of the Philippines dolls and new versions of the Jollibee Funko Pop!—Jollibee in Barong and the two-pack featuring Jollibee and Hetty.

To reinforce Jollibee as the brand most loved by kids, a new campaign was launched with the "I Love You, Jollibee" TVC starring the first-ever Jolly Kids ambassador, Scarlett Snow Belo.

Jollibee also continues to be recognized as a thought leader in content marketing with new highly engaging videos in its Jollibee Studios YouTube Channel, including the multi-awarded #KwentongJollibee, Jolliserye Petsa de Peligro, and One True Pair series.

Together with the Department of Tourism, Jollibee championed Filipino pride and showcased the unique flavors of Filipino cuisine through the "Eats, More Fun in the Philippines" campaign. The video featured renowned food experts Chef JP Anglo, Filipino-American Chef Jordan Andino, and top YouTuber Mikey Bustos.

The Level-Up Joy stores were also launched, featuring innovations like the Self-Order Kiosks, Food Conveyor System, built-in wireless charging pads, e-delivery bikes, and the first-ever dual-lane Drive Thru in the country to complement our modern store design concept and signature Alagang Jollibee customer service.

Jollibee also recognized a new batch of outstanding families under the 9th Jollibee Family Values Awards; and spread cheer to people in calamity-stricken areas in Kidapawan through Maaga ang Pasko in partnership with the Jollibee Group Foundation.

As a new decade is ushered in, our customers can expect Jollibee's continued commitment to growth, excellence, and in spreading leveled up joy to them wherever they may be in the world.

HOME OF THE WORLD-FAMOUS

CHICKENJOY

2 to 4

NEW MARKETS

ENTERED PER YEAR

260+

STORES

IN 16 COUNTRIES

JOLLIBEE INTERNATIONAL

Growing Customer Base, New Stores Drive International Expansion

Jollibee International saw another year of stellar growth, marked by its broad appeal and recruitment of local customers, accelerated store expansion, and continued commitment to excellence in food, service, and cleanliness.

North America

Jollibee North America had its best-performing year yet, with double-digit systemwide sales growth and record-breaking same-store sales in 2019.

The brand's strategies were anchored on focusing on its bestsellers, especially the world-famous Chickenjoy; a heightened commitment to quality; and store network expansion.

Chickenjoy's 365-day campaign strategy continued to show success, resulting in its highest share of the business in the brand's history. This was ably supported by the stores' commitment to quality and execution.

Jollibee North America moved closer to its five-year network expansion plan of growing to 250 stores in the region by 2023. It opened 9 new restaurants, including its first in the state of Arizona, USA, and its firsts in the provinces of Alberta and Saskatchewan in Canada. The openings drew overnight campouts, demonstrating the brand's broad appeal.

These efforts culminated in multiple industry recognitions for Jollibee North America, including Corporation of the Year by the Asian Business Association.

Europe, Middle East, and Asia (ex-Philippines)

Jollibee continues to solidify its appeal to a broader consumer base in the Europe, Middle East, and Asia (EMEA) region. In 2019, it opened milestone stores in Malaysia and Guam.

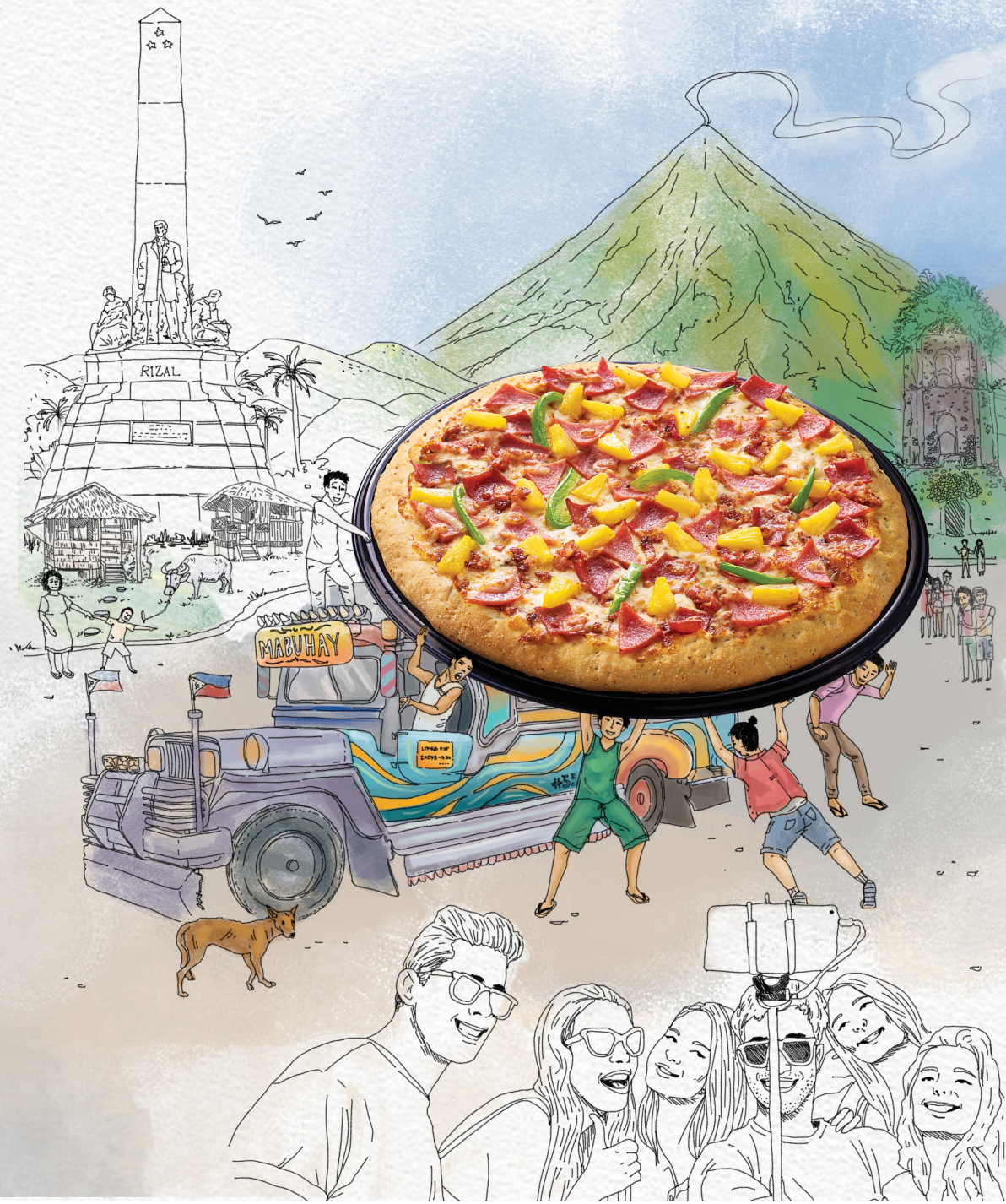
Taste superiority and the consistent quality of its bestsellers are the biggest drivers of Jollibee's growth and broadening appeal among locals in the EMEA region. In Vietnam where it is the third largest QSR, the brand grew with a remarkable double-digit same-store sales growth vs last year, driven by Chickenjoy and its local jewel, Chili Chicken. The brand also continues to be the leading QSR in Brunei, with a recent independent product test showing Chickenjoy as the best tasting fried chicken in the country. In Singapore and Hong Kong, the brand is seeing a higher number of locals visiting the stores, further proving Jollibee's broadening appeal.

In Europe, Jollibee's first batch of stores in Milan and London sustained strong sales performance after their blockbuster openings, with customers all over Europe continuing to flock to these stores. Its menu, led by the best-selling Chickenjoy, continues to get rave reviews from its fans and first-time customers. Transactions grew further through the help of new delivery partners that enabled Jollibee to reach more of the mainstream market. Certainly, a huge potential presents itself for further expansion, with multiple openings in the pipeline for United Kingdom, Italy, and Spain.

The Middle East business achieved competitive sales growth and improvement in profitability despite economic challenges. This was made possible by a strong focus on marketing fundamentals and commitment to operational excellence. In 2019, Jollibee successfully gained more non-Filipino customers through the fast-growing Spicy Chickenjoy. Development of the delivery channel also played a role in delivering growth for the business.

With the Jollibee brand successfully growing around the world in 2019, it is poised to become a major pillar in achieving JFC's vision of becoming among the top 5 restaurant companies in the world.

THE BEST-TASTING
HAWAIIAN OVERLOAD PIZZA



270+
STORES
IN THE PHILIPPINES

OVER
21 MILLION
DOUBLE-SIZE PIZZAS
SOLD IN A YEAR

GREENWICH

Product Improvement, Delivery Channel Re-Ignite Awesome Power

The #1 pizza and pasta brand in the Philippines closed 2019 with its most phenomenal performance in recent years. Propelled by its strategic themes that focus on engaging teams, generating sales and fostering brand love—Greenwich remarkably ignited its awesome amid a volatile 2019 environment.

Greenwich upheld taste superiority through continuous quality improvement and gold standard consistency: the strictest measure of food quality in JFC. The brand introduced an improved crust that is consistently delicious, always hot, and freshly baked, placing it in a better position to secure brand dominance in the pizza landscape.

The brand's entertainingly candid and youthfully hip vibe became more clear-cut, as seen through exciting communications launched for all-time bestsellers Hawaiian Overload, Lasagna Supreme, and All-in Overload, while propping up its formidable complements. The brand also safeguarded its superiority in terms of value for money across Pizza, Pasta, and Meals product categories. These collaborative efforts helped record more than 7% systemwide sales growth for Greenwich in 2019.

The brand vigorously addressed concerns of operations and franchisees head on to be able to build and operate the most profitable pizzeria stores to date. By year end, Greenwich became mighty guardians of margins to cultivate a stronger, more profitable store network.

Greenwich also posted a steady growth in all channels from dine-in, take-out, and delivery. On top of the full rollout of its delivery website, the brand also focused on partnering with food aggregators, resulting in full-year growth of almost 30% in delivery. Take-out communications were intensified, buoying up exclusive product offers that lead to the channel growing by over 10%. The brand also recovered its average daily transaction count back to 2016 altitudes. There really is no stopping for Greenwich—posting more than 5% same-store sales growth in 2019, with the highest same-store sales growth in December since 2015 at over 10%.

Because every "barkada" reigns supreme, Greenwich heavily invested on building a powerhouse of ready talents. The Greenwich Barkada Campus was built to ensure that talent competency is at its peak. This state-of-the-art training facility, designed to foster continuous learning and ideation, is the curation of all training programs for all Greenwich employees. Indeed, 2019 was yet another banner year for Greenwich, recording the greatest number of highly engaged kabarkadas.

All these exceptional determination and results in 2019 boosted Greenwich up to the number 6 Branded Eat-Out spot. From thrusting taste superiority, upholding value for money, to nurturing team involvement, Greenwich will continue to power up its awesome brand, offerings, and campaigns for the years to come.

#1 CHINESE QUICK SERVICE RESTAURANT
IN THE PHILIPPINES

600+
STORES
WORLDWIDE

OVER
58 MILLION
PLATES OF LAURIAT
SOLD

CHOWKING
Achieves Sales Milestone with Store Expansion, Delivery Channel

The year 2019 was a strong year for Chowking Philippines, having sustained its commitment to serve hot, fresh, and delicious Chinese food to every Filipino.

The brand crossed the Php25 billion sales level for the first time in its history, driven by its lineup of enjoyable and affordable product offerings. Its best-selling Pork Chao Fan was highlighted throughout the year across tri-media channels and was able to reach double-digit growth. Chinese Style Fried Chicken was also re-launched at a more affordable Php79 price point, and saw an increase in sales.

New products were also introduced to the brand's menu, namely: Sweet 'n Sour Chicken, a delightful twist to the chicken rice meal, and the new & improved Pearl Milk Tea.

In line with the brand's commitment to deliver excellent-tasting food in all stores, Chowking was able to improve quality and consistency of products such as Pork Chao Fan, Chinese Style Fried Chicken, Sweet 'n Sour Pork and Fish, and Halo-Halo.

Chowking also significantly expanded its store network to 617 stores in 2019. It also expanded its channels by launching the Chowking Delivery website and other efforts for drive-through and delivery, resulting in a high double-digit delivery sales growth and a record-breaking Php1 billion delivery sales in 2019.

Chowking also introduced new ways for customers to better enjoy their dining experience in the stores. One such example is its new pay & serve system, which reduces the customers' waiting time for orders to be completed. The brand also installed its first self-order kiosk, which features a tap-to-order system. Cashless payments were also started in select stores and will soon be rolled out in more stores.

The Company's Sucat and Highlands Commissary received the widely recognized Food Safety System Certification (FSSC 22000) from SGS. In addition, Chowking also set up its first-ever production capability in Cebu to manufacture goods for distribution within Visayas and Mindanao.

All these efforts were fueled by a high performing, engaged team, with an employee engagement score at the 79th percentile in the 2019 Gallup survey, which is comparable to best-in-class companies in the world.

As Chowking enters its 35th year anniversary in 2020, it is poised to reach even greater heights with great-tasting food, a highly energized and engaged team, solid operational capability, comfortable and clean stores, and fast-growing channels.

Chowking International

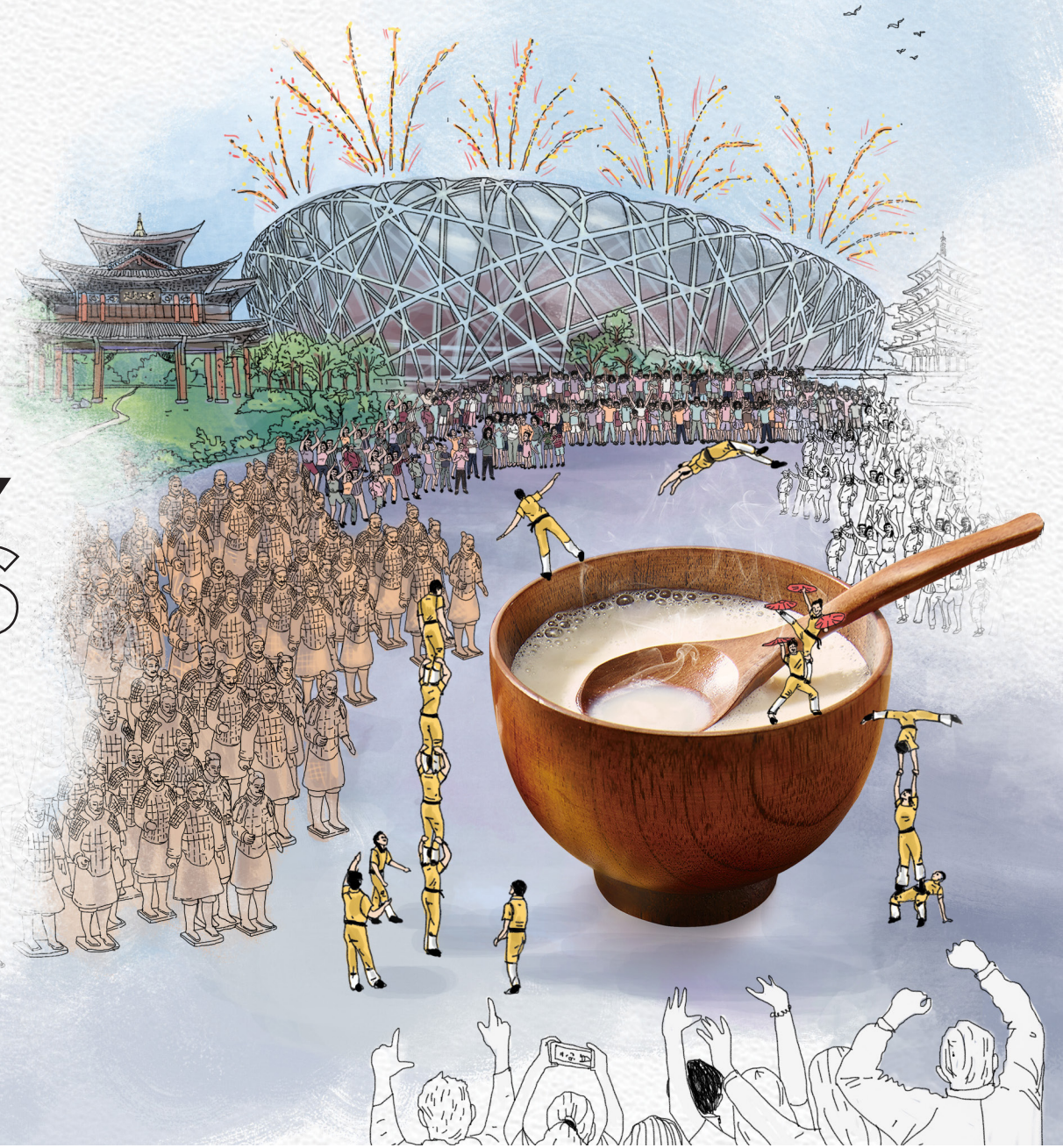
The year 2019 was a breakthrough year for Chowking USA as it continued to gain ground in the competitive US QSR industry.

The brand ended the year with systemwide sales of US$23 million, driven by strong same-store sales growth of 9.3%, its highest in the past three years.

In the Middle East, Chowking continued to "wow" customers with a network of 33 stores across five countries. The business focused on extending its customer base to other nationalities while maintaining a strong foothold among Overseas Filipino Workers (OFW). The brand also partnered with delivery aggregators to serve a bigger market and make ordering more convenient for consumers.

#1 CHINESE QUICK SERVICE RESTAURANT

IN THE CHINA BRAND POWER INDEX



1 CUP OF YONGHE KING

SOYMILK SOLD EVERY

1.5 MINUTES

300+

STORES

IN CHINA

YONGHE KING

Building Innovative Stores, Attracting Younger Customers

For Yonghe King, 2019 was a year of breakthroughs and operational excellence. Throughout the year, Yonghe King focused on ensuring delicious taste and exceptional customer experience, and on continuing to head for the goal of "Being the Number 1 Chinese QSR."

The brand experienced three consecutive years of positive sales growth, with annual turnover exceeding RMB2 billion. Profit hit a record breaking RMB90 million, an increase of 17% compared to the previous year.

Yonghe King's top three flagship products continued to win the palates of consumers and were the main drivers of its sales growth. During the year, the brand sold more than 61 million sets of Soya Milk, more than 24 million sets of Minced Pork Rice, and almost 9 million sets of Crisp Tender Chicken Thigh with Minced Pork Rice.

Yonghe King also accelerated its store expansion—opening 43 new branches, including 25 company-owned stores and 18 franchised stores—ending the year with 339 branches.

To improve customer experience, Yonghe King invested in intelligent systems and store renovation. The brand launched new ordering methods, including in-store self-ordering service and food delivery service via takeout platforms.

Meanwhile, Yonghe King continued to open more innovative stores which helped the brand build a more diversified and younger brand image. In 2019, it collaborated with a world-renowned animation company for its Kung Fu Panda-themed stores. The brand now has six Kung Fu Panda-themed stores in Shanghai, Beijing, and Shenzhen which are all widely appreciated especially by younger customers.

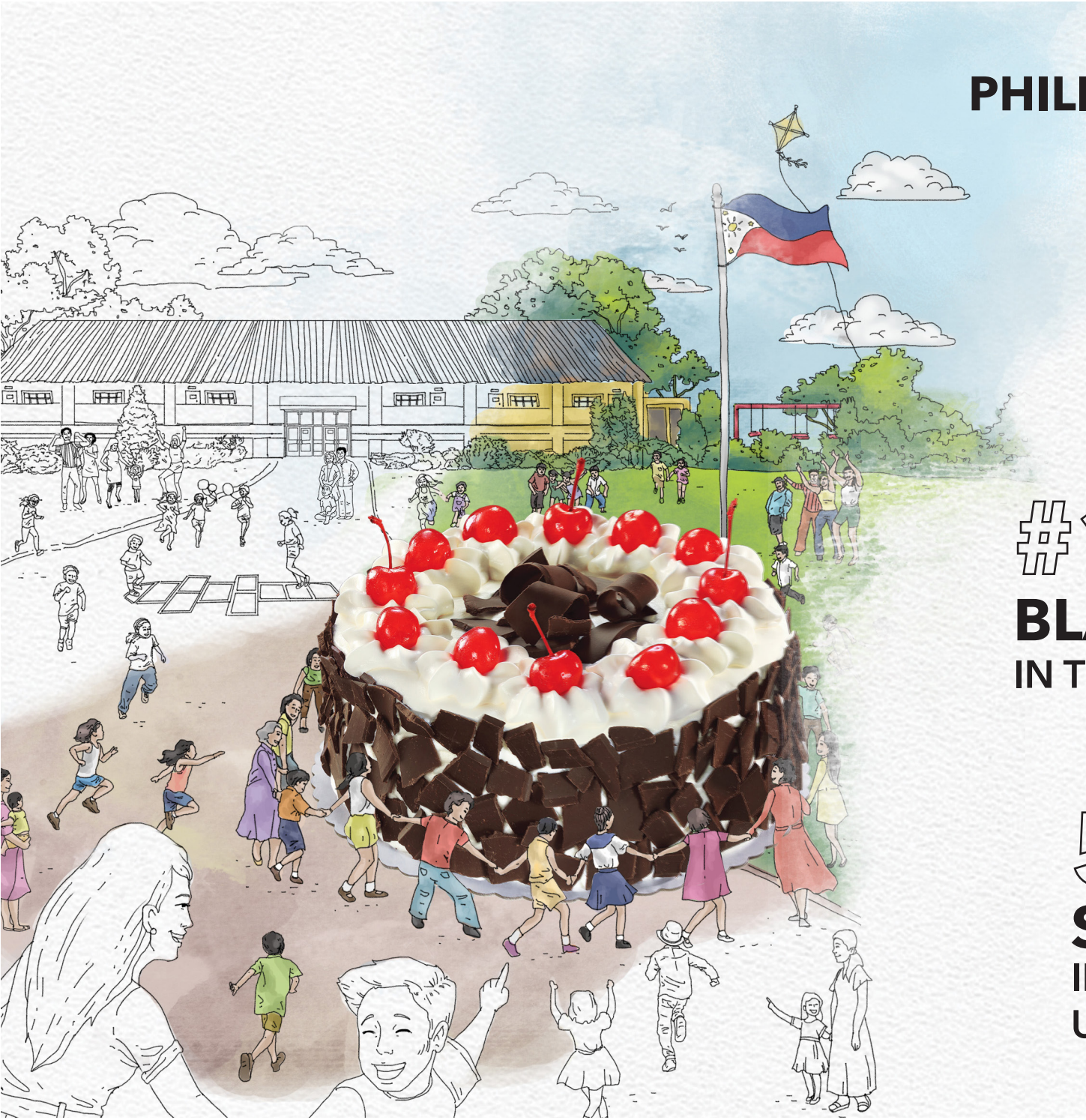
Capitalizing on the faster-paced and younger-generation-oriented trend in 2019, Yonghe King used the Alipay's and WeChat's mobile payment functions to make payment transactions easier and more convenient. The brand also partnered with online third-party delivery platforms, such as Meituan and Eleme, which allowed it to triple its delivery business within two years. Yonghe King was one of the restaurant brands with the highest repurchase rate on these delivery platforms, ranking seventh place in total delivery orders of Chinese food and the first place in average daily sales.

Yonghe King also continued to use social media platforms, such as WeChat and Weibo, to directly communicate with Chinese consumers and get real-time feedback on its products and services.

By the end of 2019, Yonghe King's customer loyalty program, which was launched in October 2019, had more than 1.9 million members that contributed to sales by close to RMB80 million. The loyalty program also brought a lot of new followers for the brand's WeChat account which has reached 2 million fans.

In 2019, Yonghe King won "China Food Health 7-star Prize"—one of the top food safety prizes in China—for the eighth consecutive year. It also bagged the "315 Consumer Satisfaction Brand" for the eighth consecutive year and was named "100 Top Restaurants in China" by China Cuisine Association for the ninth consecutive year. In addition, the brand also won other major awards, including "2019 Top 10 Catering Brands in China" and "2019 Top 100 Catering Brands in China," which is the first Red Eagle Award in Chinese Catering Industry.

Yonghe King will continue to strive for excellence and reach new heights, bringing satisfaction and joy to more customers.



PHILIPPINES' BEST-TASTING
CHOCOLATE CAKES

#1
BLACK FOREST CAKE
IN THE PHILIPPINES

500+
STORES
IN THE PHILIPPINES AND UNITED STATES

RED RIBBON

Making Sweet Moments for 40 Years, Setting the Stage for a Stronger Future

In 2019, Red Ribbon Philippines marked its 40th year of making sweet moments and special celebrations for Filipino families. Since its first store opening in Timog, Quezon City, Metro Manila, the brand has grown into a strong network of 500 stores nationwide, more than doubling its size in just five years. This remarkable growth momentum has provided the impetus for its parent company, Jollibee Foods Corporation (JFC), to invest on the brand's future growth.

The year opened with exciting and highly relevant campaigns focused on driving value with Red Ribbon Savers and owning kids' birthdays with Rainbow Dedication Cake featuring social media darling, Scarlet Snow Belo. These facilitated the strong results of the first quarter, aided by the successful Valentine Black Forest campaign headlined by critically acclaimed actor Paulo Avelino. Top pastry products Butter Mamon and Cheesy Ensaimada continued their very strong growth enhanced by the Pasalubong Packs push. The 40th year celebration saw the return of past favorites, Rocky Road Cake and Taisan, which were well-received by the market, further strengthening affinity among the brand's loyal customers.

With its aim of continually increasing customer satisfaction across relevant store channels, Red Ribbon had majority of its stores converted to the new store layout and design in 2019, allowing for better in-store customer experience. Furthermore, its strategy of offering more convenience saw its delivery business grow by high double-digit on the account of expanded partnership with food delivery aggregators. Red Ribbon also collaborated with Delivery, Channels, and Customer Loyalty corporate team to lead the way for JFC in the area of Chat Commerce as it launched JFC's very first Messenger-based chatbot ordering service.

Last April 2019, JFC started sourcing for Red Ribbon Philippines from the newly opened Canlubang Baking Facility—a modern, world-class commissary situated at Carmelray Industrial Park in Canlubang, Laguna. The five-hectare commissary will significantly increase the production capacity for Red Ribbon, and ensure the highest safety and quality standards for its products.

Despite the challenges in the initial operations of the new baking facility, Red Ribbon showed resilience—in close collaboration with the JFC Supply Chain team—and managed to exceed its systemwide sales performance last year, opening 53 new stores in excess of its target for 2019, growing its bestsellers faster than the total menu, accelerating growth of its delivery business, and enhancing store customer experience.

To top these achievements off, despite a very challenging year, Red Ribbon saw an increase in its employee engagement results, one of the highest in the JFC group.

Red Ribbon's strong brand and business fundamentals—guided by its vision of becoming the most loved bakeshop brand and the market leader—makes the brand well poised for long-term, sustainable success for the next 40 years.

Red Ribbon USA

For Red Ribbon USA, 2019 was a banner year, ending the year with 33 bakeshops, with new bakeshops opened in the states of California and Nevada. Its systemwide sales growth was 7.2%, and a rolling base growth of 6.5%, its highest in the last 4 years.

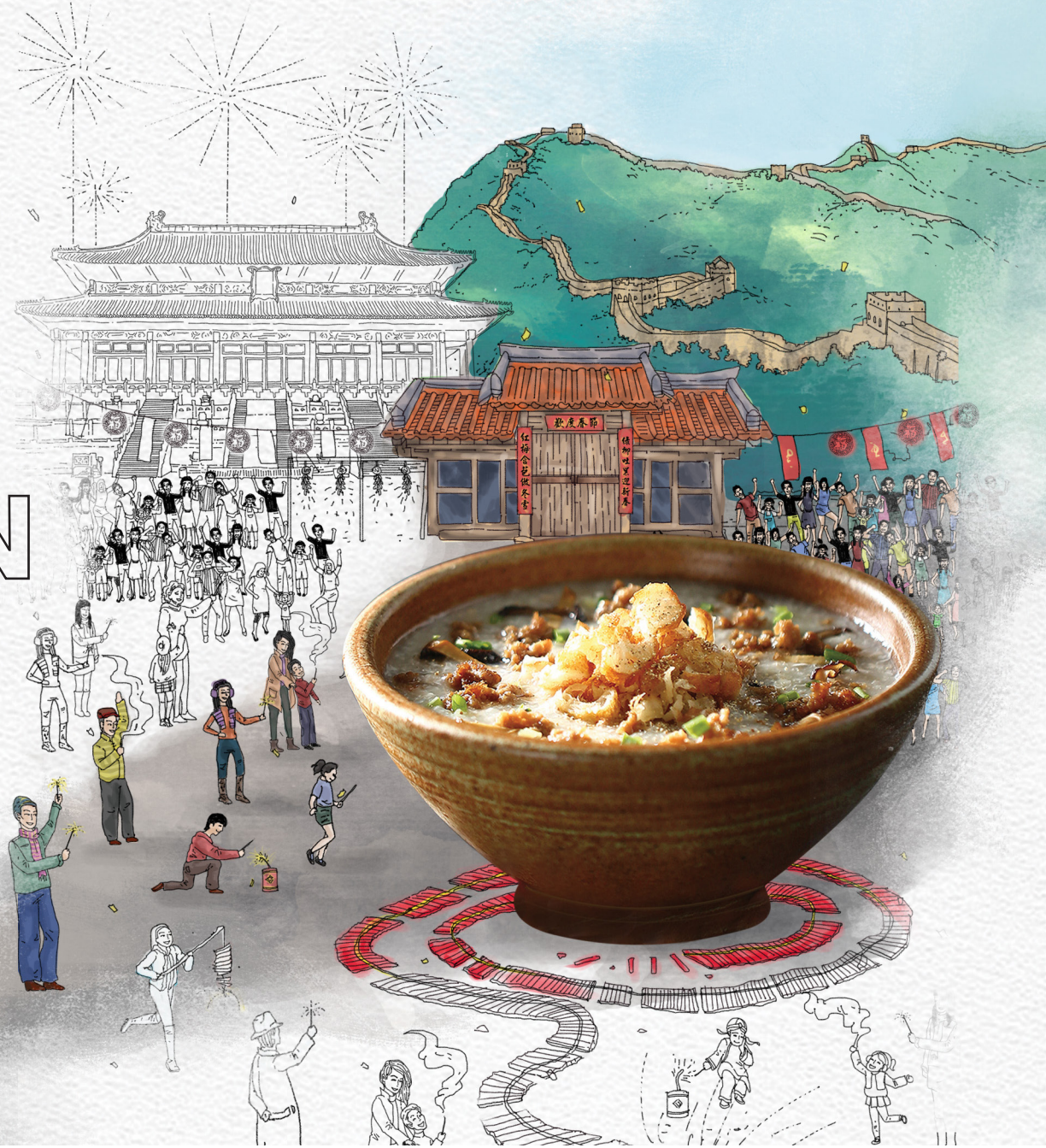
Staying true to its mission of popularizing Filipino flavor-inspired bakery products, the brand beefed up its menu and launched several new products, such as the Mango Mousse cake, the Caramel Bar, and its biggest blockbuster launch in 2019, the Yema Caramel Cake.

Another highlight was the brand's increased accessibility with its Order and Ship channel, which now covers 48 states, providing customers the opportunity to enjoy Red Ribbon pastries anywhere in the US.

All these efforts were supported by attractive retail merchandising, a redesigned menu board, a refreshed website look and the launch of the new packaging design for pastries.

Amidst the growing consumer expectations and strong competitive landscape, Red Ribbon has maintained its relevance as a brand to the Filipino-American community. And with its unique and differentiated cakes and pastries, and increased accessibility, Red Ribbon is well on its way to be among the top bakeshops in the USA.

BEIJING'S MOST RECOGNIZED
CONGEE BRAND



OVER
300 MILLION
BOWLS OF CONGEE
SOLD

11 TYPES
OF PORRIDGE
TO CHOOSE FROM

HONG ZHUANG YUAN

Creating a Modern Image into Traditional Zhuang Yuan Culture

In 2019, Hong Zhuang Yuan ushered in opportunities, which paved the way for the growth of its delivery performance—the main driving force of the brand.

Hong Zhuang Yuan continued to gain market recognition through the creation of flagship and core products, including three kinds of porridge, two kinds of staple food, and four kinds of hot dishes. At the same time, seasonal product innovations done throughout the year brought in more customers. This, in turn, increased the brand's popularity in Beijing, China.

Hong Zhuang Yuan also launched a customer loyalty program across its restaurants to further improve consumer experience and to better understand consumer trends so it can be more responsive to the demands of its consumers.

By the end of 2019, the brand already had 42 restaurants, including 4 new branches.

In May 2019, Hong Zhuang Yuan started to open its new-image restaurants featuring brand new interiors, product modeling, and an upgraded logo, all of which feature modern elements infused into the traditional Chinese Zhuangyuan culture. Hong Zhuang Yuan improved all restaurant signs within two months to establish the brand's new image in the market.

The brand also strengthened the concept of "display kitchen," which highlighted its high standard requirements in terms of taste, quality, health, and safety.

In 2020, Hong Zhuang Yuan will continue to bring satisfaction and the joy of eating to more customers by focusing on taste and customer service.

#1 GRILLED CHICKEN
IN THE PHILIPPINES

OVER
179 MILLION
PIECES OF CHICKEN
SOLD

600+
STORES
IN THE PHILIPPINES

MANG INASAL
Opens 600th Store as Sales and Profit Surge

Mang Inasal capped 2019 with a 16.2% sales growth from the previous year, and a 30% increase in its net operating income of PHP 1.46 billion from the Php1.13 billion in 2018. The collective grit of its employees and franchise business partners enabled Mang Inasal to overcome the challenges brought about by hyperinflation and the African Swine Fever.

The year 2019 also marked the opening of Mang Inasal's 600th store in Tambo, Lipa City, Batangas. Its network expansion was marked by the opening of 75 new stores and renovation of 54 stores. Of its entire network, 97% remained franchised as of end 2019.

Its best sellers Chicken Inasal and Pinoy Halo-Halo continued to strengthen their market positions, even as Mang Inasal excited customers with the relaunch of its improved Palabok and new Molo. These two products were given strong operational support that emphasized taste superiority and consistency.

Meanwhile the cascade of "Serbisyong Solb," which sought to build the service culture across the brand, paved the way for Mang Inasal's signature branded customer experience.

Mang Inasal continued to push for excellence in executing its restaurant operating systems according to Food, Service, Cleanliness, and Condition principles. This resulted in 82% FSC Rating with 99 Gold stores.

Internally, Mang Inasal further strengthened the organization founded on the fundamentals, with elements in place to support sustainable growth. The business further built its competencies and developed the appropriate culture. The first-ever Gold Standard Olympics was held to engage grillmen across the entire Mang Inasal network. Also, MI launched the culture-building campaign dubbed "Tatak Mang Inasal," anchored on building great teams and developing able leaders.

On its fourth year of recognizing local modern-day heroes through the Gawad PiliPinoy Awards, Mang Inasal proclaimed Session Groceries' founder Iloisa Romaraog-Diga as its 2019 winner. After being made aware of the plight of Benguet farmers who were forced to disposed of their harvests due to oversupply, Diga decided to extend the online Session Groceries platform to act as an alternative distribution channel for the farmers. The online video announcing her win bagged an Araw Values Award from the Ad Foundation and an Anvil Award from the Public Relations Society of the Philippines.

Mang Inasal ushered in 2020 with an even stronger resolve to outdo itself as it delivers on its brand promise of providing the best-tasting, high-quality, value-for-money food, and a dining experience where its customers relish the joy of eating.

FLAME GRILLING IN THE PHILIPPINES
FOR MORE THAN 20 YEARS

OVER
10 MILLION
WHOPPERS SOLD
PER YEAR

100+
STORES
IN THE PHILIPPINES

BURGER KING

Great Products, Delivery Channel Drive High Same-Store Sales Growth

The year 2019 was a milestone year for Burger King as it achieved same-store sales growth of 9%, its highest in the last three years. This success was driven by effective above-the-line campaigns that fueled the record-breaking performances of its best-sellers: 4-Cheese Whopper (37.5% same-store sales growth), X-tra Long Chicken (22.8% same-store sales growth), and Whopper (13.1% same-store sales growth).

By forging partnerships with delivery platforms GrabFood and Foodpanda, Burger King widened its reach to cater to an increasing demand for Burger King favorites, resulting in a +147.5% same-store sales growth for Total Delivery.

Keeping value at the heart of its customer attraction strategy, Burger King made Whopper Jr. even more affordable. It also launched its junior version of the X-tra Long Chicken at only Php59.

Burger King's penetration in the Chicken Sandwich category tripled with the launch of the X-tra Long Chicken Jr. in September 2019, closing the gap with the 2nd biggest Chicken Sandwich player.

These brand wins, however, would not have been possible if not for the service excellence our stores demonstrated. This year, Burger King went on to achieve Quality, Service, and Cleanliness (QSC) certification for 100% of its stores for the third consecutive year, resulting to an improved Net Promoter Score of 71.2%.

Burger King ended the year with a bang. It sustained a double-digit same-store growth month-on-month for almost the entire second semester. It also delivered a positive Net Operating Income (NOI) of 86M—double its NOI from the previous year.

VIETNAM'S #1
COFFEE CHAIN

2 STORES
OPENED EVERY WEEK

400+
STORES

HIGHLANDS COFFEE

Outstanding Growth Marks 20th Year of Vietnam's #1 Coffee Chain

As the brand celebrated its 20th year in 2019, Highlands Coffee strengthened its lead in the café chain category in Vietnam with strong +35% revenue growth, +9% share of occasions, +17% achievement in share of spending.

Highlands Coffee's bestsellers paved the way for its strong growth in 2019, supported by a series of strong flagship campaigns that were rolled out throughout the year for Phin Sua Da (Vietnamese Iced Coffee with Condensed Milk), Freeze Tra Xanh (Ice-blended Green Tea Freeze), and Tra Sen Vang (Golden Lotus Tea). The year also saw the launch of "The Unity of Pride in Vietland"—a series of concerts in the three biggest cities in Vietnam, and the biggest campaign ever in Highlands Coffee's history.

The café network now has over 350 stores—93 of which are new—across more than 27 provinces in Vietnam. The retail-based nationwide system stood out in a rather competitive market, with its expertise and experience in driving its growth targets.

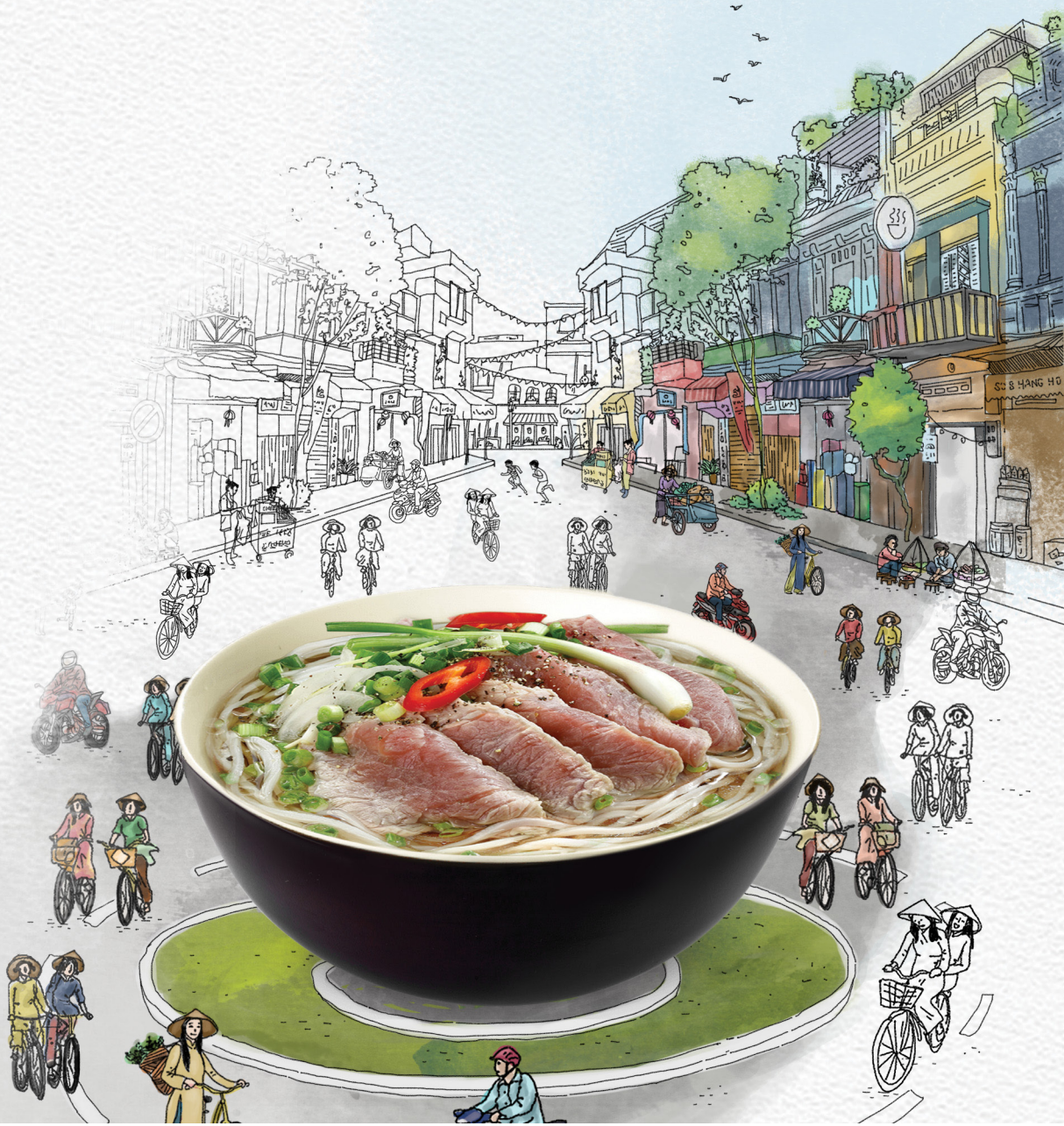
Highlands Coffee successfully conducted community-driven programs such as blood donation campaigns with more than 500 blood units donated to Blood banks and hospitals, Love Spring to the countryside where a thousand Tet gift sets were given to the poor, and a classroom renovation for an orphanage. A fundraising event, Sports Day for Charity, was also held to help raise funds for cancer support. Lastly, two hair libraries were built for the Cho Ray Hospital and The National Children's Hospital to support women and children breast cancer patients. Highlands Coffee strongly demonstrated a multi-dimensional commitment to social responsibility as one of the top brands in Vietnam.

Highlands Coffee's achievements fulfill the brand's ambition of continuing to dominate the local market, while setting the stage to enter new international markets soon. The best has indeed yet to come for Vietnam's #1 Coffee Chain.

VIETNAM'S #1
PHO CHAIN BRAND

OVER
5 MILLION
BOWLS OF PHO
SOLD PER YEAR

24 SPECIAL
INGREDIENTS
IN EVERY BOWL



PHO24®
Breakthrough Sales Growth Inspires Higher Ambitions

PHO24® posted its best performance yet in the past five years. A refreshed design and service model that was implemented starting 2018 have produced strong results. This translated to a 32% growth in same-store transaction counts and 24% growth in overall store sales.

Efforts focused on driving trial and improving the customer base further strengthened the brand and its overall position in the market. PHO24® launched its first brand campaign, communicating its everyday affordability and PHOTAI24® flagship product quality. The brand also introduced Pho Day on the 24th of every month as an iconic, branded day to celebrate and give back to guests. As a result, first-time customers represented 15% of the brand's total store guests. In addition, a third-party survey showed that Brand Preference improved to 6.9 points vs. 2018.

The brand also opened four new stores in strategic locations, making PHO24® more accessible to new guests thus, increasing its customer base. These new stores feature a fresh and modern design intended to excite guests and make them want to come back. As Vietnam is quickly modernizing, the new pay-and-serve model also delivered on speed and convenience, to meet the increased demands of its customers.

In the Philippines, the first PHO24® store in Double Dragon Plaza, Manila, saw significant growth in transaction count since its opening in August 2018.

These successes show a positive outlook for PHO24® as it pursues its ambition to become the world's #1 Pho Chain.

EVERY BITE

A BETTER BURGER

OVER

8.3 MILLION

CLASSIC SMASH

CHEESEBURGERS SOLD

300+

RESTAURANTS

WORLDWIDE

SMASHBURGER
Big Changes Can Spark Turnaround

This year, Jollibee Foods Corporation completed its first year of controlling ownership of Smashburger. Under its new leadership, Smashburger quickly implemented an unprecedented number of foundational and growth initiatives to stem the revenue trend under previous ownership and to restore the brand to relevance.

The first fundamental improvement was a major menu refresh designed to deliver a best-in-class "better burger" taste experience.

In May 2019, a new, simplified menu was rolled out with the goal of improving operational execution, as well as customer ease-of-ordering. Several product improvements were also made to enhance the taste of food. These included the return to Certified Angus Beef, thick-cut applewood smoked bacon, fresh-cut red onions, and thicker-cut American cheese.

In October, the menu was further improved with larger burgers and buns, a 70% larger and better crispy chicken sandwich, and the return of a new and improved turkey burger.

Customer response to these taste improvements was immediate and significantly positive. The Smashburger innovation team also developed and tested several new products set for launch in 2020.

From a new restaurant development standpoint, Smashburger implemented a new real estate strategy, created a restaurant-of-the-future design, and decisively rebalanced the current site portfolio while identifying high profile new restaurant locations.

The year 2019 also saw the implementation of the proven Jollibee Group operations and training process, which significantly improved consumer service ratings. Smashburger restaurants increased Guest Experience Index (GEI) rating from 83.5 in 2018 to 87.1 in 2019—contributing to the sales improvements realized through the end of 2019. Employee morale also ticked up with turnover reaching new lows. Gains made in operational excellence will help build Smashburger's reputation as the brand moves to the future.

To deliver on the long-term growth plan, Smashburger implemented an organizational build-up plan in 2019—adding key leaders in the areas of operations, training, development, real estate, human relations, and marketing. Operations was restructured under the leadership of the Head of Operations, who will be responsible for corporate and franchise restaurants to continuously improve operational performance and employee retention.

Smashburger started to get the word out, attracting new users, as well as improving engagement among fans of the brand. The brand implemented a digital-first approach to marketing, finding new ways to constantly stay in front of the younger target audience and drive more consumers through the customer journey. This approach helped deliver the biggest day ever for the business in terms of sales growth behind the Smashburger 12th Anniversary celebration in August. It also contributed to five consecutive months of sales trend improvements to finish the year, setting up a strong 2020.

With the expertise, systems, and processes of the Jollibee Group team—combined with the passion, experience, and creativity of the local Smashburger team—the brand is foreseen to "Smash it!" in 2020 and beyond.

KNOWN FOR ITS

ORIGINAL ICE BLENDED COFFEE AND TEA DRINKS

OVER

20 VARIETIES

OF COFFEE AND TEA

1,100+

STORES

WORLDWIDE

THE COFFEE BEAN & TEA LEAF®

Largest Acquisition Makes JFC a Major Coffee Player

The Coffee Bean and Tea Leaf® (CBTL) is the newest member in the growing JFC group of companies. CBTL is an American coffee chain founded in 1963, based in Los Angeles, California and is widely credited for driving high quality and innovation to the coffee and tea industry. At the end of 2019, CBTL operated 1,173 stores across 27 countries.

CBTL uses only individually hand-roasted coffee beans and hand-blended teas from farms in Central and South America, Africa and Asia. It started the frozen coffee drink craze with the invention of the The Original Ice Blended® drink and is also the first global coffee and tea retailer to offer cold brew tea.

CBTL is always seeking new ways to connect with guests and invite new customers to join its community. In 2019, CBTL in the United States teamed up with Postmates as its exclusive on-demand delivery partner, giving CBTL's customers a convenient way to enjoy their favorite hand-crafted specialty coffee and teas.

CBTL continues to excite customers by regularly offering new products in all its coffee shops worldwide. In the US, CBTL kicked off its new winter beverages and healthy protein-packed bites and announced the return of its Classic Flat White. In April, CBTL added a new selection of spring beverages: Irish Cream Latte, Midnight Mocha, Cold Brew Latte and Mango Cold Brew Tea. CBTL also introduced a new retail tea product available, the Osmanthus Oolong.

In Singapore, a series of tactical promotions was pushed throughout the year. Breakfast value sets were launched to drive footfall during the quietest day part; beverage promotions tied to special occasions like Labour Day, Singapore National Day and International Coffee Day giving consumers reasons to visit the stores. These promotions were communicated mainly over cost effective media such as Facebook and Instagram as the 79% of the population are active social media users.

CBTL Philippine Franchise added 20 stores in 2019 and ended the year with 156 stores. Same-store sales growth for November and December grew double-digit driven by the combination of "Double Stamp Campaign" on the Giving Journal program, as well as the "Mondays Made Better Promotion". CBTL South Korea opened 17 stores and ended 2019 with 291 stores. CBTL Malaysia expanded the coverage of Grab delivery platform to 62 stores contributing incremental revenue of RM 5 million in 2019.

CBTL has an unwavering commitment to social responsibility. Both in the US and abroad, CBTL has developed a broad range of programs—from preserving the environment to improving education to supporting First Responders domestically with their Heroes At Heart fund raising initiatives—that aim to give back to the workers and their communities. Caring Cup initiatives, which form part of CBTL's corporate social responsibility program are planted and nurtured domestically in communities served by the company, as well as internationally in communities from which its products originate. In the Philippines, Caring Cup's Rebuild Dreams in Marawi raised PHP 5.4 million while SolarEnergie raised PHP 2.1. million.

As CBTL starts this new chapter with JFC, it will continue its philosophy of delivering the best handcrafted products and taking pride in the journey from seed to cup. A perfect complement to the JFC Group's mission to serve great tasting food, bringing the joy of eating to everyone.

CELEBRATING 15 YEARS OF
UPLIFTING COMMUNITIES

SINCE 2009,
FARMERS HAVE DELIVERED
MORE THAN 7,000 METRIC TONS
OF VARIOUS VEGETABLES

OVER 3,000 FARMERS
HAVE BEEN TRAINED

Jollibee Group Foundation
Marks 15 Years of Uplifting Filipino Communities

As Jollibee Group Foundation starts a new chapter, it continues to enable more families across the country to put food on their table through programs in agriculture, education, and disaster response.

Farmer Entrepreneurship Program (FEP)

Through FEP, smallholder farmers are organized and trained to grow their own agro-enterprises and supply institutional markets such as JFC. Since the program's launch in 2008, the number of participating farmer cooperatives grew from one to seventeen. Since 2009, at least 7,000 metric tons of vegetables have been delivered to JFC, with farmers earning more than Php 300 million in sales.

A range of capacity building interventions were also provided to local implementing partners that enabled FEP to train hundreds of farmers delivering to JFC. This included agro-entrepreneurship (AE) for LGUs and NGO extension workers, online and on-site AE coaching with farmer leaders, Good Agricultural Practices (GAP), and Financial Management.

Busog, Lusog, Talino (BLT) School Feeding Program

In support of the Department of Education's School-Based Feeding Program, the Foundation continued to establish BLT School Feeding Kitchens. These Kitchens centralize meal preparation for a cluster of schools and enable safe and efficient large-scale feeding. In 2019, over 28,000 pupils in 305 schools were served by 34 BLT Kitchens nationwide. Partnerships with various local government units were fostered to replicate the BLT Kitchen model to more localities, which will hopefully serve more undernourished pupils in the future.

Aside from being a place to cook nutritious meals for the school feeding program, BLT Kitchens have also served as facilities for preparing food served in school canteens, and as training centers for mothers, senior high school students, and new BLT partners.

Access, Curriculum, and Employability (ACE) Scholarship Program

ACE has provided educational assistance to more than 2,200 underprivileged Filipino youth so they can access gainful employment and attain better lives for themselves and their families. Among them are 500 scholars under Don Bosco's Technical Mechanical and Agriculture-related courses who graduated in 2019.

The pilot run of the Quick Service Restaurant Operations (QSRO) curriculum in partnership with the Anihan Technical School was successfully completed with all 27 female scholars graduating. This curriculum envisions to facilitate the development of competency-based training for QSRO personnel in the country. It covers technical and life skills courses, and on-the-job training that are aligned with the needs of the food service industry. Of this inaugural batch, all were absorbed for employment by industry partners, including JFC restaurants. The training of a new batch of 68 new scholars has also begun.

Jollibee Group FoodAID

This program systematizes JFC's disaster response efforts to better address community needs in the fastest time possible. In coordination with various partners, more than 64,000 individuals were provided with food assistance in 2019, including those affected by the earthquakes in Mindanao, Philippines. Among the assistance provided were congee mix packs that were prepositioned to provide communities with immediate access to warm meals during calamities.

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT TEAM

List is as of December 31, 2019

DIRECTORS

ANG NGO CHIONG†
Chairman Emeritus

TONY TAN CAKTIONG
Chairman of the Board

WILLIAM TAN UNTIONG
Director / Corporate Secretary

ERNESTO TANMANTIONG
Director / CEO and President

JOSEPH TANBUNTIONG
Director / Treasurer

ANG CHO SIT
Director

ANTONIO CHUA POE ENG
Director

(RET) CHIEF JUSTICE ARTEMIO PANGANIBAN
Director

MONICO JACOB
Independent Director

CEZAR CONSING
Independent Director

CORPORATE OFFICERS

TONY TAN CAKTIONG
Chairman of the Board

ERNESTO TANMANTIONG
Chief Executive Officer and President

YSMAEL BAYSA
Chief Financial Officer

ARSENIO SABADO
Chief Human Resources Officer

WILLIAM TAN UNTIONG
Chief Real Estate Officer

DANIEL RAFAEL RAMON GOMEZ III
Chief Marketing Officer

HEADS OF PHILIPPINES UNITS

JOSEPH TANBUNTIONG
President, Regional Business Head - Philippines

JUSTO ALANO III
President, Jollibee Business

ANDREW ERICSON SANTOS, JR.
President, Chowking Business

JOSE ALEXANDER SUBIDO
President, Mang Inasal Business

ZINNIA CARMENCITA RIVERA
President, Red Ribbon Business

JOSEPH MICHAEL CASTRO
General Manager, Greenwich Business

JOSE AMADO DOMINGUEZ
General Manager, Burger King Business

HEADS OF INTERNATIONAL UNITS

CARLSON CHOI
Chief Digital Officer, International Business

THOMAS RYAN
Chief Product Development Advisor

YIXING FRANK SHENG
Internal Audit Head, International Business

THAI PHI DIEP
CEO, SuperFoods Group (Highlands Coffee and PHO24®)

HEADS OF CHINA UNITS

CARL BRIAN TANCAKTIONG
Chairman, JFC China

SHU-HWA SHIRLEY CHANG
President, JFC China and Yonghe King Business

SHIH-CHIEH JACKSON HSIAO
Managing Director, Yonghe King Business

LI YI
General Manager, Hong Zhuang Yuan Business

YI SANDY SUN
General Manager, Dunkin Donuts Business

HEADS OF NORTH AMERICA UNITS

ROWEL VIJANDRE
President, Regional Business Head- North America

MARIBETH DELA CRUZ
President, Philippine Brands - North America

CARL BACHMANN
President, Smashburger Business

HEAD OF EMEAA UNITS

DENNIS FLORES
President, Regional Business Head - EMEAA

HEADS OF CORPORATE UNITS

JOSE MA. MINANA, JR.
Chief Sustainability and Public Affairs Officer

FERNANDO YU, JR.
Chief Business Support Officer

SUSANA TANMANTIONG
Chief Procurement Officer

ATTY. VALERIE AMANTE
VP and Head - Corporate Legal and Corporate Ethics
Assistant Corporate Secretary

MARILOU SIBAYAN
VP and Comptroller - Worldwide

LORNA ATUN
AVP - Internal Audit

JOLLIBEE GROUP FOUNDATION, INC.

GRACE TAN CAKTIONG
President, Jollibee Group Foundation, Inc.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

SELECTED FINANCIAL DATA

(in ₱'000, except Number of Stores, Personnel, Ratios, Per Share Data and Outstanding Shares)

FOR THE YEAR	2017	2018	**2019**
Consolidated System Wide Sales	171,760,987	212,185,435	**243,792,179**
Revenues	133,583,071	161,167,782	**179,626,188**
Net Income	6,493,019	7,641,586	**6,422,916**
Net Income (Attributable to Equity Holders of the Parent)	6,939,577	8,212,608	**6,432,434**
Payroll and Benefits	18,462,524	23,616,010	**28,015,224**
Personnel	35,443	44,307	**45,006**
Number of Stores			
Jollibee*	1,260	1,378	**1,461**
Greenwich	272	285	**284**
Chowking*	571	620	**665**
Red Ribbon*	458	499	**535**
Yonghe King	309	320	**339**
Hong Zhuang Yuan	43	44	**42**
Mang Inasal	495	552	**611**
Burger King	93	101	**105**
Dunkin' Donuts	15	13	**8**
Highlands Coffee	244	317	**401**
PHO24	29	35	**39**
HardRock Café	8	8	**6**
Smashburger	–	349	**301**
Coffee Bean and Tea Leaf	–	–	**1,173**
Panda Express	–	–	**1**

* Domestic and International

AT YEAR-END			
Total Assets	115,619,404	150,512,878	**187,276,006**
Total Property & Equipment	20,869,738	26,672,549	**32,592,122**
Total Equity	41,790,280	48,996,097	**52,281,877**
Current Ratio	1.20	1.07	**0.67**
Debt Ratio	0.65	0.68	**0.72**

PER SHARE DATA			
Basic Earnings Per Share	6.423	7.555	**5.887**
Diluted Earnings Per Share	6.340	7.443	**5.820**
Cash Dividend	2.18	2.48	**2.58**
Book Value	38.51	45.00	**47.80**

SHARE INFORMATION			
Outstanding Shares (net of Treasury Shares)	1,085,208,235	1,088,766,417	**1,093,701,118**

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES (the JFC Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders for the years ended December 31, 2019, 2018 and 2017, has audited the consolidated financial statements of the JFC Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

TONY TAN CAKTIONG
Chairman of the Board

ERNESTO TANMANTIONG
President and Chief Executive Officer

YSMAEL V. BAYSA
Chief Financial Officer

MARILOU N. SIBAYAN
Vice President and Comptroller - Worldwide

REPUBLIC OF THE PHILIPPINES)
CITY OF PASIG) S.S

Before me, a notary public in and for the city named above, personally appeared the following:

Name	Competent Evidence of Identity
Tony Tan Caktiong	SSS Number: 03-3229034-2
Ernesto Tanmantiong	SSS Number: 03-6292699-0
Ysmael V. Baysa	SSS Number: 03-4228219-1
Marilou N. Sibayan	SSS Number: 03-9964176-9

Who are personally known to me and to me known to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took on oath before me as to such instrument.

Witness my hand and seal this JUN 16 2020

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Series of 2020

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Jollibee Foods Corporation
Doing business under the name and style of Jollibee
(formerly Jollibee Foods Corporation) and Subsidiaries

Opinion

We have audited the consolidated financial statements of Jollibee Foods Corporation Doing business under the name and style of Jollibee (formerly Jollibee Foods Corporation) (the Parent Company) and its subsidiaries (the JFC Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the JFC Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Accounting for Business Combination – Acquisition of the Coffee Bean & Tea Leaf (CBTL)

On September 24, 2019, the JFC Group, through its 80%-owned subsidiary, Super Magnificent Coffee Company Hungary Kft., acquired 100% interest over The Coffee Bean & Tea Leaf (CBTL). The JFC Group recognized gain on bargain purchase of ₱3,150.8 million and trademark of ₱18,484.7 million based on the provisional purchase price allocation performed. We considered the accounting for this acquisition to be a key audit matter because it required a significant amount of management judgment and estimation in identifying the underlying acquired assets and liabilities and in determining their fair values, specifically the acquired property and equipment and trademark.

The disclosures in relation to the acquisition of CBTL are included in Notes 4 and 11 to the consolidated financial statements.

Audit Response

We reviewed the unit purchase agreement covering the acquisition and the consideration paid and the provisional purchase price allocation. We evaluated the competence, capabilities and objectivity of the external appraiser who prepared the appraisal report for the property and equipment and the external valuation specialist who valued the trademark by considering their qualifications, relevant experience and reporting responsibilities. We involved our internal specialist in the review of the methodologies and assumptions used in arriving at the fair values of the property and equipment and trademark. We compared the key assumptions used such as the cost indices and trends, and adjustment factors by reference to relevant market data for the valuation of property and equipment. We also compared the key assumptions used in the valuation of trademark such as revenue growth rate, long-term growth rate and royalty rate by reference to existing contractual terms, historical trends and relevant external information. We tested the parameters used in determining the discount rate against market data. We reviewed the presentation and disclosures in the consolidated financial statements.

Recoverability of Goodwill and Trademarks with Indefinite Life

Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the JFC Group is required to perform an annual impairment test on the amount of goodwill and trademarks with indefinite life. As at December 31, 2019, the JFC Group's goodwill and trademarks with indefinite life amounted to ₱14,497.2 million and ₱35,048.0 million, respectively, attributable to cash generating units (CGUs) mainly from JFC Group's acquisitions in the Philippines, the People's Republic of China, Vietnam and the United States of America which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically discount rate which is applied to the cash flows, net sales forecasts, long-term revenue growth rate, and earnings before interest, taxes, depreciation and amortization (EBITDA).

Refer to Notes 4 and 14 to the consolidated financial statements for the details on trademarks and goodwill and the assumptions used in the forecasts.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used in determining the recoverable amounts of the CGUs for goodwill and the trademarks with indefinite life. These assumptions include the discount rate, net sales forecasts, long-term revenue growth rate and EBITDA. We compared the key assumptions used, such as forecasted long-term revenue growth rate, forecasted net sales and EBITDA against the historical data of the CGUs and inquired from management and operations personnel about the plans to support the forecast.

Furthermore, we tested the parameters used in the determination of discount rate against market data. We reviewed the weighted average cost of capital (WACC) used in the impairment test by comparing it with the WACC of comparable companies where the CGUs operate. We also reviewed the JFC Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and trademarks with indefinite life.

Provisions and Contingencies

The JFC Group is involved in litigations, claims and disputes which are normal to its business. This matter is significant to our audit because the estimation of the potential liability resulting from these litigations, claims and disputes requires significant management judgment. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and application of laws and rulings.

Refer to Notes 4 and 17 for the disclosures about provisions and Note 30 for the disclosures about contingencies of the JFC Group.

Audit Response

We involved our internal specialist in evaluating management's assessment on whether any provisions for contingencies should be recognized, and the estimation of such amount. We also discussed with management the status of the litigations, claims and disputes. In addition, we read correspondences with the relevant government agencies, obtained replies from third party legal counsels, and any relevant laws and rulings on similar matters. We evaluated the position of the JFC Group by considering the relevant laws, rulings and jurisprudence.

Recoverability of Deferred Income Tax Assets

The Parent Company and certain subsidiaries (foreign and local) have recognized deferred tax assets amounting to ₱15,424.0 million as at December 31, 2019. Of that amount, around 9.9% relates to net operating loss carryover and excess minimum corporate income tax over regular corporate income tax. Management estimated the recoverability of these deferred tax assets based on the forecasted taxable income taking into account the period in which the deductible temporary differences can be claimed in the Philippines, the People's Republic of China and the United States of America. The analysis of the recoverability of deferred tax assets is significant to our audit because the assessment process is complex and judgmental, and is based on assumptions that are affected by expected future performance as well as management's plans and strategies of the relevant taxable entities, including the Parent Company and certain subsidiaries.

Refer to Note 24 to the consolidated financial statements for the details of the deferred tax assets and Note 4 for the discussion of management's judgments and estimates.

Audit Response

We obtained an understanding of the Parent Company and its subsidiaries' deferred income tax calculation process and, together with our internal specialist, the applicable tax rules and regulations. We reviewed management's assessment on the availability of future taxable income in reference to financial forecasts and tax strategies. We evaluated management's forecast by comparing forecasts of future taxable income against approved budgets, historical performance of the relevant entities like past revenue growth rates and with relevant external market information such as inflation. We also reviewed the timing of the reversal of future taxable and deductible temporary differences.

Adoption of PFRS 16, *Leases*

Effective January 1, 2019, the JFC Group adopted Philippine Financial Reporting Standard (PFRS) 16, *Leases*, under the full retrospective approach which resulted in significant changes in the JFC Group's accounting policy for leases. The JFC Group's adoption of PFRS 16 is significant to our audit because the Group has high volume of lease agreements; the recorded amounts are material to the consolidated financial statements; and adoption involves application of significant judgment and estimation in determining the lease term, including evaluating whether the JFC Group is reasonably certain to exercise options to extend or terminate the lease, and in determining the incremental borrowing rate. This resulted in the recognition of right of use assets and lease liability amounting to ₱25,324.4 million and ₱28,682.9 million, respectively, as of January 1, 2018, and the recognition of depreciation expense and interest expense of ₱7,164.8 million and ₱1,824.3 million, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 are included in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the JFC Group's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low value assets exemption, the selection of the transition approach and any election of available practical expedients.

We tested the population of lease agreements by comparing the number of locations per operations report against lease contract database.

On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements), identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustments.

For selected lease contracts with renewal and/or termination option, we reviewed the management's assessment of whether it is reasonably certain that the JFC Group will exercise the option to renew or not exercise the option to terminate.

We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management on a sample basis, including the transition adjustments. We reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

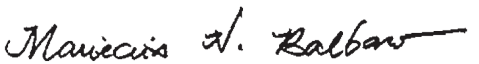
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mariecris N. Barbaso.

SYCIP GORRES VELAYO & CO.



Mariecris N. Barbaso
Partner
CPA Certificate No. 97101
SEC Accreditation No. 1513-AR-1 (Group A),
November 16, 2018, valid until November 15, 2021
Tax Identification No. 202-065-716
BIR Accreditation No. 08-001998-108-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8116727, January 2, 2020, Makati City

April 13, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousand Pesos)

	December 31, 2019	December 31, 2018 (As restated - Note 2)	January 1, 2018 (As restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 6, 31 and 32)	**₱20,892,021**	₱23,285,915	₱21,107,474
Short-term investments (Notes 6, 31 and 32)	**2,130,000**	883,200	1,413,400
Receivables and contract assets (Notes 7, 31 and 32)	**5,906,289**	4,862,744	3,941,073
Inventories (Note 8)	**9,966,084**	8,812,174	6,835,514
Other current assets (Note 9)	**6,725,008**	4,694,389	3,858,219
Total Current Assets	**45,619,402**	42,538,422	37,155,680
Noncurrent Assets			
Financial assets at fair value through profit or loss (Notes 10, 31 and 32)	**38,202**	39,842	–
Available-for-sale financial assets	**–**	–	29,862
Interests in and advances to joint ventures, co-venturers and associates (Note 11)	**6,832,102**	3,512,230	7,492,771
Property, plant and equipment (Note 12)	**32,592,122**	26,672,549	20,869,738
Right-of-use assets (Notes 2 and 29)	**42,907,418**	36,564,242	25,324,378
Investment properties (Note 13)	**572,722**	848,974	848,974
Trademarks, goodwill and other intangible assets (Note 14)	**50,208,119**	31,541,825	15,730,239
Operating lease receivables (Notes 29, 31 and 32)	**98,749**	64,304	157,775
Finance lease receivables (Notes 2, 29 and 31)	**161,934**	184,800	204,698
Derivative asset (Notes 18, 31 and 32)	**–**	82,852	11,949
Deferred tax assets - net (Note 24)	**4,449,262**	4,711,794	4,282,822
Other noncurrent assets (Notes 15, 31 and 32)	**3,795,974**	3,751,044	3,510,518
Total Noncurrent Assets	**141,656,604**	107,974,456	78,463,724
	₱187,276,006	₱150,512,878	₱115,619,404
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities and contract liabilities (Notes 16, 31 and 32)	**₱34,652,065**	₱28,716,769	₱25,254,613
Income tax payable	**391,914**	263,473	223,773
Short-term debt (Note 18)	**22,180,320**	–	–
Current portion of:			
Lease liabilities (Notes 2, 29, 31 and 32)	**7,036,754**	5,743,062	4,238,194
Long-term debt (Notes 18, 31 and 32)	**3,415,975**	4,892,102	1,216,219
Liability for acquisition of a business (Notes 11, 31 and 32)	**2,800**	11,238	–
Total Current Liabilities	**67,679,828**	39,626,644	30,932,799
Noncurrent Liabilities			
Noncurrent portion of:			
Lease liabilities (Notes 2, 29, 31 and 32)	**40,270,650**	34,887,727	24,444,724
Long-term debt (Notes 18, 31 and 32)	**19,179,748**	21,372,251	14,901,052
Liability for acquisition of a business (Notes 11, 31 and 32)	**–**	2,907	–
Pension liability (Note 25)	**2,221,320**	1,320,646	1,489,546
Derivative liability (Notes 11, 18, 31 and 32)	**58,241**	–	51,042
Provisions (Note 17)	**825,109**	825,109	825,109
Deferred tax liabilities - net (Note 24)	**4,759,233**	3,481,497	1,184,852
Total Noncurrent Liabilities	**67,314,301**	61,890,137	42,896,325
Total Liabilities	**₱134,994,129**	₱101,516,781	₱73,829,124

	December 31, 2019	December 31, 2018 (As restated - Note 2)	January 1, 2018 (As restated - Note 2)
Equity Attributable to Equity Holders of the Parent Company (Note 31)			
Capital stock - net of subscription receivable (Note 19)	**₱1,092,971**	₱1,088,036	₱1,084,478
Additional paid-in capital (Note 19)	**8,797,360**	8,638,438	7,520,383
Other reserve (Note 11)	**1,877,400**	–	–
Cumulative translation adjustments of foreign subsidiaries and interests in joint ventures and associates (Note 11)	**832,080**	587,399	338,725
Remeasurement loss on net defined benefit plan - net of tax (Note 25)	**(965,391)**	(307,995)	(461,769)
Unrealized gain on change in fair value of available-for-sale financial assets (Note 10)	**–**	–	6,758
Comprehensive income (loss) on derivative liability (Note 18)	**(58,241)**	82,852	11,949
Excess of cost over the carrying value of non-controlling interests acquired (Notes 11 and 19)	**(1,804,766)**	(1,804,766)	(2,152,161)
Retained earnings (Note 19):			
Appropriated for future expansion	**20,000,000**	20,000,000	18,200,000
Unappropriated	**23,009,145**	19,391,656	15,664,077
	52,780,558	47,675,620	40,212,440
Less cost of common stock held in treasury (Note 19)	**180,511**	180,511	180,511
	52,600,047	47,495,109	40,031,929
Non-controlling Interests (Note 11)	**(318,170)**	1,500,988	1,758,351
Total Equity	**52,281,877**	48,996,097	41,790,280
	₱187,276,006	₱150,512,878	₱115,619,404

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousand Pesos, Except Per Share Data)

	Years Ended December 31		
	2019	2018 (As Restated - Note 2)	2017 (As Restated - Note 2)
REVENUES			
Gross sales	**₱170,291,063**	₱153,068,666	₱126,229,530
Sales discount	**(3,381,699)**	(2,867,840)	(1,565,982)
Net sales	**166,909,364**	150,200,826	124,663,548
Royalty, set-up fees and others (Note 20)	**9,715,716**	8,443,464	6,882,988
	176,625,080	158,644,290	131,546,536
PFRS 15 impact on system-wide advertising fees	**3,001,108**	2,523,492	2,036,535
	179,626,188	161,167,782	133,583,071
DIRECT COSTS (Note 21)	**150,257,881**	132,420,585	108,563,894
GROSS PROFIT	**29,368,307**	28,747,197	25,019,177
EXPENSES			
General and administrative expenses - net (Note 22)	**18,884,582**	15,460,619	13,929,375
Advertising and promotions	**3,982,583**	4,027,609	3,342,911
	22,867,165	19,488,228	17,272,286
INTEREST INCOME (EXPENSE) (Note 23)			
Interest income	**400,657**	424,419	269,433
Interest expense	**(3,187,298)**	(2,617,463)	(1,793,377)
	(2,786,641)	(2,193,044)	(1,523,944)
EQUITY IN NET EARNINGS (LOSSES) OF JOINT VENTURES AND ASSOCIATES - Net (Note 11)	**23,384**	(86,750)	(282,645)
OTHER INCOME (Note 23)	**5,745,671**	3,342,528	2,135,647
INCOME BEFORE INCOME TAX	**9,483,556**	10,321,703	8,075,949
PROVISION FOR INCOME TAX (Note 24)			
Current	**3,255,664**	2,822,092	2,310,630
Deferred	**(195,024)**	(141,975)	(727,700)
	3,060,640	2,680,117	1,582,930
NET INCOME	**6,422,916**	7,641,586	6,493,019
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Translation adjustments of foreign subsidiaries	**428,818**	666,867	96,185
Translation adjustments of foreign joint ventures and associates (Note 11)	**(131,893)**	(382,259)	269,119
Comprehensive income on derivative liability (Note 18)	**(141,093)**	70,903	45,479
Net unrealized gain on change in fair value of available-for-sale financial assets - net of tax	**–**	–	2,467
	155,832	355,511	413,250
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on pension - net of tax (Note 25)	**(657,396)**	153,774	147,032
	(501,564)	509,285	560,282
TOTAL COMPREHENSIVE INCOME	**₱5,921,352**	₱8,150,871	₱7,053,301
Net Income Attributable to:			
Equity holders of the Parent Company (Note 28)	**₱6,432,434**	₱8,212,608	₱6,939,577
Non-controlling interests	**(9,518)**	(571,022)	(446,558)
	₱6,422,916	₱7,641,586	₱6,493,019
Total Comprehensive Income Attributable to:			
Equity holders of the Parent Company	**₱5,878,626**	₱8,685,959	₱7,494,091
Non-controlling interests	**42,726**	(535,088)	(440,790)
	₱5,921,352	₱8,150,871	₱7,053,301
Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company (Note 28)			
Basic	**₱5.887**	₱7.555	₱6.423
Diluted	**5.820**	7.443	6.340

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

(Amounts in Thousand Pesos)

	Equity Attributable to Equity Holders of the Parent Company (Note 31)													
									Retained Earnings (Note 19)					
	Capital Stock - Net of Subscription Receivable (Note 19)	Additional Paid-in Capital (Note 19)	Other Reserve (Note 11)	Cumulative Translation Adjustments of Foreign Subsidiaries and Interests in Joint Ventures and Associates (Note 11)	Remeasurement Gain (Loss) on Net Defined Benefit Plan - Net of tax (Note 25)	Unrealized Gain on Change in Fair Value of Available-for-Sale (AFS) Financial Assets (Note 10)	Comprehensive Income (Loss) on Derivative Liability (Note 18)	Excess of Cost Over the Carrying Value of Non-controlling Interests Acquired (Notes 11 and 19)	Appropriated for Future Expansion	Unappropriated	Cost of Common Stock Held in Treasury (Note 19)	Total	Non-controlling Interests (Note 11)	Total Equity
Balance at January 1, 2018, As previously reported	**₱1,088,036**	**₱8,638,438**	**₱–**	**₱589,501**	**(₱307,995)**	**₱–**	**₱82,852**	**(₱1,804,766)**	**₱20,000,000**	**₱20,257,995**	**(₱180,511)**	**₱48,363,550**	**₱1,554,601**	**₱49,918,151**
Effect of adoption of PFRS 16, Leases (Note 2)	**–**	**–**	**–**	**(2,102)**	**–**	**–**	**–**	**–**	**–**	**(866,339)**	**–**	**(868,441)**	**(53,613)**	**(922,054)**
Balance at January 1, 2019, As restated	**1,088,036**	**8,638,438**	**–**	**587,399**	**(307,995)**	**–**	**82,852**	**(1,804,766)**	**20,000,000**	**19,391,656**	**(180,511)**	**47,495,109**	**1,500,988**	**48,996,097**
Net income (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,432,434**	**–**	**6,432,434**	**(9,518)**	**6,422,916**
Other comprehensive income (loss)	**–**	**–**	**–**	**244,681**	**(657,396)**	**–**	**(141,093)**	**–**	**–**	**–**	**–**	**(553,808)**	**52,244**	**(501,564)**
Total comprehensive income (loss)	**–**	**–**	**–**	**244,681**	**(657,396)**	**–**	**(141,093)**	**–**	**–**	**6,432,434**	**–**	**5,878,626**	**42,726**	**5,921,352**
Movements in other equity accounts:														
Issuances of and subscriptions to capital stock	**4,935**	**580,526**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**585,461**	**–**	**585,461**
Cost of stock options granted - net of tax (Note 26)	**–**	**(421,604)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(421,604)**	**–**	**(421,604)**
Cash dividends (Note 19)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,814,945)**	**–**	**(2,814,945)**	**–**	**(2,814,945)**
Cash dividend received by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(14,912)**	**(14,912)**
Arising from incorporation of a subsidiary (Note 11)	**–**	**–**	**1,877,400**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,877,400**	**(1,877,400)**	**–**
Additional investment during the year (Note 11)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**30,428**	**30,428**
	4,935	**158,922**	**1,877,400**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,814,945)**	**–**	**(773,688)**	**(1,861,884)**	**(2,635,572)**
Balances at December 31, 2019	**₱1,092,971**	**₱8,797,360**	**₱1,877,400**	**₱832,080**	**(₱965,391)**	**₱–**	**(₱58,241)**	**(₱1,804,766)**	**₱20,000,000**	**₱23,009,145**	**(₱180,511)**	**₱52,600,047**	**(₱318,170)**	**₱52,281,877**
Balance at January 1, 2018, As previously reported	₱1,084,478	₱7,520,383	₱–	₱340,368	(₱461,769)	₱6,758	₱11,949	(₱2,152,161)	₱18,200,000	₱16,413,140	(₱180,511)	₱40,782,635	₱1,799,344	₱42,581,979
Effect of adoption of PFRS 16, Leases (Note 2)	–	–	–	(1,643)	–	–	–	–	–	(749,063)	–	(750,706)	(40,993)	(791,699)
Transfer of net unrealized gain on AFS financial assets previously presented as other comprehensive income (Note 10)	–	–	–	–	–	(6,758)	–	–	–	6,758	–	–	–	–
Balance at January 1, 2018, As restated	1,084,478	7,520,383	–	338,725	(461,769)	–	11,949	(2,152,161)	18,200,000	15,670,835	(180,511)	40,031,929	1,758,351	41,790,280
Net income (loss), As previously reported	–	–	–	–	–	–	–	–	–	8,329,884	–	8,329,884	(558,549)	7,771,335
Effect of adoption of new accounting standards (Note 2)	–	–	–	–	–	–	–	–	–	(117,276)	–	(117,276)	(12,473)	(129,749)
Net income (loss), As restated	–	–	–	–	–	–	–	–	–	8,212,608	–	8,212,608	(571,022)	7,641,586
Other comprehensive income	–	–	–	248,674	153,774	–	70,903	–	–	–	–	473,351	35,934	509,285
Total comprehensive income (loss)	–	–	–	248,674	153,774	–	70,903	–	–	8,212,608	–	8,685,959	(535,088)	8,150,871
Movements in other equity accounts:														
Issuances of and subscriptions to capital stock	3,558	471,979	–	–	–	–	–	–	–	–	–	475,537	–	475,537
Cost of stock options granted - net of tax (Note 26)	–	646,076	–	–	–	–	–	–	–	–	–	646,076	–	646,076
Cash dividends (Note 19)	–	–	–	–	–	–	–	–	–	(2,691,787)	–	(2,691,787)	–	(2,691,787)
Appropriation during the year (Note 19)	–	–	–	–	–	–	–	–	20,000,000	(20,000,000)	–	–	–	–
Reversal of appropriated retained earnings during the year (Note 19)	–	–	–	–	–	–	–	–	(18,200,000)	18,200,000	–	–	–	–
Acquisition of minority interests (Note 11)	–	–	–	–	–	–	–	347,395	–	–	–	347,395	266,308	613,703
Arising from incorporation of a subsidiary (Note 11)	–	–	–	–	–	–	–	–	–	–	–	–	11,417	11,417
	3,558	1,118,055	–	–	–	–	–	347,395	1,800,000	(4,491,787)	–	(1,222,779)	277,725	(945,054)
Balances at December 31, 2018	₱1,088,036	₱8,638,438	₱–	₱587,399	(₱307,995)	₱–	₱82,852	(₱1,804,766)	₱20,000,000	₱19,391,656	(₱180,511)	₱47,495,109	₱1,500,988	₱48,996,097
Balance at January 1, 2017, As previously reported	₱1,074,123	₱5,660,085	₱–	(₱20,811)	(₱608,801)	₱4,291	(₱33,530)	(₱2,152,161)	₱18,200,000	₱11,659,531	(₱180,511)	₱33,602,216	₱679,188	₱34,281,404
Effect of adoption of PFRS 16, Leases	–	–	–	–	–	–	–	–	–	(579,520)	–	(579,520)	(31,066)	(610,586)
Balance at January 1, 2017, As adjusted	1,074,123	5,660,085	–	(20,811)	(608,801)	4,291	(33,530)	(2,152,161)	18,200,000	11,080,011	(180,511)	33,022,696	648,122	33,670,818
Net income (loss), As previously reported	–	–	–	–	–	–	–	–	–	7,109,120	–	7,109,120	(436,538)	6,672,582
Effect of adoption of new accounting standards (Note 2)	–	–	–	–	–	–	–	–	–	(169,543)	–	(169,543)	(10,020)	(179,563)
Net income (loss), As restated	–	–	–	–	–	–	–	–	–	6,939,577	–	6,939,577	(446,558)	6,493,019
Other comprehensive income	–	–	–	359,536	147,032	2,467	45,479	–	–	–	–	554,514	5,768	560,282
Total comprehensive income (loss)	–	–	–	359,536	147,032	2,467	45,479	–	–	6,939,577	–	7,494,091	(440,790)	7,053,301
Movements in other equity accounts:														
Issuances of and subscriptions to capital stock	10,355	850,770	–	–	–	–	–	–	–	–	–	861,125	–	861,125
Cost of stock options granted - net of tax (Note 26)	–	1,009,528	–	–	–	–	–	–	–	–	–	1,009,528	–	1,009,528
Cash dividends (Note 19)	–	–	–	–	–	–	–	–	–	(2,355,511)	–	(2,355,511)	–	(2,355,511)
Acquisition of minority interests (Note 11)	–	–	–	–	–	–	–	–	–	–	–	–	1,536,441	1,536,441
Arising from incorporation of a subsidiary (Note 11)	–	–	–	–	–	–	–	–	–	–	–	–	14,578	14,578
	10,355	1,860,298	–	–	–	–	–	–	–	(2,355,511)	–	(484,858)	1,551,019	1,066,161
Balances at December 31, 2017	₱1,084,478	₱7,520,383	₱–	₱338,725	(₱461,769)	₱6,758	₱11,949	(₱2,152,161)	₱18,200,000	₱15,664,077	(₱180,511)	₱40,031,929	₱1,758,351	₱41,790,280

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousand Pesos)

	Years Ended December 31		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱9,483,556**	₱10,321,703	₱8,075,949
Adjustments for:			
Depreciation and amortization (Notes 12, 14, 15, 21, 22 and 29)	**13,473,246**	11,885,752	8,928,224
Interest expense (Note 23)	**3,187,298**	2,617,463	1,793,377
Gain from acquisition of a business and re-measurement of the previously held interest (Notes 11 and 23)	**(3,150,776)**	(754,804)	(1,328,733)
Interest income (Note 23)	**(400,657)**	(424,419)	(269,433)
Impairment losses on:			
Property, plant and equipment (Notes 12 and 22)	**399,212**	–	431,939
Receivables (Notes 7 and 22)	**25,342**	10,188	143,772
Inventories (Notes 8 and 22)	**16,670**	8,278	7,443
Other assets	**–**	–	122,759
Pre-termination of leases (Note 23)	**(400,367)**	(193,230)	(52,778)
Net unrealized foreign exchange loss (gain)	**265,042**	(5,007)	(6,913)
Stock options expense (Notes 22 and 26)	**262,875**	311,964	227,483
Loss (gain) on retirements and disposals of:			
Property, plant and equipment and intangible assets (Notes 12, 14 and 22)	**(278,318)**	45,540	174,510
Investment properties (Notes 13 and 22)	**–**	–	(231,036)
Reversals of provision for impairment on:			
Receivables (Notes 7 and 22)	**(91,402)**	(23,675)	(20,705)
Property, plant and equipment (Notes 12 and 22)	**(29,179)**	(408,184)	(2,111)
Inventories (Notes 8 and 22)	**(26,465)**	(6,148)	(53,819)
Equity in net losses (earnings) of joint ventures and an associate (Note 11)	**(23,384)**	86,750	282,645
Loss on movement in derivative liability (Notes 11 and 23)	**–**	49,791	129,371
Accretion of debt issue cost (Note 18)	**19,551**	14,945	3,274
Movement in pension liability (Note 25)	**(9,595)**	39,705	37,840
Provisions (Notes 17 and 23)	**–**	–	794,609
Loss on divestment of subsidiaries and interest in joint venture (Notes 11 and 23)	**–**	–	116,207
Income before working capital changes	**22,722,649**	23,576,612	19,303,874
Decreases (increases) in:			
Receivables	**(639,261)**	(740,070)	(532,690)
Inventories	**18,425**	(1,919,312)	(715,127)
Other current assets	**(1,886,442)**	(509,335)	(199,821)
Increases in trade payables and other current liabilities	**2,437,491**	2,485,785	2,060,592
Net cash generated from operations	**22,652,862**	22,893,680	19,916,828
Income taxes paid	**(3,127,223)**	(2,782,392)	(2,396,189)
Interest received	**369,400**	361,394	225,314
Net cash provided by operating activities	**19,895,039**	20,472,682	17,745,953

(Forward)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousand Pesos)

	Years Ended December 31		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 12)	**(₱10,041,912)**	(₱9,520,681)	(₱8,904,796)
Interest in joint ventures (Note 11)	**(2,174,784)**	(1,410,885)	(531,147)
Intangible assets (Note 14)	**–**	(111,216)	(69,634)
Minority interests (Note 11)	**–**	(528,800)	–
Available-for-sale financial assets (Note 10)	**–**	–	(450)
Cash (paid) received from acquisition of business - net of cash received (paid) (Note 11)	**(16,941,556)**	(3,798,118)	105,251
Proceeds from disposals of:			
Property, plant and equipment (Note 12)	**1,802,465**	932,283	362,288
Investment properties (Note 13)	**–**	–	365,490
Decreases (increases) in:			
Short term-investments	**(1,246,800)**	530,200	(687,398)
Other noncurrent assets	**858,390**	(102,327)	(482,215)
Interests in and advances to joint ventures, co-venturers and associates	**–**	–	337,960
Advances to a joint venture (Note 11)	**(1,236,720)**	–	(1,059,786)
Dividends received from non-controlling interests (Note 11)	**95,661**	34,637	20,037
Net cash used in investing activities	**(28,885,256)**	(13,974,907)	(10,544,400)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Short-term debt (Note 18)	**22,180,320**	–	–
Long-term debt (Note 18)	**1,485,526**	11,126,459	5,517,281
Issuances of and subscriptions to capital stock (Note 19)	**585,461**	475,537	861,125
Payments of:			
Long-term debt (Note 18)	**(4,900,541)**	(5,524,746)	(1,607,623)
Cash dividends (Note 19)	**(2,807,766)**	(2,667,060)	(2,347,164)
Lease liabilities (Note 29)	**(8,419,749)**	(6,979,019)	(4,902,325)
Interest paid	**(1,434,897)**	(731,670)	(360,856)
Contributions from non-controlling interests	**30,428**	11,417	14,578
Net cash provided by (used in) financing activities (Note 33)	**6,718,782**	(4,289,082)	(2,824,984)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,271,435)**	2,208,693	4,376,569
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(122,459)**	(30,252)	(2,441)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**23,285,915**	21,107,474	16,733,346
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱20,892,021**	₱23,285,915	₱21,107,474

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Jollibee Foods Corporation Doing business under the name and style of Jollibee (formerly Jollibee Foods Corporation) (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on January 11, 1978. The Parent Company and its subsidiaries (collectively referred to as "the JFC Group") and affiliates are involved primarily in the development, operations and franchising of quick service restaurants (QSRs) under the trade names "Jollibee", "Chowking", "Greenwich", "Red Ribbon", "Yong He King", "Hong Zhuang Yuan", "Mang Inasal", "Burger King", "Highlands Coffee", "Pho24", "Hard Rock Cafe", "Dunkin' Donuts", "Smashburger", "Tim Ho Wan", "Tortas Frontera", "The Coffee Bean & Tea Leaf" and "Panda Express". The other activities of the JFC Group include manufacturing and property leasing in support of the QSR systems and other business activities (see Notes 2 and 5). The corporate life of the Parent Company is fifty (50) years from the date of incorporation or until 2028.

On June 29, 2018, the stockholders and Board of Directors (BOD) of the Parent Company approved the change of the Parent Company's name Jollibee Foods Corporation to Jollibee Foods Corporation Doing business under the name and style of Jollibee in compliance with the regulatory requirements. The SEC approved the amendment of the Parent Company's articles of incorporation on October 12, 2018.

The common shares of the Parent Company are listed and 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, 2019 and 2018 and for each of the three years ended December 31, 2019 were reviewed and recommended for approval by the Audit Committee as well as approved and authorized for issuance by the BOD on April 13, 2020.

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

Basis of Preparation

The consolidated financial statements of the JFC Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and derivative financial instruments in 2019 and 2018 and available-for-sale (AFS) investments and derivative financial instruments in 2017, 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. All values are rounded to the nearest thousand pesos, except par values, per share amounts, number of shares and when otherwise indicated.

Statement of Compliance

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

New Standards, Interpretations and Amendments adopted by the JFC Group

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the consolidated statement of financial position and performance unless otherwise indicated.

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 4, *Determining whether an Arrangement contains a Lease*, Standard Interpretation Committee (SIC)-15, *Operating Leases-Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The JFC Group adopted PFRS 16 using the full retrospective method of adoption with the date of initial application of January 1, 2019. The JFC Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. The JFC Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption of PFRS 16 is as follows:

Impact on the consolidated statements of financial position (increase / (decrease)):

	December 31, 2019	December 31, 2018	January 1, 2018
Assets			
Right-of-use assets (see Note 29)	P42,907,418	P36,564,242	P25,324,378
Operating lease receivables	(17,990)	(16,953)	(14,279)
Finance lease receivables	161,934	184,800	204,698
Property, plant and equipment (see Note 12)	(17,087)	(21,442)	(24,076)
Other intangible assets (see Note 14)	(219,449)	(288,232)	–
Prepayments	(293,022)	(150,157)	(29,221)
Deferred tax assets	438,252	388,798	374,009
Total Assets	₱42,960,056	₱36,661,056	₱25,835,509

	December 31, 2019	December 31, 2018	January 1, 2018
Liabilities			
Operating lease payable	(P3,328,811)	(P3,016,923)	(P2,051,567)
Lease liabilities (see Note 29)	47,307,404	40,630,789	28,682,918
Deferred tax liabilities	(41,899)	(30,756)	(4,143)
Total Liabilities	43,936,694	37,583,110	26,627,208
Equity			
Retained earnings	(913,347)	(866,339)	(749,063)
Noncontrolling interests	(70,926)	(53,613)	(40,993)
Cumulative translation adjustments	7,635	(2,102)	(1,643)
Total Equity	(976,638)	(922,054)	(791,699)
Total Liabilities and Equity	₱42,960,056	₱36,661,056	₱25,835,509

Impact on the consolidated statement of comprehensive income (increase / (decrease)):

	2019	2018	2017
Depreciation expense (included in "Store and manufacturing costs" under "Direct costs" account in the consolidated statements of comprehensive income)	₱7,128,477	₱5,989,858	₱4,172,539
Depreciation expense (included in "General and administrative expenses" in the consolidated statements of comprehensive income)	36,326	31,526	19,421
Amortization of favourable leases	(59,446)	(43,567)	–
Depreciation expense of asset retirement obligation	(7,634)	(1,825)	(8,902)
Rent income	(26,338)	(31,606)	(30,015)
Rent expense (included in "Store and manufacturing costs" and "General and administrative expenses" in the consolidated statements of comprehensive income)	(8,442,543)	(7,450,971)	(5,290,310)
Operating profit	1,318,482	1,443,373	1,077,237
Finance costs	1,824,311	1,728,620	1,387,557
Interest income	8,086	9,034	9,866
Other income	371,514	107,332	36,893
Income tax expense	(61,854)	(39,132)	(83,998)
Profit for the year	(₱64,375)	(₱129,749)	(₱179,563)
Attributable to:			
Equity holders of the parent	(₱47,008)	(₱117,276)	(₱169,543)
Non-controlling interests	(17,367)	(12,473)	(10,020)

Impact on the consolidated statement of comprehensive income (increase / (decrease)):

	2019	2018	2017
Net cash flows from operating activities	₱8,419,749	₱6,979,019	₱4,902,325
Net cash flows from financing activities	(8,419,749)	(6,979,019)	(4,902,325)

There is no material impact on other comprehensive income. The basic EPS decreased from ₱7.663 to ₱7.555 and ₱6.580 to ₱6.423, while diluted EPS decreased from ₱7.550 to ₱7.443 and ₱6.494 to ₱6.340 for the years ended December 31, 2018 and 2017, respectively.

The nature of the effect of adoption of PFRS 16 is as follows:

The JFC Group has various lease commitments, as a lessee, for QSR outlets, warehouses and office spaces which were accounted for as operating leases under PAS 17. Before the adoption of PFRS 16, the JFC Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the JFC Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. The JFC Group has no lease commitments accounted for as finance lease. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under "Prepayments" and "Operating lease payable" in the consolidated statement of financial position, respectively.

Upon adoption of PFRS 16, the JFC Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The JFC Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the full retrospective method of adoption, the JFC Group applied PFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts.

As at January 1, 2018, December 31, 2018 and December 31, 2019:

- Right-of-use assets were recognized and presented separately in the consolidated statement of financial position. Asset retirement obligations previously recognized and included under property, plant and equipment were reclassified to right-of-use assets (see Note 12). The right of use assets was also adjusted by favourable terms of the lease relative to market terms recognized and included under other intangible assets (see Note 14).
- Additional lease liabilities were recognized and presented separately in the consolidated statement of financial position.
- Finance lease receivables relating to sublease arrangement were recognized and presented separately in the consolidated statement of financial position.
- Prepayments, operating lease receivables relating to sublease arrangement and operating lease payable related to previous operating leases were derecognized.
- Deferred tax assets increased while deferred tax liabilities decreased because of the deferred tax impact of the changes in recognized lease related assets and liabilities.
- The net effect of these adjustments had been adjusted to retained earnings, non-controlling interests and cumulative translation adjustments.

For the year ended December 31, 2019:

- Depreciation and amortization increased by ₱7,097.7 million relating to the depreciation of additional assets recognized (i.e., increase in right-of-use assets, net of decrease in property, plant and equipment and other intangible assets).
- Rent expense decreased by ₱8,442.5 million relating to previous operating leases.
- Finance costs increased by ₱1,824.3 million relating to the interest expense on additional lease liabilities recognized.
- Other income increased by ₱371.5 million due to lease liabilities, net of right-of-use assets, derecognized relating to pre-terminated lease during the year.
- Rent income relating to previous operating leases decreased by ₱26.3 million while finance income increased by ₱8.1 million relating to interest income on additional lease receivables recognized.
- Income tax expense decreased by ₱61.9 million relating to the tax effect of these changes in expenses.
- Cash outflows from operating activities decreased by ₱8,419.7 million and cash outflows from financing activities increased by the same amount, representing the payments for the principal portion of recognized lease liabilities.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, Income Taxes, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the JFC Group has assessed whether it has any uncertain tax position. The JFC Group applies significant judgement in identifying uncertainties over its income tax treatments. The JFC Group determined, based on its tax compliance review/assessment, in consultation with its external tax counsels, that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the JFC Group.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the JFC Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments had no significant impact on the consolidated financial statements of the JFC Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  These amendments had no impact on the consolidated financial statements as the JFC Group does not have long-term interests in its associate and joint venture.

- *Annual Improvements* to PFRSs 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the JFC Group as there is no transaction where joint control is obtained.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the JFC Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the JFC Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the JFC Group.

Future Changes in Accounting Policies

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

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the JFC Group.

- Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted. Adoption of this standard is not expected to have any impact to the JFC Group.

Deferred Effectivity

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated i nvestors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019.

Control is achieved when the JFC 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 JFC Group controls an investee if, and only if, the JFC 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;
- The ability to use its power over the investee to affect its returns.

There is a general presumption that a majority of voting rights results in control. To support this presumption when the JFC Group has less than a majority of the voting or similar rights of an investee, the JFC 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.
- The JFC Group's voting rights and potential voting rights.

The JFC 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 JFC Group obtains control over the subsidiary and ceases when the JFC 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 JFC Group gains control until the date the JFC Group ceases to control the subsidiary.

Profit or loss and each component of 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 in line with the JFC Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the JFC Group are eliminated in full on consolidation.

The reporting dates of the Parent Company and the associates 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.

If the JFC 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 other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the JFC 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 comprehensive income and consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company.

A change 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 JFC Group's relative interests in the subsidiary. The JFC 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 include acquisitions of non-controlling interests of Greenwich, Yong He King, Mang Inasal, Happy Bee Foods Processing Pte. Ltd. and Smashburger. In particular cases where the JFC Group acquires non-controlling interest in a subsidiary at a consideration in excess of its carrying amount, the excess is charged to the "Excess of cost over the carrying value of non-controlling interests acquired" account under equity. These changes in the ownership interest in a subsidiary do not result in the recognition of a gain or loss in profit 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, 2019 and 2018:

			2019		2018	
	Country of Incorporation	Principal Activities Food service	**Direct Ownership**	**Indirect Ownership**	Direct Ownership	Indirect Ownership
Fresh N' Famous Foods Inc. (Fresh N' Famous) -	Philippines	Holding company	**100**	**–**	100	–
Chowking Food Corporation USA	United States of America (USA)		**–**	**100**	–	100
Zenith Foods Corporation (Zenith)	Philippines	Food service	**100**	**–**	100	–
Freemont Foods Corporation (Freemont)	Philippines	Food service	**100**	**–**	100	–
RRB Holdings, Inc. (RRBH):	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	**100**	**–**	100	–
Grandworth Resources Corporation (Grandworth):	Philippines	Leasing	**100**	**–**	100	–
Adgraphix, Inc. (Adgraphix)	Philippines	Digital printing	**–**	**100**	–	100
IConnect Multi Media Network, Inc. (IConnect)	Philippines	Dormant	**–**	**60**	–	60
JC Properties & Ventures Co.	Philippines	Dormant	**–**	**50**	–	50
Honeybee Foods Corporation (HFC):	USA	Food service	**100**	**–**	100	–
Tokyo Teriyaki Corporation (TTC)	USA	Food service	**–**	**100**	–	100
Honeybee Foods (Canada) Corporation (HFCC)	Canada	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 Piatto Pte. Ltd. (m)	Singapore	Holding company	**–**	**75**	–	75
• Cibo Felice S.R.L. (k)	Italy	Food service	**–**	**100**	–	100
- Bee World Spain, Sociedad Limitada (h)	Spain	Food service	**–**	**100**	–	–
- Hong Yun Hong (Shanghai) Food and Beverages Management Company. Ltd.(a)	People's Republic of China (PRC)	Food service	**–**	**60**	–	–
Golden Cup Pte.Ltd.	Singapore	Holding company	**–**	**60**	–	60
- Beijing Golden Coffee Cup Food & Beverage Management Co., Ltd.	PRC	Food service	**–**	**100**	–	100
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
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
Happy Bee Foods Processing Pte. Ltd. (HBFPPL)	Singapore	Holding company	**–**	**100**	–	100
- Happy Bee Foods Processing (Anhui) Co. Ltd.	PRC	Food service	**–**	**100**	–	100
JSF Investments Pte. Ltd. (JSF):	Singapore	Holding company	**–**	**100**	–	99
- SF Vung Tau Joint Stock Company (I)	Vietnam	Holding company	**–**	**60**	–	60
• Highland Coffee Service Joint-stock Company	Vietnam	Food service	**–**	**100**	–	100
• Quantum Corporation	Vietnam	Food service	**–**	**100**	–	100
• Pho Viet Joint Stock Company	Vietnam	Food service	**–**	**100**	–	100
• Pho 24 Service Trade Manufacture Corporation	Vietnam	Food service	**–**	**100**	–	100

(Forward)

	Country of Incorporation	Principal Activities Food service	2019 Direct Ownership	2019 Indirect Ownership	2018 Direct Ownership	2018 Indirect Ownership
- Blue Sky Holdings Limited (l)	Hong Kong	Holding company	–	**60**	–	60
• Sino Ocean Limited	Hong Kong	Food service	–	**100**	–	100
• Blue Sky Holdings (Macau) Limited	Macau	Food service	–	**100**	–	100
Jollibee (China) Food & Beverage Management Co.Ltd.	PRC	Management company	–	**100**	–	100
Jollibee International (BVI) Ltd. (JIBL):	BVI	Holding company	–	**100**	–	100
- Jollibee Vietnam Corporation Ltd.	Vietnam	Food service	–	**100**	–	100
• Goldstar Food Trade and Service Company Ltd (GSC)	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) (b)	PRC	Business management service	–	–	–	100
• Yong He Holdings Co., Ltd.	BVI	Holding company	–	**100**	–	100
• Centenary Ventures Ltd.	BVI	Holding company	–	**100**	–	100
Bee Good! Inc. (BGI)	USA	Holding company	–	**100**	–	100
- SJBF LLC (SJBF)(i)	USA	Food service	–	**100**	–	40
Bee World UK Limited (UK) (g)	UK	Holding company	–	**100**	–	–
Super Magnificent Coffee Company Pte. Ltd. (SMCC-SG) (f)	Singapore	Holding company	–	**80**	–	–
- Super Magnificent Coffee Company Ireland Limited (SMCC-IE) (e)	Ireland	Holding company	–	**100**	–	–
- Super Magnificent Coffee Company Hungary Kft. (SMCC-HU) (d)	Hungary	Holding company	–	**100**	–	–
• Java Ventures, LLC (JVL) (g)	USA	Holding company	–	**100**	–	–
• International Coffee & Tea, LLC (ICTL) (c)	USA	Food service	–	**100**	–	–
• 6000 Jefferson BH, LLC	USA	Holding company	–	**100**	–	–
• CBTL Ventures, LLC	USA	Food service	–	**100**	–	–
• CBTL Franchising, LLC	USA	Franchising company	–	**100**	–	–
- The Coffee Bean & Tea Leaf (Singapore) Pte., Ltd. (CBTL-SG) (c)	Singapore	Food service	–	**100**	–	–
• The Coffee Bean & Tea Leaf (Malaysia) Sdn. Bhd.	Malaysia	Food service	–	**100**	–	–
• The Coffee Bean & Tea Leaf (Hongkong) Limited	Hong Kong	Dormant	–	**100**	–	–
Chanceux, Inc.	Philippines	Holding company	**100**	–	100	–
BKTitans Inc. (BKTitans)	Philippines	Holding company	–	**54**	–	54
- PFN Holdings Corporation	Philippines	Holding company	–	**99**	–	99
• PERF Restaurants, Inc.	Philippines	Food service	–	**100**	–	100
• PERF Trinoma	Philippines	Food service	–	**100**	–	100
• PERF MOA	Philippines	Food service	–	**100**	–	100
Jollibee Foods Corporation (USA)	USA	Holding company	**100**	–	100	–
Donut Magic Phils., Inc. (Donut Magic)(n)	Philippines	Dormant	**100**	–	100	–
Ice Cream Copenhagen Phils., Inc. (ICCP)(n)	Philippines	Dormant	**100**	–	100	–
Mary's Foods Corporation (Mary's)(n)	Philippines	Dormant	**100**	–	100	–
QSR Builders, Inc.	Philippines	Dormant	**100**	–	100	–

(a) On November 18, 2019, the JFC Group, through GPPL incorporated Hong Yun Hong in PRC.
(b) On August 28, 2019, SBEMAC was deregistered with the Shanghai Administration for Industry and Commerce and completely dissolved and liquidated on December 23, 2019.
(c) On September 24, 2019, the JFC Group, through Java Ventures, LLC completed the acquisition of 100% share of International Coffee & Tea, LLC.
(d) On September 11, 2019, Super Magnificent Coffee Company Hungary Kft. was incorporated.
(e) On August 22, 2019, Super Magnificent Coffee Company Ireland Limited was incorporated.
(f) On June 28, 2019, the JFC Group, through JWPL incorporated Super Magnificent Coffee Company Pte. Ltd. in Singapore.
(g) On June 4, 2019, Java Ventures, LLC (USA) was incorporated.
(h) On May 23, 2019, Bee World Spain, Sociedad Limitada was incorporated and registered in the Mercantile Registry of Madrid.
(i) On April 17, 2018, the JFC Group, through BGI completed the acquisition of additional 45% share of SJBF, increasing its ownership from 40% to 85%. Subsequently, on December 14, 2018, the JFC Group, through BGI acquired the remaining 15% share resulting to 100% share in SJBF.
(j) On April 16, 2018, Bee World UK Limited (UK) was incorporated.
(k) On July 31, 2017, the JFC Group, through Golden Piatto Pte. Ltd. incorporated Cibo Felice in Italy.
(l) On May 10, 2017, the JFC Group, through JSF increased its shareholding in SF Vung Tau Joint Stock Company (SFVT) and Blue Sky Holdings Limited (Blue Sky) to 60%.
(m) On April 12, 2017, the JFC Group, through GPPL, incorporated Golden Piatto Pte. Ltd. to own and operate Jollibee restaurants in Italy.
(n) On June 18, 2004, the stockholders of the JFC Group approved the Plan of Merger of the three (3) dormant companies. The application is pending approval from the SEC as at December 31, 2019.

3. Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The JFC 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 the normal 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 east twelve months after the reporting period.

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 JFC Group classifies all other assets and 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 JFC 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 JFC 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 prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities), 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) and the cost approach (i.e., based on the amount required to replace the service capacity of an asset).

The JFC 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 JFC 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 JFC 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 JFC 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 JFC 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.

Short-term Investments
Short-term investments are deposits with original maturities of more than three months to one year from acquisition date.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of Recognition. The JFC 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 the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the JFC Group commits to purchase or sell the asset.

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial Assets

Effective beginning January 1, 2018 (Upon Adoption of PFRS 9)

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the JFC Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the JFC Group has applied the practical expedient, the JFC Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the JFC Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

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

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

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

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

The JFC Group has no financial assets at FVOCI as at December 31, 2019 and 2018.

Financial Assets at Amortized Cost (Debt Instruments). This category is the most relevant to the JFC Group. The JFC Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

The JFC Group's cash in banks, short-term deposits, short-term investments, receivables (excluding receivables from government agencies), security and other deposits, operating lease receivables and lease receivables are classified under this category as at December 31, 2019 and 2018.

Financial Assets at FVTPL. Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

The JFC Group elected to classify irrevocably its investments in golf and leisure club shares under this category as at December 31, 2019 and 2018.

Impairment of Financial Assets. The JFC Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the JFC Group expects to receive discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For receivables and contract assets, and operating lease receivables, the JFC Group applies a simplified approach in calculating ECLs. Therefore, the JFC Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The JFC Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For security and other deposits, the JFC Group applies the general approach and calculates ECL based on the 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instruments since initial recognition.

For cash in banks, short-term deposits and short-term investments, the JFC Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the JFC Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The JFC Group assesses that there is a significant increase in credit risk of a financial asset when default occurs. The JFC Group uses the ratings from Moody's to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The JFC Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the JFC Group may also consider a financial asset to be in default when internal or external information indicates that the JFC Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the JFC Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The JFC Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. To do this, the JFC Group has considered a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs.

Based on the JFC Group's evaluation and assessment and after taking into consideration external actual and forecast information, the JFC Group considers two or more economic scenarios and the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The JFC Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group considers macro-economic factors such as gross domestic product growth rates and inflation rates in its analysis.

Effective before January 1, 2018 (Prior to Adoption of PFRS 9)

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, except for financial assets at FVTPL, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the JFC Group commits to purchase or sell the asset.

The JFC Group's financial assets consist of financial assets at FVTPL, loans and receivables, and AFS financial assets as at December 31, 2017. The JFC Group has no financial assets classified under the HTM investments category as at December 31, 2017.

Subsequent Measurement

Financial Assets at FVTPL. Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. The JFC Group has not designated any financial assets at FVTPL. Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVTPL. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL.

This category generally applies to the JFC Group's derivative assets as at December 31, 2017.

Loans and Receivables. This category is the most relevant to the JFC Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, except for short-term loans and receivables with no stated interest which are measured at undiscounted amounts less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is recognized in profit or loss. The losses arising from impairment are recognized also in profit or loss.

This category includes the JFC Group's cash in banks, short-term deposits, short-term investments, receivables, receivable from sale of business, security and other deposits, and operating lease receivables as at December 31, 2017.

AFS Financial Assets. AFS financial assets include equity investments. Equity investments classified as AFS financial assets are those that are neither classified as held for trading nor designated at FVTPL.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited directly in equity until the investment is derecognized, at which time, the cumulative gain or loss is recognized in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from equity to profit or loss. Dividends earned while holding AFS financial assets is recognized in profit or loss.

This category includes investments in golf and leisure club shares as at December 31, 2017.

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

- *Financial Assets Carried at Amortized Cost.* For financial assets carried at amortized cost, the JFC Group first assesses whether impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the JFC Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

  The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the JFC Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognized in profit and loss to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

- *AFS Financial Assets.* For AFS financial assets, the JFC Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

  In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is 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 measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss is removed from OCI and recognized in profit or loss. For unquoted equity investments that are not carried at fair value because such cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instruments, the amount of loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

  Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

  The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the JFC Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial Liabilities (Applies before and after January 1, 2018)

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

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

The JFC Group's financial liabilities include loans and borrowings, payables and derivative financial liabilities as at December 31, 2019 and 2018.

Subsequent Measurement

- *Financial Liabilities at FVTPL.* Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the JFC Group that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

  Gains or losses on liabilities held for trading are recognized in profit or loss.

  Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PAS 39 are satisfied. The JFC Group has not designated any financial liability as at FVTPL.

- *Loans and Borrowings, and Other Payables.* This is the category most relevant to the JFC Group. After initial recognition, interest-bearing loans and borrowings, and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

  Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs, including debt issue costs for the JFC Group's debts that are an integral part of the effective interest rate. The effective interest rate amortization is included as interest expense in the consolidated statement of comprehensive income.

  This category includes the JFC Group's trade payables and other current liabilities (excluding local and other taxes payable and unearned revenue from gift certificates), long-term debts and lease liabilities as at December 31, 2019 and 2018.

- *Debt Issue Costs.* Debt issue costs are specific incremental costs, other than those paid to the lender, that are directly related to issuing a debt instrument. These are presented in the consolidated statement of financial position as a reduction from the related debt instrument and are amortized through the EIR amortization process.

Derecognition of Financial Assets and Liabilities (Applies to Financial Instruments before and after January 1, 2018)

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

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

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

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

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 the consolidated statement of comprehensive income.

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

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

Derivative Financial Instruments and Hedge Accounting
Initial Recognition and Subsequent Measurement. The JFC Group uses derivative financial instruments, such as cross currency swaps and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

The JFC Group's interest rate swap is cash flow hedge. The JFC Group has no fair value hedge and hedge of a net investment in a foreign operation as at December 31, 2019 and 2018.

At the inception of a hedge relationship, the JFC Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before January 1, 2018, 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 effectiveness of changes in the hedging instrument's fair value 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 years for which they were designated.

Beginning January 1, 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the JFC Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument
- The effect of credit risk does not 'dominate the value changes' that result that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the JFC Group actually hedges and the quantity of the hedging instrument that the JFC Group actually uses to hedge that quantity of hedged item

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash Flow Hedges. Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect the consolidated statements of comprehensive income. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized as "Comprehensive income (loss) on derivative liability" in the consolidated statement of comprehensive income, whereas any hedge ineffectiveness is immediately recognized in profit or loss.

The JFC Group has an interest rate swap for its exposure to volatility in interest rates.

Amounts recognized as other comprehensive are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or expense is recognized or when a forecast sale occurs.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Contract Balances

Contract Assets. These pertain to unbilled service revenues. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the JFC Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

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

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

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 determined using first in, first out (FIFO). 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 determined using FIFO.

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. Food and other supplies are held for use in the production of processed inventories.

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 prepaid expenses which are paid in advance and recorded as asset before these are utilized, deposits which pertain to advance payments to suppliers to be applied for future purchases, 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. Prepaid expenses are amortized over time and recognized as expense as the benefit is derived from the asset.

Interests in and Advances to Joint Ventures, Co-venturers and Associates

An associate is an entity over which the JFC Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not in 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 JFC Group's investments in its associates 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 JFC Group's investments in joint ventures and associates are carried in the consolidated statement of financial position at cost plus the JFC Group's share in post-acquisition changes in the net assets of associates or joint ventures, less any impairment in value. Goodwill relating to the joint ventures or associates is included in the carrying amount of the investment and is not amortized. The consolidated statement of comprehensive income includes the JFC Group's share in the financial performance of the associates or joint ventures. The JFC Group's share in profit or loss of the associates is shown on the face of the consolidated statement of comprehensive income as "Equity in net losses of joint ventures and associates - net", which is the profit or loss attributable to equity holders of the joint ventures and associates.

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

Unrealized gains arising from transactions with the associates or joint ventures are eliminated to the extent of the JFC Group's interests in the associates 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 JFC 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 the associates, or when the interest becomes held for sale.

Upon loss of significant influence over the associate or joint control over the joint ventures, the JFC Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former 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 the former jointly controlled entity constitutes significant influence, it is accounted for as interest in an associate.

Property, Plant and Equipment

Property, plant and equipment, except land and construction in progress, 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. Cost also includes any related asset retirement obligation and interest incurred during the construction year on funds borrowed to finance the construction of the asset. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to profit or loss 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, commercial 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	2 - 15 years
Furniture and fixtures	3 - 5 years
Transportation equipment	3 - 5 years

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

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

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 year the asset is derecognized.

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 year. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for use.

Investment Properties

Investment properties consist of land and buildings and building improvements held by the JFC 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 at each financial year-end and adjusted prospectively, if appropriate.

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.

For a transfer from investment property to owner-occupied property, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the JFC Group as an owner-occupied property becomes an investment property, the JFC Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial year of time to get ready for its intended use or sale are capitalized as part of the cost of asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other cost that an entity incurs in connection with the borrowing of funds.

Business Combinations

Business combinations are accounted for using the acquisition method. Applying the acquisition method requires the (a) determination whether the JFC 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 JFC 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 JFC 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 JFC 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 JFC Group measures the non-controlling interest in the acquiree using the proportionate share of the acquiree's fair value of identifiable net assets.

Business Combination Achieved in Stages. In a business combination achieved in stages, the JFC 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 business combination occurs, the JFC 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 JFC 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.

Initial Measurement of Goodwill or Gain on a Bargain Purchase. Goodwill is initially measured by the JFC 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 JFC 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 JFC 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 JFC 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 JFC 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. In allocating the impairment loss, the JFC Group cannot reduce the carrying amount of an asset below the highest of its fair value less costs of disposal if measurable, its value in use if determinable and zero.

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.

Amortization of computer software, trademarks and other intangible assets are calculated on a straight-line basis over the following estimated useful lives of the assets:

Computer software	10 years
Trademarks	5 years
Other intangible assets	5 years

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.

Impairment of Nonfinancial Assets

The carrying values of interests in and advances to joint ventures, co-venturers and associates, property, plant and equipment, right-of-use assets, investment properties, trademarks, 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 years 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.

Additional paid-in capital is also credited for the cost of the JFC Group's equity settled share-based payments to its employees.

Subscription Receivable. Subscription receivable represents the unpaid balance of the subscription price for subscribed common stock of the Parent Company.

Retained Earnings. Retained earnings represent the JFC Group's accumulated earnings, net of dividends declared. The balance includes accumulated earnings of subsidiaries, joint ventures and associates, which are not available for dividend declaration.

Dividends. The JFC 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 JFC 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.

Other Comprehensive Income. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognized in profit or loss. These include cumulative translation adjustments, gains or losses on derivatives designated as hedging instruments in an effective hedge, unrealized gains or losses on financial assets at FVOCI, remeasurement gains or losses on pension and their income tax effects.

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

Sale of Goods. Revenue from sale of goods is recognized at the point in time when control is transferred to the customer, which is normally upon delivery. Sales returns and 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 based on certain percentages of the franchisees' net sales.

Set-up Fees. Revenue from set-up fees is recognized on a straight-basis over the term of the franchise agreement and when performance obligations relating to the payment of set-up fees have been satisfied.

System-wide Advertising Fees. Revenues consisting of reimbursements of network advertising and promotional costs from franchisees are recognized upon performance of service.

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

Management Fees. Revenue is recognized in the period in which the administration services has been rendered based on a certain percentage of the total costs incurred.

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

Rent Income. Rent income from short-term leases and leases of low-value asset 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 JFC 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 reporting 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.

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.

Pension expense comprises the following:
- Service cost
- Net interest on the 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 part of pension expense. 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 pension liability or asset. Net interest on the pension liability or asset is recognized under "Direct costs" and "General and administrative expenses" in the consolidated statement of comprehensive income.

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 other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the JFC Group, nor can they be paid directly to the JFC 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 JFC Group also participates in various government-defined contribution schemes for the 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. JFC 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 JFC 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 JFC 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 JFC 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.

Where the terms of a share-based award are modified, at 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 employees 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.

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

JFC Group as Lessee. The JFC Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The JFC Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

- *Lease Liabilities.* At the commencement date of the lease, the JFC Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

  In calculating the present value of lease payments, the JFC Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. In determining the IBR, the JFC Group uses risk-free rate plus credit spread where the credit spread is based on the credit risk of the lessee. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

  The JFC Group's lease liabilities are included in interest-bearing loans and borrowings.

- *Short-term Leases and Leases of Low-value Assets.* The JFC Group applies the short-term lease recognition exemption to its short-term leases of QSR outlets. It also applies the lease of low-value assets recognition exemption to leases of that are considered of low value (i.e., below USD5,000 or approximately ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

- *Subleases of Underlying Asset.* The JFC Group continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as the lessor (intermediate lessor).

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

  JFC Group as an Intermediate Lessor. Sublease is classified at the inception date as a finance lease or an operating lease. Subleases in which the JFC Group determined that the lease term constitute a major part of the economic life of the underlying asset and at the inception date, the present value of the minimum lease payments amounts to substantially all of the fair value of the underlying asset are classified as finance lease.

  If the sublease is classified as finance lease, JFC Group as an intermediate lessor:

- derecognizes the right-of-use asset relating to the head lease that it transfers to the sublessee and recognizes the net investment in the sublease;
- recognizes any difference between the right-of-use asset and the net investment in the sublease in profit or loss; and

- retains the lease liability relating to the head lease in its consolidated statement of financial position, which represents the lease payments owed to the head lessor.

During the term of the sublease, JFC Group recognizes both finance income on the sublease and interest expense on the head lease.

If the sublease is classified as an operating lease, JFC Group retains the lease liability and the right-of-use asset relating to the head lease in its consolidated statement of financial position. During the term of the sublease, JFC Group recognizes a depreciation charge for the right-of-use asset and interest on the lease liability and recognizes rent income from the sublease.

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 JFC 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. Nonmonetary 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 JFC Group's foreign operations are US dollar (USD), PRC Renminbi (RMB), Indonesia rupiah, Vietnam dong, Singapore dollar, Hong Kong dollar, Canadian dollar, Macau pataca, Euro and Malaysian ringgit. 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 equity under the account "Cumulative translation adjustments of foreign subsidiaries and interests in joint ventures and associates". 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 (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 carry forward 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 joint ventures and associates, 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 interests in joint ventures and associates, 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 other comprehensive income or directly in another equity account.

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 year 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 VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of "Trade payables and other current liabilities" account in the consolidated statement of financial position. When VAT passed on from purchases of gods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as part of "Other current assets" account 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.

Provisions
Provisions are recognized when the JFC 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.

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 JFC Group is organized and managed separately according to the nature of operations and geographical locations of businesses. The three major operating businesses of the JFC 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 JFC 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 JFC Group's financial position at reporting date (adjusting events) are reflected in the JFC 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.

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 in 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 JFC Group believes the following represents a summary of these significant judgments, estimates and assumptions and the related impact and associated risks on the JFC Group's consolidated financial statements.

Judgments
In the process of applying the JFC 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.

Revenue Contracts with Customers - Determining the Timing of Satisfaction of Set-up Fees. The JFC Group undertakes activities prior to store opening (e.g., initial training, site development, systems set-up, etc.) as indicated in the franchise agreement. The JFC Group determines whether these activities are capable of being distinct (i.e., whether the franchisee can benefit on each of these activities on a standalone basis) and whether these activities are distinct within the context of the franchise agreement (i.e., whether these activities can be separated from the franchise license granted to the franchisee).

The JFC Group determined that revenue from set-up fees should be recognized on a straight-line basis over the term of the franchise agreement and when performance obligations relating to the payment of set-up fees have been satisfied.

Principal versus Agent Consideration. The JFC Group's agreement with the franchisee includes the right to charge the franchisee its share in the JFC Group's nationwide advertising and marketing efforts as well as fees for the JFC Group's administration of various advertisements, network and media placements. The JFC Group determined that it is acting as principal for the nationwide advertising because it is the JFC Group who retains the right to direct the service provider of the advertisements, network and media placements, and has the discretion on how to price the advertising fee charges. The JFC Group considers both the legal form and the substance of its agreement to determine each party's respective roles in the agreement.

Determining the Lease Term of Contracts with Renewal Options - JFC Group as Lessee. The JFC Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The JFC Group has the option, under some of its leases to lease the assets for additional terms of 5 to 15 years. The JFC Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the JFC Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The JFC Group included the renewal period as part of the lease term for leases of QSR outlets and warehouses due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., 5 to 10 years) and there will be a significant negative effect on operations if a replacement is not readily available.

Property Lease Classification - JFC Group as Lessor. The JFC Group has entered into commercial property leases on its investment property portfolio. Management has determined, based on an evaluation of the terms and conditions of the arrangements, such that the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Rent income amounted to ₱58.5 million, ₱25.0 million and ₱27.2 million in 2019, 2018 and 2017 respectively (see Notes 13, 20 and 29).

Sublease Arrangements Classification - JFC Group as an Intermediate Lessor. JFC Group has entered into arrangements to sublease its leased assets. Management has determined, based on an evaluation of the terms and conditions of the sublease arrangements, such that the lease term constitutes a major part of the economic life of the leased assets even if title is not transferred, and at the inception date, the present value of the minimum lease payments amounts to substantially all the fair value of the leased assets and accounts for the arrangements as finance lease.

Interest income amounted to ₱8.1 million, ₱9.0 million and ₱9.9 million in 2019, 2018 and 2017, respectively (see Notes 23 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 JFC Group assessed that it has joint control in all joint arrangements by virtue of a contractual agreement with other stockholders. The JFC Group's joint ventures have separate legal entities 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 JFC Group (see Note 11). Management determined material partly-owned subsidiaries as those with balance of non-controlling interest greater than 5% of total non-controlling interests and those subsidiaries with activities that are important to the JFC Group as at end of the period.

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

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 JFC 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 JFC Group. Such changes are reflected in the assumptions when they occur.

Determination of Provisional Purchase Price Allocation. On September 24, 2019, the JFC Group, through SMCC-HU, acquired CBTL for the total consideration of ₱17,163.0 million (see Note 11). In identifying the assets acquired and liabilities assumed, management has determined that part of the assets being acquired pertains to the trademark, favourable leases and other intangibles of CBTL amounting to ₱18,703.6 million (see Note 14).

In April 2018, the JFC Group, through BGI, increased its ownership interest in SJBF from 40% to 85% ownership interest for a total consideration of ₱11,284.9 million (see Note 11). In identifying the assets acquired and liabilities assumed, management has determined that part of the assets being acquired pertains to the trademark of Smashburger amounting to ₱10,414.0 million (see Note 14).

Management has measured the trademarks and favourable leases, and the property and equipment that were acquired using the appraisal reports that were prepared by an independent appraiser. The trademarks were valued using the relief-from-royalty method wherein the fair value of trademarks is based on cost savings from owning the trademarks. Significant assumptions and estimates used include comparable royalty rates, long-term growth rates, discount rates based on available market data and revenue growth rate forecasts. The property and equipment were valued using the replacement cost. Adjustments were made to replacement cost to reflect depreciation. The valuation of favourable leases was based on market values using income approach.

Recoverability of Trademarks, Goodwill and Other Intangible Assets. The JFC Group determines whether trademarks, 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 JFC Group to make an estimate of the expected long-term growth rates and earnings before interest, taxes, depreciation and amortization (EBITDA) from the CGU and also consider market data in determining discount rate in order to calculate the present value of those cash flows.

Management has determined that trademarks, goodwill and other intangible assets are not impaired. The carrying amount of trademarks, goodwill and other intangible assets amounted to ₱50,208.1 million and ₱31,541.8 million as at December 31, 2019 and 2018, respectively (see Note 14).

Recoverability of Interests in and Advances to Joint Ventures, Co-venturers and Associates. The JFC Group performs impairment test of its interests in and advances to joint ventures, co-venturers and associates when there are facts and circumstances indicating that their carrying amounts exceed their recoverable amounts. Determining the recoverable amount of assets, which requires the determination of future cash flows expected to be generated from the continued operations of joint ventures and associates, requires the JFC Group to make significant assumptions that can materially affect the consolidated financial statements. These assumptions include long-term growth rates, EBITDA and discount rate. Future events could cause the JFC Group to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the JFC Group's financial position and performance.

Reversal of impairment loss on interest in an associate was recognized in 2018 amounting to ₱16.7 million (see Notes 11 and 23).

The carrying amounts of interests in and advances to joint ventures, co-venturers and associates as at December 31 are as follows (see Note 11):

	2019	2018
Interests in joint ventures	**₱3,102,559**	₱969,791
Interests in associates	**824,405**	869,578
Advances to co-venturers	**2,905,138**	1,672,861

Realizability of Deferred Tax Assets. The carrying amounts of deferred tax assets at each reporting date is reviewed and reduced to the extent that sufficient taxable profits are available to allow all or part of the deferred tax assets to be utilized. The JFC Group's assessment on the recognition of deferred tax assets is based on the forecasted taxable income. This forecast is based on future expectations on revenue and expenses as well as management's plans and strategies for the relevant entities.

The carrying amount of the recognized deferred tax assets amounted to ₱15,424.0 million and ₱14,641.1 million as at December 31, 2019 and 2018, respectively. Unrecognized deferred tax assets amounted to ₱820.5 million and ₱443.2 million as at December 31, 2019 and 2018, respectively (see Note 24).

Recoverability of Property, Plant and Equipment, Right-of-use Assets and Investment Properties. The JFC Group performs impairment review of right-of-use assets, property, plant and equipment and investment properties 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 JFC Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the JFC Group to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the JFC Group's financial position and performance.

Provision for impairment loss amounted to ₱399.2 million, nil and ₱431.9 million in 2019, 2018 and 2017, respectively. Reversal of previously recognized impairment loss amounted to ₱29.2 million, ₱408.2 million and ₱2.1 million in 2019, 2018 and 2017, respectively (see Notes 12 and 22).

The aggregate carrying values of property, plant and equipment, right-of-use assets and investment properties as at December 31 are as follows:

	2019	2018
Property, plant and equipment (see Note 12)	**₱32,592,122**	₱26,672,549
Right-of-use assets (see Note 29)	**42,907,418**	36,564,242
Investment properties (see Note 13)	**572,722**	848,974

Impairment of Receivables and Contract Assets (Upon Adoption of PFRS 9). The JFC Group uses a provision matrix to calculate ECLs for its receivables and contract assets. The provision rates are based on days past due.

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

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

Provision for impairment loss on receivables and contract assets amounted to ₱25.3 million and ₱10.2 million in 2019 and 2018, respectively (see Note 22). Reversal of previously recognized provision for impairment loss amounted to P91.4 million and P23.7 million in 2019 and 2018, respectively (see Note 22). The carrying amount of receivables and contract assets amounted to ₱5,906.3 million and ₱4,862.7 million as at December 31, 2019 and 2018, repectively (see Note 7).

Impairment of Receivables (Prior to Adoption of PFRS 9). The JFC 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 JFC Group's relationship with the customers and counterparties, average age of accounts and collection experience. The JFC 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 JFC Group made differentjudgments 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 2017 amounted to ₱143.8 million resulting from specific and collective assessments (see Note 22). Reversal of previously recognized provisions amounting to ₱20.7 million was recognized in 2017 (see Note 22).

Net Realizable Value of Inventories. The JFC 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 JFC Group assessed that the net realizable value for some inventories is lower than cost, hence, it recognized provision for inventory obsolescence amounting to ₱16.7 million, ₱8.3 million and ₱7.4 million in 2019, 2018 and 2017, respectively (see Note 22). Reversal of previously recognized provisions amounting to ₱26.5 million, ₱6.1 million and ₱53.8 million were recognized in 2019, 2018 and 2017, respectively (see Note 22). The carrying amount of inventories amounted to ₱9,966.1 million and ₱8,812.2 million as at December 31, 2019 and 2018, respectively (see Note 8).

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.

Future salary increases are based on budgetary salary increases.

The carrying amount of pension liability amounted to ₱2,221.3 million and ₱1,320.6 million as at December 31, 2019 and 2018, 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 JFC Group amounted to ₱262.9 million, ₱312.0 million and ₱227.5 million in 2019, 2018 and 2017, respectively (see Notes 19, 22 and 26).

Estimation of Useful Lives of Property, Plant and Equipment, Investment Properties and Intangible Assets with Definite Useful Lives. The JFC Group estimates the useful lives of property, plant and equipment, investment properties and intangible assets with definite useful lives based on the year over which the property, plant and equipment, investment properties and intangible assets 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, investment properties and intangible assets 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 the said assets. 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 year would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, investment properties and intangible assets 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, investment properties and intangible assets in 2019 and 2018.

Leases - Determining the IBR. The JFC Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the JFC Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the JFC Group would have to pay, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions). The JFC Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Fair Value of Financial Assets and Liabilities. When the fair values of financial assets and financial liabilities recorded or disclosed in the consolidated 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 when 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 32.

Provisions and Contingencies. The JFC Group is 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 JFC Group's legal counsels and based upon an analysis of potential results (see Note 17). The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and application of laws and rulings. Management believes that the ultimate liability, if any, with respect to the litigations, claims and disputes will not materially affect the financial position and performance of the JFC Group.

Total outstanding provisions amounted to ₱825.1 million as at December 31, 2019 and 2018 (see Notes 17 and 30).

5. Segment Information

For management purposes, the JFC 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 JFC 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 JFC Group-owned and franchised QSR outlets.
- The franchising segment is involved in the franchising of the JFC Group's QSR store concepts.
- The leasing segment leases store sites mainly to the JFC 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, 2019, 2018 and 2017:

	2019				
	Food Service	**Franchising**	**Leasing**	**Eliminations**	**Consolidated**
Revenues from external customers	**₱167,227,077**	**₱11,949,859**	**₱449,252**	**₱–**	**₱179,626,188**
Inter-segment revenues	**41,824,266**	**3,707,162**	**7,605,038**	**(53,136,466)**	**–**
Segment revenues	**209,051,343**	**15,657,021**	**8,054,290**	**(53,136,466)**	**179,626,188**
Segment expenses	**(211,514,043)**	**(6,708,270)**	**(7,745,021)**	**53,136,466**	**(172,830,868)**
Impairment losses on receivables, inventories and property, plant and equipment - net of reversals	**(294,178)**	**–**	**–**	**–**	**(294,178)**
Equity in net earnings of joint ventures and associates - net	**23,384**	**–**	**–**	**–**	**23,384**
Other segment income	**5,744,793**	**–**	**878**	**–**	**5,745,671**
Segment result	**₱3,011,299**	**₱8,948,751**	**₱310,147**	**₱–**	**12,270,197**
Interest income					**400,657**
Interest expense					**(3,187,298)**
Income before income tax					**9,483,556**
Provision for income tax					**(3,060,640)**
Net income					**₱6,422,916**

	2019				
	Food Service	**Franchising**	**Leasing**	**Eliminations**	**Consolidated**
Assets and Liabilities					
Segment assets	**₱182,297,253**	**₱–**	**₱529,491**	**₱–**	**₱182,826,744**
Deferred tax assets - net	**4,448,761**	**–**	**501**	**–**	**4,449,262**
Consolidated assets	**₱186,746,014**	**₱–**	**₱529,992**	**₱–**	**₱187,276,006**
Segment liabilities	**₱107,048,249**	**₱-**	**₱199,010**	**₱–**	**₱107,247,259**
Deferred tax liabilities - net	**4,759,233**	**–**	**–**	**–**	**4,759,233**
Long-term debt, including current portion	**22,595,723**	**–**	**–**	**–**	**22,595,723**
Income tax payable	**388,442**	**–**	**3,472**	**–**	**391,914**
Consolidated liabilities	**₱134,791,647**	**₱–**	**₱202,482**	**₱–**	**₱134,994,129**
Other Segment Information					
Capital expenditures	**₱10,041,912**	**₱–**	**–**	**₱–**	**₱10,041,912**
Depreciation and amortization	**13,465,854**	**–**	**₱7,392**	**–**	**13,473,246**

	2018 (As Restated - Note 2)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
Revenues from external customers	₱150,498,395	₱10,114,292	₱555,095	₱–	₱161,167,782
Inter-segment revenues	43,571,728	3,225,369	8,824,495	(55,621,592)	–
Segment revenues	194,070,123	13,339,661	9,379,590	(55,621,592)	161,167,782
Segment expenses	(193,222,950)	(5,748,861)	(8,978,135)	55,621,592	(152,328,354)
Reversal of impairment losses on receivables, inventories and property, plant and equipment - net of provisions	419,541	–	–	–	419,541
Equity in net losses of joint ventures and associates - net	(86,750)	–	–	–	(86,750)
Other segment income	3,339,416	–	3,112	–	3,342,528
Segment result	₱4,519,380	₱7,590,800	₱404,567	₱–	12,514,747
Interest income					424,419
Interest expense					(2,617,463)
Income before income tax					10,321,703
Provision for income tax					(2,680,117)
Net income					₱7,641,586

	2018 (As Restated - Note 2)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
Assets and Liabilities					
Segment assets	₱145,431,884	₱–	₱369,200	₱–	₱145,801,084
Deferred tax assets - net	4,711,794	–	–	–	4,711,794
Consolidated assets	₱150,143,678	₱–	₱369,200	₱–	₱150,512,878
Segment liabilities	₱71,442,035	₱–	₱65,423	₱–	₱71,507,458
Deferred tax liabilities - net	3,481,497	–	–	–	3,481,497
Long-term debt, including current portion	26,264,353	–	–	–	26,264,353
Income tax payable	260,421	–	3,052	–	263,473
Consolidated liabilities	₱101,448,306	₱–	₱68,475	₱–	₱101,516,781
Other Segment Information					
Capital expenditures	₱9,630,352	₱–	₱–	₱–	₱9,630,352
Depreciation and amortization	11,881,172	–	4,580	–	11,885,752

	2017 (As Restated - Note 2)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
Revenues from external customers	₱124,972,802	₱8,075,199	₱535,070	₱–	₱133,583,071
Inter-segment revenues	38,836,601	2,928,473	8,205,610	(49,970,684)	–
Segment revenues	163,809,403	11,003,672	8,740,680	(49,970,684)	133,583,071
Segment expenses	(161,816,236)	(4,965,008)	(8,396,342)	49,970,684	(125,206,902)
Impairment losses on receivables, inventories and property, plant and equipment - net of provisions	(629,278)	–	–	–	(629,278)
Equity in net losses of joint ventures and associates - net	(282,645)	–	–	–	(282,645)
Other segment income	2,109,826	–	25,821	–	2,135,647
Segment result	₱3,191,070	₱6,038,664	₱370,159	₱–	₱9,599,893
Interest income					269,433
Interest expense					(1,793,377)
Income before income tax					8,075,949
Provision for income tax					(1,582,930)
Net income					6,493,019
Other Segment Information					
Capital expenditures	₱8,974,430	₱–	₱–	₱–	₱8,974,430
Depreciation and amortization	8,922,982	–	5,242	–	8,928,224

Geographical Segments

The JFC 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, Canada, Vietnam, UAE, Hongkong, Macau, Brunei, Saudi Arabia, Singapore, Malaysia, Oman, Kuwait, Qatar, Italy and UK. Sales to external customers disclosed in the geographical segments are based on the geographical location of the customers.

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

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

The following tables present segment revenues, segment assets and capital expenditures of the JFC Group's geographical segments:

	2019			
	Philippines	**International**	**Eliminations**	**Consolidated**
Segment revenues	**₱129,913,889**	**₱50,551,864**	**(₱839,565)**	**₱179,626,188**
Segment assets	**82,147,177**	**100,679,567**	**–**	**182,826,744**
Capital expenditures	**6,449,194**	**3,592,718**	**–**	**10,041,912**

	2018 (As Restated - Note 2)			
	Philippines	International	Eliminations	Consolidated
Segment revenues	₱120,272,288	₱41,621,421	(₱725,927)	₱161,167,782
Segment assets	75,431,186	70,369,898	–	145,801,084
Capital expenditures	7,121,815	2,508,537	–	9,630,352

	2017 (As Restated - Note 2)			
	Philippines	International	Eliminations	Consolidated
Segment revenues	₱105,163,697	₱28,937,959	(₱518,585)	₱133,583,071
Capital expenditures	7,382,960	1,591,470	–	8,974,430
			–	

Revenue from Contracts with Customers

Set out below is the disaggregation of the JFC Group's revenue from contracts with customers:

	2019		
Revenue Source	**Food Service**	**Franchising**	**Total**
Sale of goods	**₱166,909,364**	**₱–**	**₱166,909,364**
Royalty fees	**–**	**8,477,040**	**8,477,040**
Set-up fees	**–**	**471,711**	**471,711**
System-wide advertising fees	**–**	**3,001,108**	**3,001,108**
Other revenues	**317,713**	**–**	**317,713**
Total revenue from contracts with customers	**₱167,227,077**	**₱11,949,859**	**₱179,176,936**
Timing of recognition:			
Goods transferred at a point in time			**₱167,227,077**
Services transferred over time			**11,949,859**
			₱179,176,936

	2018		
Revenue Source	Food Service	Franchising	Total
Sale of goods	₱150,200,826	₱–	₱150,200,826
Royalty fees	–	7,043,891	7,043,891
Set-up fees	–	546,909	546,909
System-wide advertising fees	–	2,523,492	2,523,492
Other revenues	297,569	–	297,569
Total revenue from contracts with customers	₱150,498,395	₱10,114,292	₱160,612,687
Timing of recognition:			
Goods transferred at a point in time			₱150,498,395
Services transferred over time			10,114,292
			₱160,612,687

	2017		
Revenue Source	Food Service	Franchising	Total
Sale of goods	₱124,663,548	₱–	₱124,663,548
Royalty fees	–	5,614,447	5,614,447
Set-up fees	–	424,217	424,217
System-wide advertising fees	–	2,036,535	2,036,535
Other revenues	309,254	–	309,254
Total revenue from contracts with customers	₱124,972,802	₱8,075,199	₱133,048,001
Timing of recognition:			
Goods transferred at a point in time			₱124,972,802
Services transferred over time			8,075,199
			₱133,048,001

6. Cash and Cash Equivalents and Short-term Investments

Cash and Cash Equivalents
This account consists of:

	2019	2018
Cash on hand	**₱376,882**	₱480,889
Cash in banks	**13,790,804**	12,097,440
Short-term deposits	**6,724,335**	10,707,586
	₱20,892,021	₱23,285,915

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 JFC Group, and earn interest at the respective short-term deposit rates.

Short-term Investments
The JFC Group also has short-term investments amounting to ₱2,130.0 million and ₱883.2 million as at December 31, 2019 and 2018, respectively. These pertain to deposits with maturities of more than three months but less than a year.

Interest income earned from cash and cash equivalents and short-term investments amounted to ₱273.0 million, ₱313.3 million and ₱149.3 million in 2019, 2018 and 2017, respectively (see Note 23).

7. Receivables and Contract Assets

This account consists of:

	2019	2018
Trade	**₱5,348,930**	₱4,680,553
Less allowance for impairment loss	**392,357**	676,906
	4,956,573	4,003,647
Advances to employees	**175,400**	167,352
Current portion of employee car plan receivables (see Note 15)	**₱83,279**	₱91,172
Interest receivable	**8,921**	19,314
Others	**269,018**	173,887
	5,493,191	4,455,372
Contract assets	**413,098**	407,372
	₱5,906,289	₱4,862,744

The terms and conditions of the receivables are as follows:

- Trade receivables are noninterest-bearing and are generally settled on a 14-day term. The JFC Group classified unbilled service revenues as contract assets. Additions in contract assets in 2019 of ₱413.1 million pertain to the service revenues earned during the year and will be billed in 2020. Contract assets amounting to ₱407.4 million as at December 31, 2018 were billed and collected in 2019.
- Advances to employees, current portion of employee car plan receivables and other receivables are normally collectible within the next financial year.
- Other receivables consist of receivables from the retirement plan, the Social Security System (SSS) and insurance claims.

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

	2019	2018
Balance at beginning of year	**₱676,906**	₱690,119
Write-offs	**(216,968)**	(1,201)
Reversals (see Note 22)	**(91,402)**	(23,675)
Provisions (see Note 22)	**25,342**	10,188
Translation adjustments	**(1,521)**	1,475
Balance at end of year	**₱392,357**	₱676,906

8. Inventories

This account consists of:

At cost:	2019	2018
Food supplies and processed inventories	**₱9,115,643**	₱8,289,323
Packaging, store and other supplies	**622,220**	406,186
	9,737,863	8,695,509
At net realizable value - Novelty items	**228,221**	116,665
Total inventories at lower of cost and net realizable value	**₱9,966,084**	₱8,812,174

The cost of novelty items carried at net realizable value amounted to ₱249.6 million and ₱151.4 million as at December 31, 2019 and 2018, respectively.

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

	2019	2018
Balance at beginning of year	**₱34,694**	₱32,565
Reversals (see Note 22)	**(26,465)**	(6,148)
Provisions (see Note 22)	**16,670**	8,278
Write-offs	**(3,400)**	–
Translation adjustments	**(69)**	(1)
Balance at end of year	**₱21,430**	₱34,694

9. Other Current Assets

This account consists of:

	2019	2018 (As Restated - Note 2)
Prepaid expenses:		
Taxes	**₱2,472,580**	₱1,963,937
Rent (see Note 2)	**1,119,030**	367,820
Supplies	**147,188**	78,604
Insurance and others	**696,780**	490,748
Current portion of security and other deposits (see Note 15)	**239,096**	239,096
Deposits to suppliers and other third parties	**2,050,334**	1,554,184
	₱6,725,008	₱4,694,389

Terms and conditions of other current assets are as follows:

- Prepaid taxes represent creditable withholding taxes that can be applied in the following year against the corporate income tax due or can be claimed as tax refund from the BIR. This also includes prepaid real property taxes which are expected to be utilized within the next twelve months.

- Prepaid rent pertains to short-term leases of store and office spaces that are paid in advance. Supplies consist of various office and administrative supplies. Prepaid rent, insurance and others are normally utilized within the next financial year.

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

10. Financial Assets at FVTPL

This account consists of investment in shares of stocks of Manila Polo Club, Tagaytay Highlands and other golf and leisure clubs amounting to ₱38.2 million and ₱39.8 million as at December 31, 2019 and 2018, respectively.

Due to the adoption of PFRS 9, the JFC Group classified its investments in golf and leisure club shares amounting to ₱29.9 million as financial assets at FVTPL as at January 1, 2018. As a result of the change in classification, the net unrealized gain on AFS financial assets related to those investments that were previously presented under OCI, was reclassified to retained earnings as at January 1, 2018, resulting in a decrease in other components of equity and an increase in retained earnings of ₱6.8 million.

The movements in financial assets at FVTPL as at December 31 are as follows:

	2019	2018
Balance at beginning of year	**₱39,842**	₱29,862
Marked-to-market gain on financial assets at FVTPL (see Note 23)	**(1,640)**	9,980
Balance at end of year	**₱38,202**	₱39,842

The fair value of financial assets at FVTPL has been determined directly by reference to quoted prices in active market or inputs other than quoted prices that are directly or indirectly observable (see Note 32).

11. Business Combinations, Incorporation of New Subsidiaries, Material Non-controlling Interests, Interests in and Advances to Joint Ventures, Co-venturers and Associates and Cessation of Operations

A. Business Combinations

Acquisition of CBTL. On June 4, 2019 and June 28, 2019, JWPL, a wholly owned subsidiary, incorporated Java Ventures, LLC in the state of Delaware, USA and Super Magnificent Coffee Company Pte. Ltd. (SMCC-SG) in Singapore, respectively.

On July 24, 2019, the JFC Group, through its wholly owned subsidiary, JWPL, entered into an agreement with Brewheal Pte. Ltd. (Brewheal), a company based in Singapore, to invest USD100.0 million (₱5,118.0 million) in SMCC-SG to acquire 100% of The Coffee Bean & Tea Leaf (CBTL), specialty coffee and tea brand based in Los Angeles, California, USA. Consequently, Brewheal subscribed to 20% ordinary shares of SMCC-SG for a total consideration of USD70.0 million (₱3,650.5 million). SMCC-SG is 80% owned by JWPL and 20% owned by Brewheal. The difference between the value of the ordinary shares purchased and the subscription price amounting to USD36.0 million (₱1,877.4 million) is recognized and included in equity under "Other reserve" account in the consolidated statement of financial position.

The agreement between JWPL and Brewheal provides a mechanism wherein JWPL and Brewheal has the option, but not the obligation, to purchase the 20% ordinary shares of SMCC-SG held by Brewheal and to subscribe for up to 10% of the ordinary shares of SMCC-SG, respectively, upon the occurrence of a call option event enumerated in the agreement from the date of acquisition of CBTL up to September 24, 2029.

On September 11, 2019, the JFC Group, through SMCC-SG, incorporated Super Magnificent Coffee Company Hungary Kft. (SMCC-HU), a holding company based in Hungary.

On September 24, 2019, SMCC-SG, through its wholly owned subsidiary, SMCC-HU, completed the 100% acquisition of CBTL. The closing of the transactions was effected after the completion of closing conditions, including required government approvals, provided under the executed Unit Purchase Agreement (UPA).

Consistent with the terms of the executed UPA, the JFC Group, through SMCC-HU acquired CBTL for USD350.0 million (₱18,252.5 million) on a debt-free basis. SMCC-HU paid in cash amounting to USD329.1 million (₱17,163.0 million). The balance amounting to USD20.9 million (₱1,089.5 million) was applied to CBTL's debt from unearned revenue from gift certificates sold assumed by SMCC-HU at acquisition date.

Transaction costs of USD0.7 million (₱36.6 million) have been expensed and are included in general and administrative expenses in the consolidated statement of comprehensive income for the year ended December 31, 2019.

The JFC Group included CBTL in its financial consolidation starting September 24, 2019 (the "acquisition date").

The fair value of the identifiable assets acquired and liabilities assumed as at the date of the acquisition were as follows:

Cash and cash equivalents	₱221,426
Receivables	361,192
Inventories	1,162,540
Other current assets	144,177
Right-of-use assets (see Note 29)	12,150,307
Property, plant and equipment (see Note 12)	3,978,818
Trademarks, favourable leases and other intangibles (see Note 14)	18,703,635
Other noncurrent assets	350,294
Total identifiable assets acquired	37,072,389
Less:	
Trade payables and other current liabilities	2,227,779
Lease liabilities (see Note 29)	12,472,792
Other noncurrent liabilities	731,091
Deferred tax liabilities	1,326,969
Total identifiable liabilities assumed	16,758,631
Net identifiable assets acquired	₱20,313,758

The amount of gain on bargain purchase provisionally computed at acquisition date shown as part of "Other Income" in the consolidated statements of comprehensive income amounted to ₱3,150.8 million determined as follows:

Cash consideration	₱17,162,982
Less fair value of net identifiable assets acquired	20,313,758
Gain on bargain purchase (see Note 23)	₱3,150,776

The net cash outflow from the acquisition is as follows:

Cash paid on acquisition	₱17,162,982
Less cash acquired from subsidiary	221,426
	₱16,941,556

Management has measured the trademarks that were acquired using the valuation report that were prepared by an independent valuation specialist. The trademarks were valued using the relief-from-royalty method wherein the fair value of the trademarks is based on cost savings from owning the trademarks. Significant assumptions and estimates used include comparable royalty rates, long-term growth rates, discount rates based on available market data and revenue growth rate forecasts.

On September 24, 2019, SMCC-HU completed the acquisition of 100% of CBTL from previous shareholders. The previous shareholders had been looking for buyers for the past two years and were unable to sell CBTL. Upon notification and after doing due diligence, JFC Group agreed to purchase the business. The acquisition resulted in a gain on bargain purchase of ₱3,150.8 million.

The net assets recognized in the consolidated financial statements were based on the provisional assessment of their fair value while the JFC Group sought an independent valuation for the property and equipment, trademark and other intangible assets owned by CBTL, and any favourable terms of the lease relative to market terms. The valuation had not been completed by the date the consolidated financial statements were approved for issue by the BOD.

As part of the ownership restructuring, the trademarks of CBTL are required to be valued by an independent third party. Management determined that the bargain purchase gain was mainly attributable to the value of trademarks. The legal structure of CBTL is being redesigned for fast growth both in the United States and Asia, to be driven mainly by franchising. This is in line with JFC Group's plan to build a truly global business. Management expects CBTL to be accretive to JFC Group's profit within a short period of time. The acquisition of the CBTL brand is JFC Group's largest and most multinational with business presence in 27 countries. This will bring JFC Group closer to its vision to be one of the top 5 restaurant companies in the world in terms of market capitalization. Combined with Highlands Coffee, the business mostly in Vietnam, the CBTL acquisition will enable JFC Group to become an important player in the large, fast growing, and profitable coffee business. CBTL will be JFC Group's second largest business after Jollibee brand. Management's priority is to accelerate the growth of the CBTL brand particularly in Asia, by strengthening its brand development, marketing and franchise support system.

From the acquisition date, CBTL contributed ₱4,436.8 million of revenues and ₱153.5 million net loss to the JFC Group. If the business combination had taken place at the beginning of 2019, contribution to consolidated revenues and net loss for the year ended December 31, 2019 would have been ₱15,645.1 million and ₱1,634.1 million, respectively.

Business Combination Achieved in Stages

SJBF. On October 8, 2015, the JFC Group, through JWPL, incorporated BGI in the state of Delaware, USA.

On October 13, 2015, BGI entered into an agreement with Smashburger Master LLC (Master) to acquire 40% of the outstanding equity interest of SJBF, the parent company of the entities comprising the Smashburger business, a fast-casual better burger restaurant business based in the United States.

The consideration for BGI's 40% stake in SJBF amounted to USD99.5 million (₱,629.5 million). Thereafter, a post-closing adjustment of USD0.8 million (₱36.6 million) to the purchase price at the closing date was recognized based on a pre-agreed mechanism with Master. The JFC Group settled with Master USD99.5 million (₱4,629.5 million) and USD0.8 million (₱36.6 million) in December 2015 and January 2016, respectively. In addition, acquisition-related costs consisting of professional fees for the JFC Group's financial, tax, accounting and legal advisors for the transaction amounted to ₱221.8 million.

In February 2016, September 2016 and November 2016, BGI made additional investments to SJBF amounting to USD4.0 million (₱189.0 million), USD4.6 million (₱221.4 million) and USD8.0 million (₱397.8 million), respectively.

The agreement between BGI and Master dated October 27, 2015 provides for a mechanism wherein Master can sell or BGI can purchase up to an additional 35% equity interest in SJBF (First Put/Call Right) between January 1, 2018 and January 1, 2021, and up to an additional 25% equity interest from the closing date or after expiration of the First Put/Call Right and five years thereafter (Second Put/Call Right). The purchase price of the remaining 60% will be based on the achievement of certain financial performance targets agreed between BGI and Master.

On February 25, 2017, BGI and Master have amended their original agreement to enable BGI to purchase more shares in SJBF. With the amendment, BGI shall be entitled to purchase from Master an additional 45% of SJBF shares between the years 2018 and 2021, and to acquire the balance of 15% between 2019 at the earliest and 2026 at the latest.

On March 24, 2017 and September 7, 2017, BGI made additional investments to SJBF amounting to USD8.0 million (₱402.6 million) and USD2.5 million (₱128.5 million), respectively. The additional investments did not change BGI's equity interest in SJBF.

On March 8, 2018, BGI executed the Purchase Agreement with Master for the acquisition of an additional 45% share of SJBF pursuant to the exercise by Master of its First Put Option for USD100.0 million (₱5,207.0 million). This increased BGI's ownership in SJBF from 40% to 85%.

On April 17, 2018, closing conditions, including required government approvals, have been obtained as provided under the Purchase Agreement. The JFC Group, through BGI, paid Master in cash amounting to USD100.0 million (₱5,207.0 million). With the completion of the acquisition, the JFC Group included Smashburger in its financial consolidation starting April 17, 2018 (the "acquisition date").

As a result of the first and second Put/Call Rights in the agreement between BGI and Master, the JFC Group allocated ₱75.0 million of the purchase price to a derivative asset in 2015, representing the fair value of the First and Second Put/Call Rights on transaction date. As at December 31, 2018, the derivative liability pertaining to the Put/Call Rights amounted to nil after SJBF becomes a wholly owned subsidiary of BGI. The marked-to-market loss amounted to ₱49.8 million and ₱129.4 million in 2018 and 2017, respectively (see Note 23).

The details of JFC Group's interest in SJBF as at December 31, 2018 are as follows:

Interest in a joint venture - cost:	
Balance at beginning of year and transfer date	₱6,151,981
Cumulative equity in net losses:	
Balance at beginning of year	(691,926)
Equity in net loss during the year	(36,085)
Balance at transfer date	(728,011)
	5,423,970
Transferred to investment in a subsidiary	(5,423,970)
	₱–

The fair value of the identifiable assets acquired and liabilities assumed as at the date of the acquisition were as follows:

Cash and cash equivalents	₱1,408,882
Receivables	154,360
Inventories	59,478
Other current assets	321,766
Property, plant and equipment (see Note 12)	2,565,988
Trademarks and favourable leases (see Note 14)	10,782,418
Other noncurrent assets	68,201
Total identifiable assets acquired	15,361,093
Less:	
Short-term debt	84,300
Trade payables and other current liabilities	1,092,701
Long-term debt	4,133,311
Other noncurrent liabilities	645,552
Deferred tax liabilities	2,323,280
Total identifiable liabilities assumed	8,279,144
Net identifiable assets acquired	₱7,081,949

Due to the adoption of PFRS 16, at acquisition date, JFC Group recognized right-of-use assets and lease liabilities amounting to ₱10,102.3 million and P=10,308.4 million, respectively (see Notes 2 and 29). Prepayments and operating lease payable related to previous operating leases amounting to ₱45.2 million and ₱549.2 million, respectively, were derecognized and the right-of-use assets were adjusted by favourable terms of the lease relative to market terms previously recognized and included under other intangible assets of ₱297.9 million as at acquisition date. The adoption of PFRS 16 has no impact on the determination of the amount of goodwill.

The JFC Group's investment in SJBF was previously accounted for as investment in a joint venture. In accordance with PFRS 3, with the JFC Group's acquisition of control over SJBF in 2018, the fair value of the previously held interest amounted to ₱6,178.8 million and the resulting gain from the re-measurement of the 40% previously held interest amounted to ₱754.8 million (see Note 23).

The fair value of trade receivables approximates the carrying amount of receivables acquired amounting to ₱154.4 million and it is expected that the full contractual amounts can be collected.

The amount of goodwill recorded at acquisition date amounted to ₱5,345.5 million determined as follows:

Fair value of consideration transferred:	
Fair value of previously held interest	₱6,178,774
Cash consideration	5,207,000
Derivative liability at acquisition date	(100,833)
	11,284,941
Fair value of non-controlling interest's share in the net identifiable assets acquired	1,142,502
Aggregate amount	12,427,443
Less fair value of net identifiable assets acquired	7,081,949
Goodwill (see Note 14)	₱5,345,494

The net cash outflow from the acquisition is as follows:

Cash paid on acquisition	₱5,207,000
Less cash acquired from subsidiary	1,408,882
	₱3,798,118

The goodwill of ₱5,345.5 million is attributable to synergies and other benefits from the acquisition of SJBF.

The non-controlling interest was recognized as a proportion of the fair value of the net assets acquired. The fair value of the non-controlling interest in SJBF has been estimated by applying the following valuation methodology and significant inputs:

- Relief-from-Royalty method for trademark using a royalty rate of 4.12% and terminal value, calculated based on long-term sustainable growth rate for the industry of 2% and estimated discount rate of 11%;
- Income approach for favourable leases using a market rent growth of 2.5% and a discount rate of 7.5%;
- Cost method for other intangible assets; and
- Replacement cost method for property, plant and equipment.

The JFC Group's acquisition of additional shares in SJBF will allow the JFC Group to have a more significant business in the USA by increasing the sales contribution from that country to the JFC Group's worldwide system-wide sales.

From the acquisition date, SJBF contributed ₱6,497.1 million revenues and ₱886.8 million net loss to the JFC Group. If the business combination had taken place at the beginning of 2018, contribution to consolidated revenues and net loss for 2018 would have been ₱9,423.1 million and ₱1,065.9 million, respectively.

SJBF has outstanding liabilities for the purchase of non-controlling interest in a joint venture and acquisition of franchise markets amounting to USD0.06 million (₱2.8 million) and USD0.3 million (₱14.1 million) as at December 31, 2019 and 2018, respectively. The last installment is expected to be settled in 2020.

On December 14, 2018, the JFC Group, through BGI, acquired the remaining 15% stake in SJBF for a total cash consideration of USD10.0 million (₱528.8 million). The acquisition resulted to SJBF becoming a wholly owned subsidiary of BGI.

The difference of the carrying value of the minority interest over the acquisition cost at the date of acquisition, amounting to ₱347.4 million, was recognized under the "Excess of cost over the carrying value of non-controlling interests acquired", a separate component of "Equity Attributable to Equity Holders of the Parent Company" in the consolidated statements of financial position (see Note 19).

On December 21, 2018, upon signing of the Restructuring Agreement, the loan of BGI to SJBF amounting to USD80.0 million (₱4,206.4 million) was converted to additional equity.

In 2019, the fair values of the assets acquired, and liabilities assumed were finalized. There were no changes or adjustments made from that of provisionally recognized in 2018.

SuperFoods Group. On January 20, 2012, upon fulfillment of certain legal and regulatory requirements in Vietnam, the JFC Group, through JWPL, acquired effective ownership of 50% share in the business of the SuperFoods Group (includes SF Vung Tau Joint Stock Company (SFVT), Highlands Coffee Service JSC, Quantum Corp., Pho24 Corp., Blue Sky Holdings Limited Hongkong (Blue Sky), Sino Ocean Asia Limited Hongkong and Blue Sky Holdings Limited Macau) through formation of joint ventures. This consists of a 49% share in SFVT in Vietnam and a 60% share in Blue Sky in Hongkong (the SuperFoods Group Holding Companies). The formation of joint ventures is an implementation of the Framework Agreement made on May 20, 2011 between the JFC Group, through JSF, a 99% subsidiary of JWPL, and its co-venturers, Viet Thai International Joint Stock Company (VTIJS) and Viet Thai International Company Limited (VTI) (collectively, VTI Group). The SuperFoods Group operates the chain of Highlands Coffee shops, Pho 24 restaurants and Hard Rock Cafe stores, whose market is mostly in Vietnam, Hong Kong and Macau. The Framework Agreement provided for the JFC Group to contribute a total of USD25.0 million (₱1,079.6 million) to gain 50% effective ownership in the joint ventures. Loans and deposits were made to the SuperFoods Group and the 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 USD25.0 million (₱1,079.6 million) in 2011.

On October 22, 2015, JSF contributed additional investment in SuperFoods Group amounting to USD0.7 million (₱34.1 million).

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 (earn-out formula). No additional consideration was recognized as at January 20, 2012, date of acquisition, and as at December 31, 2012 to 2016.

In accordance with the Framework Agreement, the JFC Group, through JSF, extended loans to SurperFoods Group. First and Second Supplements to the Loan Agreement were executed that basically extended the loan due dates.

On November 18, 2016, the JFC Group, through JSF, entered into an agreement with its co-venturers, VTIJS, to make SuperFoods Group a public company by listing in the Vietnam Stock Exchange with an Initial Public Offering (IPO) on or before July 2019. As part of the agreement, the ownership of the SuperFoods Group will be adjusted with the JFC Group, owning 60% of the joint venture and VTI owning 40%. With this agreement, the following loan structures were amended, as documented in the Third and Fourth Supplements to the Loan Agreement signed on December 29, 2016 and March 28, 2017, respectively.

- *Advances to SFVT.* On April 30, 2013, an additional loan was extended to the co-venturers in the SuperFoods Group amounting to USD1.0 million (₱41.2 million) payable in February 2014 but was extended to September 30, 2017. The loan bears interest of 5% per annum. With the extension to September 30, 2017, the sum of principal and the accumulated interest as at April 2015, were subjected to 4.99% interest per annum. The loan was agreed to be used for general corporate purposes. Total interest from this loan recognized as interest income amounted to USD0.003 million (₱0.1 million) for the period ended May 10, 2017.

  On August 22, 2013, an additional loan was extended to the co-venturers in the SuperFoods Group amounting to USD1.0 million (₱44.1 million) payable in August 2014 but was extended to September 30, 2017. As at August 21, 2014, the principal was subject to 5% interest per annum. However, with the extension to September 30, 2017, the sum of principal and the accumulated interest starting August 22, 2014 were subjected to 4.99% interest per annum. Total interest from this loan recognized as interest income amounted to USD0.003 million (₱0.1 million) for the period ended May 10, 2017.

  The loans granted on April 30, 2013 and August 22, 2013, including accrued interests as at May 10, 2017, were converted to additional equity on SFVT upon the completion of the Settlement Transaction Documents and the approval of certain legal and regulatory requirements in Vietnam on May 10, 2017 as provided in the Third Supplement to the Loan Agreement signed on December 29, 2016.

- *Advances to Blue Sky.* On June 10, 2011, a loan was extended to Blue Sky, the Hong Kong-based holding company, amounting to USD5.0 million (₱216.0 million) payable in June 2014. As at June 2014, the principal was subject to 5% interest per annum. However, with the extension of the due date to September 30, 2017, the sum of principal and the accumulated interest as at June 2014 were subjected to 4.99% interest per annum. Total interest from this loan recognized as interest income amounted to USD0.01 million (₱0.7 million) for the period ended May 10, 2017.

  On May 7, 2012, an additional loan was extended to Blue Sky amounting to USD2.5 million (₱105.9 million) payable in May 2014. As at May 9, 2014, the principal was subject to 5% interest per annum. However, with the extension of the due date to September 30, 2017, the sum of principal and the accumulated interest starting May 10, 2014 were subjected to 4.99% interest per annum. Total interest from this loan recognized as interest income amounted to USD0.01 million ₱0.3 million) for the period ended May 10, 2017.

  With the Third Supplement to the Loan Agreement signed on December 29, 2016 and upon the completion of the Settlement Transaction Documents, the loans to Blue Sky including accrued interests as at May 10, 2017 were converted into equity except for the balance of USD2.9 million (₱157.7 million). The carrying value of the remaining loan of Blue Sky to the Parent Company amounting to ₱149.6 million and ₱153.5 million were eliminated in the consolidation process as at December 31, 2019 and 2018, respectively.

  The conversion of the loans and related accrued interests into equity is part of the agreement entered into by the JFC Group with VTI Group in adjusting the ownership in the SuperFoods Group.

On May 10, 2017, a key step in the plan to list SuperFoods Group as a public company in the Vietnam Stock Exchange was completed by adjusting the ownership interest in the SuperFoods Group to 60% JFC Group and 40% VTI Group from its previous 50-50 ownership share. As a result, JFC Group obtained control over SuperFoods Group and started consolidating these companies as at acquisition date.

To help fund the SuperFoods Group's expansion plans, the JFC Group will henceforth take the lead in the former's capital raising activities and will work with various financial institutions in Vietnam and other parts of Asia in this undertaking.

The fair value of the identifiable assets acquired and liabilities assumed as at the date of the acquisition were as follows:

Cash and cash equivalents	₱105,251
Receivables	99,746
Inventories	86,664
Other current assets	137,035
Property, plant and equipment	846,327
Trademarks (see Note 14)	4,145,013
Other noncurrent assets	223,240
Total identifiable assets acquired	5,643,276
Less:	
Trade payables and other current liabilities	488,645
Loans and other noncurrent liabilities (see Note 18)	569,523
Deferred tax liability	744,006
Total identifiable liabilities assumed	1,802,174
Net identifiable assets acquired	₱3,841,102

The JFC Group's investment in SuperFoods Group was previously accounted for as investment in a joint venture. In accordance with PFRS 3, with the JFC Group's acquisition of control over SuperFoods Group in 2017, the fair value of the previously held interest amounted to ₱2,099.7 million and the resulting gain from the re-measurement of the 50% previously held interest amounted to ₱1,328.7 million (see Note 23). A total of ₱2,712.7 million loan to SuperFoods Group was also converted to equity which was included in the consideration transferred.

The non-controlling interest was recognized as a proportion of the fair value of the net assets acquired.

The amount of goodwill recorded at acquisition date amounted to ₱2,507.8 million determined as follows:

Fair value of consideration transferred:	
Fair value of previously held interest	₱2,099,721
Advances converted to equity:	
Advances to VTI Group (see Part D of this note)	2,253,870
Advances to SuperFoods Group	458,871
	2,712,741
	4,812,462
Fair value of non-controlling interest's share in the net identifiable assets acquired	1,536,441
Aggregate amount	6,348,903
Less fair value of net identifiable assets acquired	3,841,102
Goodwill (see Note 14)	₱2,507,801

The net cash inflow from the acquisition is as follows:	
Cash acquired from subsidiary	₱105,251

The goodwill of ₱2,507.8 million is attributable to synergies and other benefits from the acquisition of SuperFoods Group.

From the acquisition date, SuperFoods Group contributed ₱2,476.7 million of revenues and ₱67.3 million net income to the JFC Group. If the business combination had taken place at the beginning of 2017, contribution to consolidated revenues and net income for 2017 would have been ₱3,715.0 million and ₱100.9 million, respectively.

In 2018, the fair values of the assets acquired, and liabilities assumed were finalized. There were no changes or adjustments made from that of provisionally recognized in 2017.

B. Incorporation of New Subsidiaries and Additional Investment to a Subsidiary

Hong Yun Hong (Shanghai) Food and Beverages Management Company Ltd. (Hong Yun Hong). On November 13, 2019, the JFC Group through its wholly owned subsidiary, GPPL, entered into an agreement with Dim Sum Pte. Ltd. (DSPL) to develop and operate Tim Ho Wan stores in Shanghai and other cities within PRC as may be agreed with the Franchisor.

Hong Yun Hong, incorporated on November 18, 2019, is 60% owned by GPPL and 40% owned by DSPL. GPPL and DSPL have committed to invest up to USD13 million (₱658.3 million) to Hong Yun Hong. As at December 31, 2019, the capital contribution of GPPL amounted to USD0.9 million (₱45.6 million). Hong Yun Hong has not started its commercial operations as at December 31, 2019.

Super Magnificent Coffee Company Hungary Kft (SMCC-HU). On September 11, 2019, the JFC Group, through SMCC-SG, incorporated SMCC-HU, a holding company in Hungary. As at December 31, 2019, SMCC-HU owns the US Entities of CBTL and the capital contribution of SMCC-SG amounted to USD28.9 million (₱1,508.2 million).

Super Magnificent Coffee Company Ireland Limited (SMCC-IE). On August 22, 2019, the JFC Group, through SMCC-SG, incorporated SMCC-IE in Ireland. As at December 31, 2019, the capital contribution of SMCC-SG amounted to USD307.1 million (₱16,017.1 million). SMCC-IE owns the intellectual property and existing contracts of CBTL starting from October 1, 2019.

Bee World Spain, Sociedad Limitada (Bee World Spain). On May 23, 2019, the JFC Group, through its wholly owned subsidiary, GPPL, incorporated Bee World Spain. As at December 31, 2019, capital contribution of GPPL amounted to USD0.003 million (₱0.2 million). Bee World Spain will own and operate Jollibee stores in Spain.

Bee World UK Limited (Bee World UK). On April 16, 2018, the JFC Group, through its wholly owned subsidiary, JWPL, incorporated Bee World UK in UK. As at December 31, 2018, no capital investment has been made other than the investment to incorporate the new entity. The first store started its commercial operations on October 20, 2018.

On September 4, 2019, advances from JWPL amounting to USD1.5 million (₱76.3 million) were converted to equity and registered at Companies House in UK. As at December 31, 2019, capital contribution of JWPL to Bee World UK amounted to USD1.5 million (₱76.3 million).

Golden Piatto Pte. Ltd. (Golden Piatto). On March 31, 2017, the JFC Group, through its wholly owned subsidiary, GPPL, entered into an agreement with Blackbird Holdings Pte. Ltd. (Blackbird) to own and operate Cibo Felice S. R. L. (Cibo Felice), the first Jollibee store in Italy. The first store started its commercial operations on March 18, 2018.

Golden Piatto, incorporated on April 12, 2017, is 75% owned by GPPL and 25% owned by Blackbird. GPPL and Blackbird have committed to invest up to EUR1 million (₱60.2 million) to Golden Piatto, of which EUR0.8 million (₱48.2 million) will be contributed by GPPL in proportion to its ownership in the business.

On January 31, 2018, GPPL and Blackbird made additional investments to Golden Piatto amounting to EUR0.5 million (₱33.5 million) and EUR0.2 million (₱11.2 million), respectively. As at December 31, 2019 and 2018, capital contribution of GPPL to Golden Piatto amounted to EUR1.3 million (₱77.0 million).

C. Material Non-Controlling Interests

The JFC Group has subsidiaries with material non-controlling interest as provided below.

Proportion of equity interest held by non-controlling interest:

	Country of incorporation and operation	**2019**	2018	2017
GCPL	Singapore	**40%**	40%	40%
SuperFoods Group	Vietnam	**40%**	40%	40%

The summarized financial information of GCPL and SuperFoods Group in 2019 and 2018 are provided below. These information are based on amounts before intercompany elimination.

Summarized Statements of Comprehensive Income for the year ended December 31

	GCPL		
	2019	2018	2017
Revenues	**₱140,255**	₱276,325	₱318,082
Net loss	**(212,868)**	(472,122)	
Other comprehensive income (loss)	**(5,134)**	95,338	(674,982)
Total comprehensive loss	**(218,002)**	(376,784)	8,109
Total comprehensive loss attributable to			(666,873)
non-controlling interests	**(87,201)**	(150,714)	(266,749)

	SuperFoods Group		
	2019	2018	2017
Revenues	**₱5,733,569**	₱4,756,001	₱2,486,779
Net income (loss)	**(312,410)**	(18,571)	78,129
Other comprehensive income (loss)	**(14,584)**	3,398	(3,877)
Total comprehensive income (loss)	**(326,994)**	(15,173)	74,252
Total comprehensive income (loss) attributable to non-controlling interests	**(130,798)**	(6,069)	29,701

Summarized Statements of Financial Position as at December 31

	GCPL	
	2019	2018
Current assets	**₱1,486,976**	₱1,532,013
Noncurrent assets	**287,379**	271,262
Current liabilities	**1,204,788**	1,002,821
Total equity	**569,567**	800,454
Equity attributable to non-controlling interests	**227,827**	320,182

	SuperFoods Group	
	2019	2018
Current assets	**₱838,302**	₱640,186
Noncurrent assets	**4,277,400**	1,941,206
Current liabilities	**3,269,974**	1,053,309
Noncurrent liabilities	**1,298,578**	597,851
Total equity	**547,150**	930,232
Equity attributable to non-controlling interests	**218,860**	372,093

Summarized Cash Flow Information for the year ended December 31

	GCPL		
	2019	2018	2017
Net cash used in operating activities	**(₱87,408)**	(₱58,718)	(₱430,134)
Net cash provided by investing activities	**71,160**	89,220	57,512
Net increase (decrease) in cash and cash equivalents	**(16,248)**	30,502	(372,622)

	SuperFoods Group		
	2019	2018	2017
Net cash provided by (used in) operating activities	**₱178,732**	₱310,283	(₱827,535)
Net cash used in investing activities	**(163,132)**	(335,086)	(408,572)
Net cash provided by financing activities	**160,051**	51,678	1,572,770
Net increase in cash and cash equivalents	**175,651**	26,875	336,663

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

	2019	2018
Interests in joint ventures:		
Titan Dining LP	**₱2,804,247**	₱742,206
Golden Bee Foods Restaurant LLC	**240,553**	227,585
JBPX Foods Inc.	**57,759**	–
C-Joy Poultry Meats Production, Inc.	**–**	–
	3,102,559	969,791
Interests in associates:		
Tortas Frontera	**678,793**	668,679
Entrek (B) SDN BHD	**137,065**	191,744
C-Joy Poultry Realty, Inc.	**8,547**	9,155
	824,405	869,578
Advances to a joint venture and co-venturer:		
VTI Group	**1,664,532**	1,672,861
C-Joy Poultry Meats Production, Inc.	**1,240,606**	–
	2,905,138	1,672,861
	₱6,832,102	₱3,512,230

Interests in Joint Ventures

Titan Dining LP *(Titan)*. On May 23, 2018, the JFC Group, through JWPL, invested SGD18.0 million (₱706.9 million) in Titan, a private equity fund that has executed (through a wholly-owned subsidiary) a binding agreement for the acquisition of 100% of the Asia Pacific master franchise holder of the "Tim Ho Wan" brand, Tim Ho Wan Pte. Ltd. and its affiliate Dim Sum Pte. Ltd., which owns and operates Tim Ho Wan stores in Singapore.

The investment provides an opportunity for the JFC Group to have a significant interest in the Tim Ho Wan franchise in the long-term.

Consistent with the agreement that JWPL shall invest up to SGD45.0 million (₱,687.1 million) or 45% of the total maximum fund of SGD100.0 million (₱3,749.0 million) in Titan, JWPL made additional investments to Titan amounting to SGD2.7 million (₱102.7 million) and SGD0.9 million (₱35.3 million) on May 31, 2019 for the third capital call and on August 29, 2018, respectively.

On October 2, 2019, the total maximum fund of Titan increased from SGD100.0 million (₱3,749.0 million) to SGD200.0 million (₱7,498.0 million). As such, JWPL, increased its capital commitment to Titan from SGD45.0 million (₱1,687.1 million) to SGD120.0 million (₱4,498.8 million) which, when completed, JWPL's investment will constitute 60% of the total maximum fund. The increase in the total maximum fund and additional capital commitment of JWPL are in furtherance of certain strategic projects currently being undertaken by Titan, consistent with its mandate to invest in the food service sector and grow strong Asia Pacific food service brands.

On October 28, 2019, JWPL made an additional investment for the 4th capital call amounting to SGD53.4 million (₱2,006.1 million).

The details of the JFC Group's interest in Titan as at December 31 are as follows:

	2019	2018
Interest in a joint venture - cost:		
Balance at beginning of year	**₱742,206**	₱706,906
Additions during the year	**2,108,760**	35,300
	2,850,966	742,206
Equity in net loss during the year	**(46,719)**	–
	₱2,804,247	₱742,206

Summarized financial information of Titan based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2019	2018
Current assets	**₱2,916,421**	₱28,141
Noncurrent assets	**1,701,864**	1,553,022
Total assets	**₱4,618,285**	₱1,581,163
Current liabilities	**₱8,916**	₱14,800

The amounts of assets and liabilities above include:

	2019	2018
Cash and cash equivalents	**₱2,916,251**	₱27,690

The amounts of the income and expense accounts include the following:

	2019	2018
Net loss	**₱77,865**	₱49,400
Total comprehensive loss	**77,865**	49,400

	2019	2018
Net assets	**₱4,609,369**	₱1,566,363
Proportion of the JFC Group's ownership	**60%**	45%
	2,765,621	704,863
Cumulative translation adjustments	**38,626**	37,343
	₱2,804,247	₱742,206

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

The joint venture entity, incorporated as Golden Bee on January 28, 2015, is 49% owned by GPPL and 51% owned by GCFL. GPPL and GCFL will share joint control and management of Golden Bee. GPPL has invested USD0.8 million (₱33.9 million) in Golden Bee. The first store started commercial operations on May 4, 2015.

The details of the JFC Group's interest in the Golden Bee joint venture as at December 31 are as follows:

	2019	2018
Interest in a joint venture - cost	**₱33,926**	₱33,926
Cumulative equity in net earnings:		
Balance at beginning of year	**193,659**	164,841
Equity in net earnings during the year	**47,526**	63,455
Dividends received during the year	**(34,558)**	(34,637)
Balance at end of year	**206,627**	193,659
	₱240,553	₱227,585

Summarized financial information of Golden Bee based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2019	2018
Current assets	**₱686,984**	₱523,053
Noncurrent assets	**294,675**	346,422
Total assets	**₱981,659**	₱869,475
Current liabilities	**₱488,174**	₱383,523

The amounts of assets and liabilities above include:

	2019	2018
Cash and cash equivalents	**₱352,633**	₱193,920

The amounts of the income and expense accounts include the following:

	2019	2018	2017
Revenues	**₱1,687,621**	₱1,601,623	₱1,313,210
Depreciation and amortization	**90,077**	78,438	54,539
Net income	**96,991**	129,501	242,124
Total comprehensive income	**96,991**	129,501	242,124

	2019	2018
Net assets	**₱493,485**	₱485,952
Proportion of the JFC Group's ownership	**49%**	49%
	241,808	238,116
Cumulative translation adjustments	**(1,255)**	(10,531)
	₱240,553	₱227,585

JBPX Foods Inc. (Panda Express). On September 27, 2018, the JFC Group, through the Parent Company, entered into an agreement with Panda Restaurant Group, Inc. to establish a joint venture entity to own and operate Panda Express restaurants in the Philippines.

The joint venture entity, incorporated as JBPX Foods Inc. on July 3, 2019, is 50% owned by the Parent Company and 50% owned by Panda Restaurant Group, Inc. As at December 31, 2019, capital contribution of the Parent Company to Panda Express amounted to ₱66.0 million. Panda Express started commercial operations on December 12, 2019.

As at December 31, 2019, Panda Express's total assets and total liabilities amounted to ₱185.7 million and ₱70.2 million, respectively. The assets of Panda Express include cash and cash equivalents amounting to ₱130.4 million as at December 31, 2019.

In 2019, net loss and total comprehensive loss amounted to ₱16.5 million. Share in equity in net loss amounted to ₱8.3 million for the year ended December 31, 2019.

C-Joy Poultry Meats Production, Inc. (C-Joy Poultry). On May 24, 2016, the Parent Company entered into an agreement with Cargill Philippines, Inc., a wholly owned subsidiary of Cargill, Inc. (Cargill), to establish a joint venture entity to build and operate a poultry processing plant in Sto. Tomas, Batangas, Philippines. Cargill will oversee the setting up, management and operations of this facility.

C-Joy Poultry, the joint venture entity, formerly incorporated as Cargill Joy Poultry Meats Production, Inc., is 70% owned by Cargill and 30% owned by the Parent Company. C-Joy Poultry is estimated to create 1,000 new full-time jobs and develop new opportunities in the farming community in Batangas and nearby provinces as local poultry farmers are contracted to grow chicken to supply the requirements of the processing plant. The poultry processing plant started its commercial operations on December 5, 2017.

The details of JFC Group's interest in C-Joy Poultry as at December 31 are as follows:

	2019	2018
Interest in a joint venture - cost	**₱233,406**	₱233,406
Cumulative equity in net losses:		
Balance at beginning of year	**(233,406)**	(81,948)
Equity in net loss during the year	**–**	(151,458)
Balance at end of year	**–**	(233,406)
	₱–	₱–

The JFC Group's equity share in net losses amounting to ₱527.1 million in 2018 exceeded the carrying value of its interest in C-Joy Poultry amounting to ₱151.5 million as at December 31, 2017. Consequently, the JFC Group's unrecognized equity share in net losses amounted to ₱591.7 million and ₱375.6 million in 2019 and 2018.

Summarized financial information of the C-Joy Poultry based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2019	2018
Current assets	**₱2,039,066**	₱1,523,852
Noncurrent assets	**2,026,536**	1,843,050
Total assets	**₱4,065,602**	₱3,366,902
Current liabilities	**₱7,242,810**	₱4,591,583
Noncurrent liabilities	**47,207**	27,430
Total liabilities	**₱7,290,017**	₱4,619,013

The amounts of assets and liabilities above include the following:

	2019	2018
Cash and cash equivalents	**₱1,224,437**	₱192,876
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	**522,880**	399,134
Noncurrent financial liabilities (excluding provisions)	**53,166**	26,635

The amounts of the income and expense accounts include the following:

	2019	2018	2017
Revenues	**₱4,764,375**	₱4,014,768	₱1,929,850
Depreciation and amortization	**118,088**	109,629	5,510
Taxes and licenses	**93,660**	35,788	6,890
Interest income	**1,706**	593	6,727
Interest expense	**283,992**	101,939	1,091
Net loss	**(1,972,303)**	(1,756,971)	(260,076)
Total comprehensive loss	**(1,978,024)**	(1,755,682)	(260,076)

	2019	2018
Net liabilities	**(₱3,224,415)**	(₱1,252,111)
Proportion of the JFC Group's ownership	**30%**	30%
	(₱967,324)	(₱375,633)

Interest in Associates

Tortas Frontera LLC (Tortas). On September 7, 2018, the JFC Group, through Jollibee Foods Corporation (USA), entered into a business venture with award-winning Chef Rick Bayless to build a Mexican fast-casual restaurant business in the USA.

This partnership was formalized through an investment by JFC Group of USD12.6 million (₱668.7 million) in Tortas, which owns the Tortas Frontera business founded by Chef Bayless, in consideration for 47% of the fully-diluted membership interests therein. The remaining 53% membership interests in Tortas shall be held by Chef Ricky Bayless and other shareholders. The transaction is subject to the fulfillment of agreed closing conditions.

On December 21, 2018, upon fulfillment of the closing conditions, Jollibee Foods Corporation (USA) paid Chef Bayless in cash.

The details of the JFC Group's interest in Tortas as at December 31 are as follows:

	2019	2018
Interest in an associate - cost	**₱668,679**	₱668,679
Equity in net earnings during the year	**10,114**	–
	₱678,793	₱668,679

Summarized financial information of Tortas based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2019	2018
Current assets	**₱719,743**	₱548,001
Current liabilities	**₱331**	₱4,893

The amounts of assets and liabilities above include:

	2019	2018
Cash and cash equivalents	**₱408,756**	₱544,410

The amounts of the income and expense accounts include the following:

	2019	2018
Revenues	**₱128,138**	₱48,213
Net income	**24,899**	34,717
Total comprehensive income	**24,899**	34,717

	2019	2018
Net assets	**₱719,412**	₱543,108
Proportion of the JFC Group's ownership	**52.22%**	52.22%
	375,677	283,611
Goodwill	**381,532**	381,532
Cumulative translation adjustments	**(78,416)**	3,536
	₱678,793	₱668,679

Entrek (B) SDN BHD (Entrek). The JFC Group, through JIBL, has 1/3 or 33.3% ownership in Entrek, a company that operates Jollibee stores in Brunei.

The details of the JFC Group's interest in Entrek as at December 31 are as follows:

	2019	2018
Interest in an associate - cost	**₱16,660**	₱16,660
Cumulative equity in net earnings:		
Balance at beginning of year	**175,084**	120,577
Equity in net earnings during the year	**21,336**	37,847
Dividends received during the year	**(76,015)**	–
Reversal of impairment loss (see Note 23)	**–**	16,660
Balance at end of year	**120,405**	175,084
	₱137,065	₱191,744

Summarized financial information of Entrek based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2019	2018
Current assets	**₱538,882**	₱743,134
Noncurrent assets	**314,943**	270,932
Total assets	**₱853,825**	₱1,014,066
Current liabilities	**₱388,928**	₱385,870
Noncurrent liabilities	**13,643**	5,594
Total liabilities	**₱402,571**	₱391,464

The amounts of the income and expense accounts include the following:

	2019	2018	2017
Revenues	**₱973,596**	₱888,909	₱733,217
Depreciation	**66,523**	52,429	38,381
Net income	**64,009**	113,543	75,031
Total comprehensive income	**64,009**	113,543	75,031

	2019	2018
Net assets	**₱451,254**	₱622,602
Proportion of the JFC Group's ownership	**33.33%**	33.33%
	150,418	207,534
Cumulative translation adjustments	**(13,353)**	(15,790)
	₱137,065	₱191,744

C-Joy Poultry Realty, Inc. (C-Joy Realty). On May 24, 2016, the Parent Company entered into an agreement with Cargill Philippines to establish C-Joy Realty, which leases the land where the C-Joy Poultry plant is located.

The details of the JFC Group's interest in C-Joy Realty as at December 31 are as follows:

	2019	2018
Interest in an associate - cost	**₱10,586**	₱10,586
Cumulative equity in net losses:		
Balance at beginning of year	**(1,431)**	(922)
Equity in net loss during the year	**(608)**	(509)
Balance at end of year	**(2,039)**	(1,431)
	₱8,547	₱9,155

Summarized financial information of C-Joy Realty based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2019	2018
Current assets	**₱715**	₱2,597
Noncurrent assets	**62,152**	62,152
Total assets	**₱62,867**	₱64,749
Current liabilities	**₱3,244**	₱1,025
Noncurrent liabilities	**31,133**	33,209
Total liabilities	**₱34,377**	₱34,234

The amounts of assets and liabilities above include the following:

	2019	2018
Cash and cash equivalents	**₱371**	₱1,380
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	**1,067**	164
Noncurrent financial liabilities	**31,133**	33,209

The amounts of the income and expense accounts include the following:

	2019	2018	2017
Revenues	**₱2,400**	₱2,400	₱1,400
Taxes and licenses	**208**	281	60
Interest expense	**2,465**	2,177	1,414
Net loss	**(2,027)**	(1,699)	(1,067)
Total comprehensive loss	**(2,027)**	(1,699)	(1,067)

	2019	2018
Net assets	**₱28,490**	₱30,515
Proportion of the JFC Group's ownership	**30%**	30%
	₱8,547	₱9,155

Advances to Co-venturers

Advances to VTI Group. The details of the JFC Group's advances to VTI Group as at December 31 are as follows:

	2019	2018
Balance at beginning of year	**₱1,672,861**	₱1,535,590
Accrual of interest (see Note 23)	**53,531**	55,523
Translation adjustments and others	**(61,860)**	81,748
Balance at end of year	**₱1,664,532**	₱1,672,861

Loan to VTI Group amounting to USD35.0 million (₱1,523.9 million), extended on June 9, 2011, is payable in December 2016. In accordance with the Fourth Supplement to the Loan Agreement signed on March 28, 2017, the due date of the loan was further extended to May 31, 2017. This loan is secured by a mortgage by the VTI Group of all their shares in SuperFoods Group.

The loan bears interest of 5% per annum payable in lump sum on the due date. The loan was agreed to be used for general corporate purposes. Total interest from this loan, recognized as interest income, amounted to USD0.6 million (₱31.6 million) for the period ended May 10, 2017.

The Third Supplement to the Loan Agreement signed on December 29, 2016 provides the assignment of the USD35.0 million (₱1,735.3 million) loan receivable including accrued interests as at December 31, 2016 from JSF to JWPL. With the completion of the Settlement Transaction Documents and upon the approval of certain legal and regulatory requirements in Vietnam on May 10, 2017, the loan, including interests as at the same day, was contributed as additional capital to the SuperFoods Group.

On December 14, 2016, a loan of USD9.0 million (₱447.5 million) was extended to the VTI Group with an interest rate of 3.5% per annum. The loan was agreed to be used for SuperFoods Group's capital needs. The loan is part of the total agreed loan of USD30.0 million payable in eight (8) years from the first utilization date. On June 2, 2017, the additional loan of USD21.0 million (₱1,060.0 million) was granted to the VTI Group. The loan is secured by pledged shares in SFVT and Blue Sky which will be released in proportion to the amount of the principal paid. Total interest from this loan, recognized as interest income, amounted to USD1.1 million (₱53.5 million), USD1.1 million (₱55.5 million) and USD0.8 million (₱37.6 million) for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 23).

Advances to a Joint Venture

Advances to C-Joy Poultry. On May 30, 2019, loans totaling to ₱615.0 million were extended by the Parent Company to C-Joy Poultry payable on May 29, 2020. The loans were subject to interest rate based on PHP BVAL Reference Rates for the 6-month tenor (6-month BVAL) plus spread of 0.50%.

On June 28, 2019, additional loan was extended amounting to ₱315.0 million due on June 26, 2020. The loan was subject to interest rate based on 6-month BVAL plus spread of 0.50%.

On December 20, 2019, additional loan amounting to ₱306.7 million was extended subject to interest rate based on 6-month BVAL plus spread of 0.50%. Total interest from the loans recognized as interest income amounted to ₱32.5 million in 2019 (see Note 23). As at December 31, 2019, the carrying value of the loans amounted to ₱1,240.6 million.

E. Cessation of Operations

WJ Investments Limited (WJ). On August 22, 2012, the JFC 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 hotpot dishes.

The joint venture entity, incorporated as WJ Investments Limited (WJ), is 48%-owned by the JFC Group and 48%-owned 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, JFC Group and Wowprime have joint control and management of WJ.

On October 31, 2017, WJ ceased the operations of the 16 stores of the 12 Hotpot brand in the People's Republic of China to focus in building the JFC Group's larger and fast-growing business in China and other parts of the world. With this, WJ will be dissolved and liquidated. The JFC Group recognized a loss of ₱116.2 million in the consolidated statement of comprehensive income in 2017 (see Note 23).

On August 13, 2019, WJ completed the dissolution of 12 Hotpot in the People's Republic of China.

12. Property, Plant and Equipment

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

	2019							
	Land and Land Improvements	Plant, Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
Cost								
Balance at beginning of year, As previously reported	₱677,030	₱4,078,145	₱22,691,183	₱21,602,616	₱2,325,794	₱710,293	₱5,306,609	₱57,391,670
Effect of adoption of PFRS 16 (see Note 2)	–	–	(69,952)	–	–	–	–	(69,952)
Balance at beginning of year, As restated	677,030	4,078,145	22,621,231	₱21,602,616	₱2,325,794	₱710,293	₱5,306,609	₱57,321,718
Additions	–	640,300	1,185,444	1,579,326	115,295	45,300	6,476,247	10,041,912
Acquisition of a business (see Note 11)	380,174	–	1,806,996	1,155,572	466,519	3,592	165,965	3,978,818
Retirements and disposals	(250,800)	(90,805)	(2,127,825)	(2,090,377)	(211,873)	(152,675)	(142,040)	(5,066,395)
Reclassifications (see Note 13)	276,252	2,951,849	2,887,927	3,900,906	439,723	22,283	(8,075,874)	2,403,066
Translation adjustments	(12,897)	(70,722)	(512,392)	(276,227)	(66,802)	(2,634)	(21,824)	(963,498)
Balance at end of year	1,069,759	7,508,767	25,861,381	25,871,816	3,068,656	626,159	3,709,083	67,715,621
Accumulated Depreciation and Amortization								
Balance at beginning of year, As previously reported	7,564	1,887,219	12,790,556	14,143,755	1,301,456	532,563	–	30,663,113
Effect of adoption of PFRS 16 (see Note 2)	–	–	(48,510)	–	–	–	–	(48,510)
Balance at beginning of year, As restated	7,564	1,887,219	12,742,046	14,143,755	1,301,456	532,563	–	30,614,603
Depreciation and amortization (see Notes 21 and 22)	–	216,525	2,129,239	3,364,544	389,518	79,910	–	6,179,736
Retirements and disposals	–	(86,482)	(1,531,475)	(1,681,962)	(120,274)	(142,745)	–	(3,562,938)
Reclassifications	–	194,900	899,878	651,475	380,172	389	–	2,126,814
Translation adjustments	–	(25,021)	(350,490)	(211,507)	(49,125)	(2,420)	–	(638,563)
Balance at end of year	7,564	2,187,141	13,889,198	16,266,305	1,901,747	467,697	–	34,719,652
Accumulated Impairment Losses								
Balance at beginning of year	–	–	–	34,566	–	–	–	34,566
Additions (see Note 22)	–	–	–	399,212	–	–	–	399,212
Reversals (see Note 22)	–	–	–	(29,179)	–	–	–	(29,179)
Translation adjustments	–	–	–	(752)	–	–	–	(752)
Balance at end of year	–	–	–	403,847	–	–	–	403,847
Net Book Value	₱1,062,195	₱5,321,626	₱11,972,183	₱9,201,664	₱1,166,909	₱158,462	₱3,709,083	₱32,592,122

	2018 (As Restated)							
	Land and Land Improvements	Plant, Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
Cost								
Balance at beginning of year, As previously reported	₱673,514	₱3,345,527	₱20,461,846	₱18,177,531	₱1,441,786	₱672,266	₱2,370,853	₱47,143,323
Effect of adoption of PFRS 16 (see Note 2)	–	–	(68,407)	–	–	–	–	(68,407)
Balance at beginning of year, As restated	673,514	3,345,527	20,393,439	18,177,531	1,441,786	672,266	2,370,853	47,074,916
Additions	–	402,275	1,085,299	1,314,825	138,374	51,950	6,527,958	9,520,681
Acquisition of a business (see Note 11)	–	–	625,204	1,250,499	677,733	676	11,876	2,565,988
Retirements and disposals	–	(15,538)	(1,367,825)	(946,935)	(66,916)	(17,557)	(197,580)	(2,612,351)
Reclassifications	–	335,133	1,768,001	1,708,279	118,208	2,171	(3,411,359)	520,433
Translation adjustments	3,516	10,748	117,113	98,417	16,609	787	4,861	252,051
Balance at end of year, As restated	677,030	4,078,145	22,621,231	21,602,616	2,325,794	710,293	5,306,609	57,321,718
Accumulated Depreciation and Amortization								
Balance at beginning of year, As previously reported	7,564	1,409,213	11,246,146	11,699,317	978,883	465,693	–	25,806,816
Effect of adoption of PFRS 16 (see Note 2)	–	–	(44,331)	–	–	–	–	(44,331)
Balance at beginning of year, As restated	7,564	1,409,213	11,201,815	11,699,317	978,883	465,693	–	25,762,485
Depreciation and amortization (see Notes 2, 21 and 22)	–	291,598	2,132,629	2,882,908	362,787	80,666	–	5,750,588
Retirements and disposals	–	(11,619)	(857,636)	(696,510)	(52,035)	(16,728)	–	(1,634,528)
Reclassifications	–	189,732	154,058	174,575	(272)	2,340	–	520,433
Translation adjustments	–	8,295	111,180	83,465	12,093	592	–	215,625
Balance at end of year, As restated	7,564	1,887,219	12,742,046	14,143,755	1,301,456	532,563	–	30,614,603
Accumulated Impairment Losses								
Balance at beginning of year	–	–	–	442,693	–	–	–	442,693
Reversals (see Note 22)	–	–	–	(408,184)	–	–	–	(408,184)
Translation adjustments	–	–	–	57	–	–	–	57
Balance at end of year	–	–	–	34,566	–	–	–	34,566
Net Book Value, As restated	₱669,466	₱2,190,926	₱9,879,185	₱7,424,295	₱1,024,338	₱177,730	₱5,306,609	₱26,672,549

Construction in progress account mainly pertains to costs incurred for ongoing construction of properties, including soon-to-open stores and commissaries. The borrowing cost that has been capitalized for the construction of commissaries amounted to ₱89.7 million and ₱19.6 million as at December 31, 2019 and 2018, respectively.

On December 9, 2019, RRB Holdings Inc., a wholly owned subsidiary, entered into a memorandum of agreement with Robinsons Land Corporation, Double Dragon Properties Corp. and Hotel of Asia, Inc. for the sale of a parcel of land for ₱1,033.2 million with carrying amount of ₱250.8 million.

Gain on retirements and disposals of property, plant and equipment amounted to ₱299.0 million in 2019 and loss on retirements and disposals of property, plant and equipment amounted to ₱45.5 million and ₱174.5 million in 2018 and 2017, respectively (see Note 22).

On December 24, 2019, the Parent Company purchased condominium units in Jollibee Tower for a total cost of ₱1,055.0 million in relation to the contract to sell they entered with Double Dragon.

The JFC Group performed impairment assessments of fixed assets considering that there are observable indications that the assets' values have significantly declined resulting to recognition of provision for impairment amounting to ₱399.2 million, nil and ₱431.9 million in 2019, 2018 and 2017, respectively (see Note 22).

Management reassessed the recoverable amount of the JFC Group's office, store and food processing equipment and recognized reversal of provision amounting to ₱29.2 million, ₱408.2 million and ₱2.1 million in 2019, 2018 and 2017, respectively (see Note 22). Consequently, allowance for impairment loss on office, store and food processing equipment amounted to ₱403.8 million, ₱34.6 million and ₱442.7 million as at December 31, 2019, 2018 and 2017, respectively.

No property, plant and equipment as at December 31, 2019 and 2018 have been pledged as security or collateral.

13. Investment Properties

The rollforward analysis of this account as at December 31, 2019 and 2018 follows:

	2019		
	Land	**Buildings and Building Improvements**	**Total**
Cost			
Balance at beginning of year	**₱848,974**	**₱179,377**	**₱1,028,351**
Reclassification to property, plant and equipment (see Note 12)	**(276,252)**	**–**	**(276,252)**
Balance at end of year	**572,722**	**179,377**	**752,099**
Accumulated Depreciation and Amortization			
Balance at beginning and end of year	**–**	**179,377**	**179,377**
Net Book Value	**₱572,722**	**₱–**	**₱572,722**

	2018		
	Land	Buildings and Building Improvements	Total
Cost			
Balance at beginning of year	₱848,974	₱179,377	₱1,028,351
Accumulated Depreciation and Amortization			
Balance at beginning and end of year	–	179,377	179,377
Net Book Value	₱848,974	₱–	₱848,974

In 2019, the land, with a cost of ₱276.3 million, was transferred at cost to property, plant and equipment due to change in use, evidenced by commencement of owner-occupation (see Note 12).

The JFC Group's investment properties have an aggregate fair value of ₱1,747.3 million as at December 31, 2017 as determined by independent appraisers who holds a recognized and relevant professional qualification. Management does not expect a significant change in the aggregate fair value of the JFC Group's investment properties in 2019 and 2018. The fair value represents the amount at which the assets and liabilities can be exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions in accordance with International Valuation Standards.

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 to replace 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, and functional and economic obsolescence based on personal inspection of the buildings and building improvements and in comparison to similar properties. Fair value hierarchy disclosures for investment properties have been provided in Note 32.

Rent income derived from income-generating properties amounted to ₱28.8 million,₱25.0 million and ₱27.2 million in 2019, 2018 and 2017, respectively (see Notes 20 and 29).

Direct operating costs relating to the investment properties which include maintenance expenses totaled to ₱15.0 million, ₱12.5 million and ₱28.9 million in 2019, 2018 and 2017, respectively.

In 2017, the Parent Company sold its land located at Sta. Rosa Laguna and Luisita Industrial Park in Tarlac for a total consideration of ₱365.5 million. Net gain arising from the disposals of these investment properties amounted to ₱231.0 million (see Note 22).

In 2015, the Parent Company entered into an agreement to develop a commercial and office condominium building (the "Project") in a parcel of its land in consideration for cash and assigned units in the Project. The completion of the transaction is conditional upon fifty percent (50%) completion of the Project, as certified by the general contractor of the Project, and when all of the assigned units are fully constructed. As at December 31, 2019 and 2018, the Project is still under development.

No investment properties as at December 31, 2019 and 2018 have been pledged as security or collateral for the JFC Group's debts.

14. Trademarks, Goodwill and Other Intangible Assets

This account consists of:

	2019	2018 (As restated - Note 2)
Trademarks (see Note 11)	**₱35,047,990**	₱16,563,269
Goodwill (see Note 11)	**14,497,162**	14,395,717
Computer software, net of accumulated amortiza-tion	**570,685**	516,975
Other intangible assets, net of accumulated amor-tization	**92,282**	65,864
	₱50,208,119	₱31,541,825

Trademarks and Goodwill

Trademarks and goodwill acquired through business combinations are attributable to the following group of CGUs as at December 31:

	2019	2018
Trademarks:		
CBTL (see Note 11)	**₱18,484,721**	₱–
Smashburger (see Note 11)	**10,414,000**	10,414,000
SuperFoods Group (see Note 11):		
Highlands Coffee	**3,681,912**	3,681,912
Pho 24	**463,101**	463,101
Mang Inasal	**2,004,256**	2,004,256
Total	**35,047,990**	16,563,269
Goodwill:		
Smashburger (see Note 11)	**5,198,690**	5,345,494
SuperFoods Group (see Note 11)	**2,464,156**	2,507,801
Hong Zhuang Yuan	**2,718,848**	2,497,253
Mang Inasal	**1,781,267**	1,781,267
Red Ribbon Bakeshop:		
Philippine operations	**737,939**	737,939
US operations	**400,632**	434,651
Yong He King	**575,701**	535,281
Chowking US operations	**448,614**	383,855
GSC	**166,070**	166,931
Burger King	**5,245**	5,245
	14,497,162	14,395,717
Trademarks and goodwill	**₱49,545,152**	₱30,958,986

Computer Software

The JFC Group's computer software pertains to the Enterprise Resource Planning (ERP) system which the JFC Group started to use on August 1, 2014 and cloud-based hosting arrangements and implementation costs of CBTL.

The rollforward analysis of the JFC Group's computer software as at December 31 are as follows:

	2019	2018
Cost		
Balance at beginning of year	**₱823,506**	₱740,260
Additions	**–**	83,246
Acquisition of a business (see Note 11)	**169,652**	–
Write-off (see Note 22)	**(20,690)**	–
Balance at end of year	**972,468**	823,506
Accumulated Amortization		
Balance at beginning of year	**306,531**	227,671
Amortizations (see Note 22)	**90,504**	78,860
Balance at end of year	**397,035**	306,531
Translation adjustment	**(4,748)**	–
Net Book Value	**₱570,685**	₱516,975

Other Intangible Assets

The JFC Group's other intangible assets include other trademarks and patents, liquor licenses and customer list amortized over a useful life of five years.

The rollforward analysis of other intangible assets as at December 31 are as follows:

	2019	2018 (As restated - Note 2)
Cost		
Balance at end of year, As previously reported	**₱453,507**	₱57,119
Effect of adoption of PFRS 16 (see Note 2)	**(331,799)**	–
Balance at beginning of year, As restated	**121,708**	57,119
Additions	**–**	27,970
Acquisition of a subsidiary (see Note 11)	**49,262**	368,418
Effect of adoption of PFRS 16 (see Note 2)	**–**	(331,799)
Balance at end of year, As restated	**170,970**	121,708
Accumulated Amortization		
Balance at end of year, As previously reported	**99,490**	38,961
Effect of adoption of PFRS 16 (see Note 2)	**(43,567)**	–
Balance at beginning of year, As restated	**55,923**	38,961
Amortization (see Note 22)	**19,132**	60,529
Effect of adoption of PFRS 16 (see Notes 2 and 22)	**–**	(43,567)
Balance at end of year, As restated	**75,055**	55,923
Translation adjustment	**(3,633)**	79
Net Book Value	**₱92,282**	₱65,864

Impairment Testing of Trademarks and Goodwill

Goodwill acquired through business combinations have been allocated to ten (10) 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 the BOD covering a five-year period. Furthermore, the trademarks of Smashburger, SuperFoods Group and Mang Inasal are allocated to the CGU of Smashburger, SuperFoods Group and Mang Inasal, respectively.

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 Revenue Growth Rate
Hong Zhuang Yuan	PRC	10.0%	5.7%
Mang Inasal	Philippines	10.0%	6.5%
Red Ribbon Bakeshop:			
Philippine operations	Philippines	10.1%	6.5%
US operations	USA	7.5%	2.0%
Yong He King	PRC	8.7%	5.7%
Chowking US operations	USA	9.3%	2.0%
Burger King	Philippines	11.0%	6.5%
GSC	Vietnam	11.9%	6.5%
SuperFoods Group	Vietnam	11.2%	6.5%
Smashburger	USA	7.6%	2.0%

Key assumptions with respect to the calculation of value in use of the groups of CGUs as at December 31, 2019 and 2018 used by management in its cash flow projections 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 group of CGUs, 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 JFC Group's group of CGUs, derived from weighted average cost of capital (WACC) of each group of CGUs. The WACC takes into account both the cost of debt and equity. The cost of equity is calculated using the Capital Asset Pricing Model (CAPM). The cost of debt is based on the assumed interest-bearing borrowings each group of CGUs is obliged to service. CGU-specific risk is incorporated by applying individual alpha and beta factors. The beta factors are evaluated annually based on publicly available market data.

b) Long-term growth rates - rates are determined in consideration of historical and projected results, as well as the economic environment where the group of CGUs operate.

c) EBITDA - 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.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of the CGUs to exceed its recoverable amount.

No impairment losses were recognized for trademarks and goodwill for the years ended December 31, 2019, 2018 and 2017.

15. Other Noncurrent Assets

This account consists of:

	2019	2018 (As restated - Note 2)
Security and other deposits (see Notes 9, 31 and 32)	**₱2,971,739**	₱2,474,748
Noncurrent portion of:		
Rent and other long-term prepayments	**136,046**	505,797
Employee car plan receivables (see Notes 7, 31 and 32)	**133,434**	169,109
Prepaid market entry fee - net of accumulated amortization of ₱20.8 million and ₱15.4 million in 2019 and 2018, respectively (see Note 22)	**85,518**	94,315
Franchise rights - net of accumulated amortization of ₱63.0 million and ₱49.4 million in 2019 and 2018, respectively (see Note 22)	**80,125**	80,903
Deferred rent expense	**77,003**	78,652
Deferred compensation	**24,776**	27,367
Returnable containers and others	**20,482**	38,644
Tools and other assets	**266,851**	281,509
	₱3,795,974	₱3,751,044

Terms and conditions of other noncurrent assets are as follows:

- Security and other deposits generally represent deposits for leases entered into by the JFC Group as lessee. The security deposits are recoverable from the lessors at the end of the lease terms, which range from three to twenty years. These are carried at amortized cost. The discount rates used range from 2.91%-21.57% and 2.36%-21.57% in 2019 and 2018, respectively. 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.

- Employee car plan receivables are presented at amortized cost. The difference between the fair value at initial recognition and the notional amount of the employee car plan receivables is recognized as "Deferred compensation" and is amortized on a straight-line basis over the credit period.

  Accretion of interest on security and other deposits and employee car plan receivables amounted to ₱33.6 million, ₱46.6 million and ₱33.1 million in 2019, 2018 and 2017, respectively (see Note 23).

- Prepaid market entry fee represents upfront fee paid to the franchisor prior to the operations of Dunkin' Donuts restaurants in the PRC. Market entry fee is amortized over twenty (20) years effective February 2016, start of Dunkin' Donuts operations.

The rollforward analysis of prepaid market entry fee as at December 31 are as follows:

	2019	2018
Market Entry Fee		
Balance at beginning and end of year	**₱93,870**	₱93,870
Accumulated Amortization		
Balance at beginning of year	**15,392**	9,863
Amortizations (see Note 22)	**5,438**	5,529
Balance at end of year	**20,830**	15,392
Translation adjustment	**12,478**	15,837
	₱85,518	₱94,315

- Franchise rights pertain to franchise fees paid by PERF entities to Burger King Asia Pacific for the license to operate Burger King stores in the Philippines. Franchise rights are amortized over ten (10) years.

The rollforward analysis of franchise rights as at December 31 are as follows:

	2019	2018
Franchise Rights		
Balance at beginning of year	**₱130,317**	₱105,386
Additions	**12,855**	24,931
Balance at end of year	**143,172**	130,317
Accumulated Amortization		
Balance at beginning of year	**49,414**	36,985
Amortizations (see Note 22)	**13,633**	12,429
Balance at end of year	**63,047**	49,414
	₱80,125	₱80,903

- Tools and other assets represent tools for repairs and maintenance of office and store equipment which were still unused as at December 31, 2019 and 2018.

16. Trade Payables and Other Current Liabilities and Contract Liabilities

This account consists of:

	2019	2018
Trade	**₱14,576,452**	₱13,094,676
Accruals for:		
Salaries, wages and employee benefits	**2,774,588**	2,127,743
Store operations	**2,220,719**	1,699,887
Local taxes	**2,580,103**	2,005,187
Advertising and promotions	**1,646,581**	1,585,517
Rent	**1,259,282**	1,156,140
Freight	**753,050**	795,271
Utilities	**569,001**	484,693
Repairs and maintenance	**334,262**	393,278
Operating supplies	**301,716**	255,229
(Forward)		

	2019	2018
Accruals for:		
Professional fees	**299,894**	195,681
Interest (see Note 18)	**167,272**	239,663
Security	**162,061**	169,245
Transportation and travel	**100,284**	101,363
Communication	**90,226**	78,974
Insurance	**79,263**	18,267
Trainings and seminars	**28,805**	29,531
Service fees and others	**1,580,258**	1,320,665
Customers' deposits	**1,036,909**	898,248
Unearned revenue from gift certificates	**1,370,466**	628,070
Dividends payable	**87,959**	80,780
Other current liabilities	**1,624,841**	1,208,583
	33,643,992	28,566,691
Contract liabilities	**1,008,073**	150,078
	₱34,652,065	₱28,716,769

The terms and conditions of the above liabilities are as follows:

- Trade payables to suppliers are noninterest-bearing and are normally settled on a 30 to 60-day term.

- Accrued expenses are noninterest-bearing and are normally settled within the next financial year. Other accrued liabilities presented under "Service fees and others" consist of asset retirement obligation and other miscellaneous expenses.

- Customers' deposits pertain to security deposits from operating leases with franchisees, which are refundable at the end of the lease term, deposits for kiddie party packages and deposits from franchisees for the sale of store assets.

  Accretion of interest on customer's deposits amounted to ₱0.5 million, ₱0.6 million and ₱13.2 million in 2019, 2018 and 2017, respectively (see Note 23).

- Other current liabilities consist of staled checks, amounts payable for mascots and various subscriptions in newspapers given to customers as a complementary to their meals.

- Contract liabilities pertain to deferred revenues and unearned revenues from gift certificates from international operations.

  Movements of contract liabilities arising from deferred revenues and unearned revenues from gift certificates from international operations are as follows:

	2019	2018
Balance at beginning of year	**₱150,078**	₱2,650
Additions	**728,527**	36,506
Acquisition of a subsidiary (see Note 11)	**803,150**	113,572
Utilized gift certificates	**(646,179)**	(2,650)
Translation adjustments	**(27,503)**	–
Balance at end of year	**₱1,008,073**	₱150,078

The amount of contract liabilities arising from deferred revenues and unearned revenues from gift certificates from international operation is expected to be earned within one year.

17. Provisions

The JFC Group has outstanding provisions amounting to ₱825.1 million as at December 31, 2019 and 2018, consisting mainly of provisions for asserted claims which are normal to its business. In 2017, JFC Group recognized provision amounting to ₱794.6 million (see Note 23).

These include estimates of legal services, settlement amounts and other costs of claims made against the JFC Group. Other information on the claims is not disclosed as this may prejudice the JFC Group's position on such claims (see Note 30).

18. Short and Long-term Debts

Short-term Debt

Short-term debt consists of USD-denominated bank loans as at December 31, 2019. Details as follows:

	Availment Date	Maturity Date	Interest Rate	Condition	**Amount**
Loan 1	September 23, 2019	September 23, 2020	LIBOR plus spread; quarterly	Unsecured	**₱2,532,000**
Loan 2	September 20, 2019	September 20, 2020	LIBOR plus spread; quarterly	Unsecured	**4,557,600**
Loan 3	September 20, 2019	September 20, 2020	LIBOR plus spread; quarterly	Unsecured	**4,557,600**
Loan 4	September 20, 2019	September 7, 2020	LIBOR plus spread; quarterly	Unsecured	**2,532,000**
Loan 5	September 13, 2019	September 7, 2020	LIBOR plus spread; quarterly	Unsecured	**6,076,800**
Loan 6	March 22, 2019	March 23, 2020	LIBOR plus spread; quarterly	Unsecured	**1,012,800**
Loan 7	August 14, 2019-December 30, 2019	August 14, 2020	LIBOR plus spread; quarterly	Unsecured	**911,520**
					₱22,180,320

Loans of JWPL. Loan 1 consists of a short-term loan availed on September 23, 2019 from a local bank amounting to USD50.0 million (₱2,679.5 million) subject to a variable interest rate based on London Interbank Offered Rate (LIBOR) plus spread of 0.55% which is payable and is reset on a quarterly basis. The principal is payable on September 23, 2020, the maturity date. As at December 31, 2019, the carrying value of the loan amounted to USD50.0 million (₱2,532.0 million). The loan is guaranteed by the Parent Company.

Loan 2 consists of a short-term loan availed on September 20, 2019 from a local bank amounting to USD90.0 million (₱4,823.1 million) subject to a variable interest rate based on three-month LIBOR plus spread of 0.62% which is payable and is reset on a quarterly basis. The principal is payable on September 20, 2020, the maturity date. As at December 31, 2019, the carrying value of the loan amounted to USD90.0 million (₱4,557.6 million). The loan is guaranteed by the Parent Company.

Loan 3 consists of a short-term loan availed on September 20, 2019 from a local bank amounting to USD90.0 million (₱4,823.1 million) subject to a variable interest rate based on LIBOR plus spread of 0.55% which is payable and is reset on a quarterly basis. The principal is payable on September 20, 2020, the maturity date. As at December 31, 2019, the carrying value of the loan amounted to USD90.0 million (₱4,557.6 million). The loan is guaranteed by the Parent Company.

Loan 4 consists of a short-term loan availed on September 20, 2019 from a foreign bank amounting to USD50.0 million (₱2,679.5 million) subject to a variable interest rate based on LIBOR plus spread of 0.90% which is payable and is reset on a quarterly basis. The principal is payable on September 7, 2020, the maturity date. As at December 31, 2019, the carrying value of the loan amounted to USD50.0 million (₱2,532.0 million). The loan is guaranteed by the Parent Company.

Loan 5 consists of a short-term loan availed on September 13, 2019 from a foreign bank amounting to USD120.0 million (₱6,430.8 million) subject to a variable interest rate based on three-month LIBOR plus spread of 0.50% which is payable and is reset on a quarterly basis. The principal is payable on September 7, 2020, the maturity date. As at December 31, 2019, the carrying value of the loan amounted to USD120.0 million (₱6,076.8 million). The loan is guaranteed by the Parent Company.

The short-term debts of JWPL (Loans 1 to 5) have been prepaid on February 3 and 6, 2020 from the proceeds of the issuance of guaranteed Senior Perpetual Capital Securities (see Note 34).

Loans of SJBF. Loan 6 consists of a short-term uncommitted line of credit agreement signed on March 22, 2019 with a local bank up to an aggregate amount of USD20.0 million (₱1,046.4 million) until April 1, 2020. The loan is subject to variable interest rate based on three-month LIBOR plus spread of 0.95% which is payable monthly and subject to quarterly repricing. The initial drawdown was availed on April 5, 2019 amounting to USD5.0 million (₱260.5 million). Subsequently, 2nd , 3rd and 4th drawdowns amounting to USD5.0 million (₱262.2 million), USD5.0 million (₱257.9 million) and USD5.0 million (₱255.2 million) were availed on May 14, 2019, June 21, 2019 and July 19, 2019, respectively. The loan will mature on March 23, 2020. As at December 31, 2019, the carrying value of the loan amounted to USD20.0 million (₱1,012.8 million).

Loan 7. On August 14, 2019, Smashburger Finance LLC signed a short-term uncommitted line of credit agreement with a local bank up to an aggregate amount of USD20.0 million (₱1,045.6 million) until August 14, 2020. The loan is subject to variable interest rate based on three-month LIBOR plus spread of 0.95% which is payable monthly and subject to quarterly repricing. The initial drawdown was availed on August 22, 2019 amounting to USD5.0 million (₱261.3 million). Subsequently, 2nd and 3rd drawdowns amounting to USD10.0 million (₱507.3 million) and USD3.0 million (₱151.9 million) were availed on November 12, 2019 and December 30, 2019, respectively. The loan will mature on August 14, 2020. As at December 31, 2019, the carrying value of the loan amounted to USD18.0 million (₱911.5 million).

Interest expense recognized on short-term debt amounted to ₱189.9 million in 2019 (see Note 23).

Long-term Debt

The long-term debt consists of the following:

	2019	2018
Principal	**₱22,682,946**	₱26,363,627
Unamortized debt issue cost	**(87,223)**	(99,274)
	₱22,595,723	₱26,264,353

The details of long-term debt follow:

	Availment Date	Maturity Date	Interest Rate	Condition	**2019**	2018
USD-denominated						
Subsidiaries						
Loan 1	October 21, 2015	October 21, 2025	LIBOR plus spread; quarterly	Unsecured	**₱3,713,600**	₱4,498,511
Loan 2	November 29, 2016	November 29, 2024	3.0% per annum; annually	Unsecured	**1,473,624**	1,545,852
Loan 3	November 29, 2016	November 29, 2022	ROP 2121 and ROP 2024 plus spread; annually	Unsecured	**392,966**	412,227
Loan 4	April 25, 2014	April 25, 2019	1.48%; quarterly	Unsecured	**–**	310,222
VND-denominated						
Subsidiaries						
Loan 5 (see Note 11)	February 19, 2015	February 20, 2020	VIOR plus spread; monthly	Unsecured	**10,743**	79,296
Loan 6 (see Note 11)	December 30, 2015	December 20, 2020	VND COF plus spread; quarterly	Unsecured	**37,145**	88,128
Loan 7 (see Note 11)	April 3, 2017	April 1, 2022	VND COF plus spread; quarterly	Unsecured	**92,863**	137,088
Loan 8	February 13, 2018	March 20, 2023	VND COF plus spread; quarterly	Unsecured	**229,269**	260,352
Loan 9	November 15, 2018-October 9, 2019	December 24, 2023	Bank's three-month COF plus spread; quarterly	Unsecured	**404,225**	41,951
Loan 10	November 19 - December 30, 2019	August 30, 2024	Bank's three-month COF plus spread; quarterly	Unsecured	**118,511**	–
PHP-denominated						
Parent Company						
Loan 11	December 16, 2013	June 17, 2019	PDST-F plus spread; quarterly	Unsecured	**–**	1,454,318
Loan 12	April 21, 2014	April 22, 2019	PDST-F plus spread; quarterly	Unsecured	**–**	799,733
Loan 13	April 22, 2016	April 22, 2021	PDST-R2 plus spread; quarterly	Unsecured	**373,583**	622,583
Loan 14	December 22, 2017	December 22, 2022	PDST-R2 plus spread; quarterly	Unsecured	**1,195,200**	1,593,600
Loan 15	December 22, 2017	December 22, 2022	PDST-R2 plus spread; quarterly	Unsecured	**1,568,700**	2,091,600
Loan 16	December 22, 2017	December 22, 2022	PDST-R2 plus spread; quarterly	Unsecured	**597,600**	796,800
Loan 17	December 27, 2017	December 27, 2022	PDST-R2 plus spread; quarterly	Unsecured	**448,200**	597,600
Loan 18	March 27, 2018	March 27, 2025	PDST R-2 plus spread; quarterly	Unsecured	**4,176,375**	4,171,875
Loan 19	May 11, 2018	May 11, 2025	PDST R-2 plus spread; quarterly	Unsecured	**2,982,589**	2,979,376
Loan 20	August 15, 2018	August 15, 2025	PDST-R2 plus spread; quarterly	Unsecured	**2,683,607**	2,680,714
Subsidiaries						
Loan 21	December 21, 2016	December 21, 2021	PDST-R2 plus spread; quarterly	Unsecured	**109,780**	109,670
Loan 22	August 24, 2018	August 24, 2025	PDST-R2 plus spread; quarterly	Unsecured	**993,929**	992,857
Loan 23	May 8, 2019	May 8, 2026	BVAL plus spread	Unsecured	**993,214**	–
					22,595,723	26,264,353
Less current portion - net of debt issue costs of ₱17.8 million and ₱7.0 million in 2019 and 2018, respectively					**3,415,975**	4,892,102
					₱19,179,748	₱21,372,251

LIBOR – London Interbank Offered Rate
VIOR – Vietnam Interbank Offered Rate
BVAL – Bloomberg Valuation Service
PDST-F – Philippine Dealing System Treasury Fixing
PDST-R2 – Philippine Dealing System Treasury - Reference Rate Two

VND-denominated Loans of SuperFoods Group. On April 3, 2017, SuperFoods Group acquired Loan 7 which consists of a 5-year unsecured loan from a local bank in Vietnam amounting to VND68.0 billion (₱151.2 million) with variable interest rate based on three-month VND COF plus spread of 1.5%. The principal is payable in sixteen (16) quarterly installments commencing on the 15th month from the first drawdown date until April 1, 2022, the maturity date. As at December 31, 2019 and 2018, the carrying value of the loan amounted to VND42.5 billion (₱92.9 million) and VND59.5 billion (₱137.1 million), respectively.

Loan 8 consists of a 5-year unsecured loan acquired from a local bank in Vietnam amounting to VND113.0 billion (₱262.7 million) available in tranches within eighteen (18) months from February 13, 2018, the date of loan agreement. The loan is subject to a variable interest rate based on three-month VND COF plus spread of 1.3%. The principal is payable in fourteen (14) quarterly installments commencing on the 21st month from the initial drawdown date on March 20, 2018 amounting to VND7.5 billion (₱17.4 million). The loan will mature on March 20, 2023. As at December 31, 2019 and 2018, the carrying value of the loan amounted to VND104.9 billion (₱229.3 million) and VND113.0 billion (₱260.4 million), respectively.

Loan 9 consists of a 5-year unsecured loan acquired from a local bank in Vietnam amounting to VND185.0 billion (₱426.2 million) available in tranches within twenty-four (24) months from November 15, 2018, the date of loan agreement. The loan is subject to a variable interest rate based on the Bank's three-month COF plus spread of 1.35%. The principal is payable in twelve (12) quarterly installments commencing on the 27th month from the initial drawdown date on December 25, 2018 amounting to VND18.2 billion (₱42.0 million). Subsequent tranches amounting to a total of VND166.8 billion (₱374.5 million) were availed in 2019. The loan will mature on December 24, 2023. As at December 31, 2019 and 2018, the carrying value of the loan amounted to VND185.0 billion (₱404.2 million) and VND18.2 billion (₱42.0 million), respectively.

Loan 10 consists of a 5-year unsecured loan acquired from a local bank in Vietnam amounting to VND160.0 billion (₱349.6 million) available in tranches within twelve (12) months from August 29, 2019, the date of loan agreement. The loan is subject to a variable interest rate based on the Bank's three-month COF plus spread of 1.35%. The principal is payable in sixteen (16) quarterly installments commencing on the 16th month from the date of agreement. Initial drawdown amounting to VND4.6 billion (₱10.2 million) was availed on November 19, 2019. Subsequent tranches amounting to a total of VND49.6 billion (₱108.4 million) were availed in November and December 2019. The loan will mature on August 30, 2024. As at December 31, 2019, the carrying value of the loan amounted to VND54.2 million (₱118.5 million).

PHP-denominated Loans of the Parent Company. Loan 14 consists of 5-year unsecured loan acquired from a local bank on December 22, 2017 amounting to ₱1,600.0 million. The loan is subject to a variable interest based on the simple average of the preceding five (5) days of the three-month PDST-R2 plus spread of 0.50%, which is payable and repriced on a quarterly basis, and to an interest rate floor of 2.70%. Provided, however that on any interest payment date, but in no case later than 365 days from the initial drawdown date, in lieu of a floating interest rate, the Parent Company shall have a one-time option to convert into a fixed-interest rate loan based on the applicable three-month PDST-R2 rate plus spread of 0.60%. The principal is payable in sixteen (16) quarterly installments commencing on the 15th month from drawdown date amounting to ₱100.0 million. The Parent Company incurred debt issue cost of ₱8.0 million, representing documentary stamp tax, for this loan. The Parent Company also has an option to prepay the loan in part or in full on any interest payment date subject to certain conditions.

Loan 15 consists of 5-year unsecured loan acquired from a local bank on December 22, 2017 amounting to ₱2,100.0 million. The loan is subject to a variable interest rate based on the simple average of the five (5) trading days of the three-month Treasury Securities Benchmark Yield, as published in the PDST-R2 page of the PDEX preceding and inclusive of the Interest Rate Setting Date plus spread of 0.50%. The principal is payable on December 22, 2022, the date of maturity with an option to prepay the loan, wholly or partially, without penalty at any time during the term of the loan subject to certain conditions. On July 16, 2018, the loan agreement was amended to pay the principal in sixteen (16) quarterly installments commencing on the end of the fourth quarter from the drawdown date. The Parent Company incurred debt issue cost of ₱10.5 million, representing documentary stamp tax, for this loan.

Loan 16 consists of 5-year unsecured loan acquired from a local bank on December 22, 2017 amounting to ₱800.0 million. The loan is subject to a variable interest based on the simple average of the preceding five (5) days of the three-month PDST-R2 rate plus spread of 0.50%, which is payable and is reset on a quarterly basis, and to an interest rate floor based on BSP Overnight Deposit Facility Rate. The principal is payable in sixteen (16) quarterly installments commencing on the 15th month from drawdown date amounting to ₱50.0 million. The Parent Company incurred debt issue cost of ₱4.0 million, representing documentary stamp tax, for this loan. The Parent Company has an option to prepay the loan in part or in full on any interest payment date subject to certain conditions.

Loan 17 consists of 5-year unsecured loan acquired from a local bank on December 27, 2017 amounting to ₱600.0 million. The loan is subject to a variable interest equal to the three-month PDST-R2 rate plus spread of 0.50%, which is payable and is reset on a quarterly basis, and to an interest rate floor based on BSP Overnight Deposit Facility Rate plus 0.50%. The principal is payable in sixteen (16) quarterly installments commencing on the 15th month from drawdown date amounting to ₱37.5 million. The Parent Company incurred debt issue cost of ₱3.0 million, representing documentary stamp tax, for this loan. The Parent Company has an option to convert the variable interest rate into a fixed interest rate on any interest payment date but in no case later than 365 days from the drawdown date. The conversion to fixed interest rate is based on a five year PDST-R2 rate plus spread of 0.75%. The Parent Company also has an option to prepay the loan in part or in full on any interest payment date subject to certain conditions.

Loan 18 consists of 7-year unsecured loan acquired from a local bank on March 27, 2018 amounting to ₱4,200.0 million. The loan is subject to a variable interest equal to the simple average of the preceding five (5) days of the three-month PDST-R2 rate plus spread of 0.40% and to an interest rate floor of 3.0%. The principal is payable in equal quarterly installments commencing on the 27th month from drawdown date amounting to ₱210.0 million. The Parent Company incurred debt issue cost of ₱31.5 million, representing documentary stamp tax, for this loan. The Parent Company has an option to convert the variable interest rate into a fixed interest rate but in no case later than 365 days from the drawdown date. The conversion to fixed interest rate is based on simple average of the applicable/interpolated "Done" PDST-R2 rates within the preceding five (5) consecutive business days plus spread of 0.60%. In the event that there is no "Done" PDST-R2 rates, it shall be determined by interpolating the "Done" PDST-R2 of other tenors or mutually agreed computation based on the available bids/interpolation. The Parent Company also has an option to prepay the loan in part or in full on any interest payment date subject to certain conditions.

Loan 19 consists of 7-year unsecured loan acquired from a local bank on May 11, 2018 amounting to ₱3,000.0 million. The loan is subject to a variable interest rate equal to simple average of the five (5) trading days of the three-month Treasury Securities Benchmark Yield, as published in the PDST-R2 page of the PDEX preceding and inclusive of the Interest Rate Setting Date plus spread of 0.50%. The Parent Company has a one-time option to convert the variable interest rate into a fixed interest rate until the fourth interest rate setting date subject to certain conditions. The conversion to fixed interest rate is equal to the interpolated Treasury Securities Benchmark Yield based on the remaining tenor of the Loan, as published in the PDST-R2 on the interest setting date plus spread of 0.50%. The principal is payable in twenty (20) quarterly installments commencing on the end of the 8th quarter from the drawdown date. The Parent Company incurred debt issue cost of ₱22.5 million, representing documentary stamp tax, for this loan.

Loan 20 consists of 7-year unsecured loan acquired from a local bank on August 15, 2018 amounting to ₱2,700.0 million. The loan is subject to a variable interest rate equal to simple average of the five (5) trading days of the three-month Treasury Securities Benchmark Yield, as published in the PDST-R2 page of the PDEX preceding and inclusive of the Interest Rate Setting Date plus spread of 0.50%. The Parent Company has a one-time option to convert the variable interest rate into a fixed interest rate until the fourth interest rate setting date subject to certain conditions. The conversion to fixed interest rate is equal to the interpolated Treasury Securities Benchmark Yield based on the remaining tenor of the Loan, as published in the PDST-R2 on the interest setting date plus spread of 0.50%. The principal is payable in twenty (20) quarterly installments commencing on the end of the 8th quarter from the drawdown date. The Parent Company incurred debt issue cost of ₱20.3 million, representing documentary stamp tax, for this loan.

The Parent Company's PHP denominated long-term debt (Loans 11 to 20) amounted to ₱14,025.9 million and ₱17,788.2 million, net of unamortized debt issue cost of ₱74.1 million and ₱91.8 million as at December 31, 2019 and 2018, respectively. The current portion amounted to ₱2,573.3 million and ₱3,773.0 million, net of debt issue cost of ₱16.7 million and ₱7.0 million as at December 31, 2019 and 2018, respectively.

PHP-denominated Loan of Zenith. Loan 22 is a 7-year unsecured loan acquired from a local bank on August 24, 2018 amounting to ₱1,000.0 million. The loan is subject to a variable interest equal to the simple average of the preceding five (5) days of the three-month PDST-R2 on the interest setting date plus spread of 0.48% and to an interest rate floor equal to the BSP Overnight Reverse Repurchase Rate. Zenith has an option to convert the variable interest rate into a fixed interest rate but in no case later than 365 days from the drawdown date. The conversion to fixed interest rate is based on simple average of the applicable/interpolated "Done" PDST-R2 rates within the preceding five (5) consecutive business days plus spread of 0.60%. Zenith incurred debt issue cost of ₱7.5 million, representing documentary stamp tax, in relation to this loan. The principal is payable in equal quarterly installments commencing on the 27th month from the drawdown date and every quarter thereafter until maturity. The carrying amount of the loan is ₱993.9 million and ₱992.9 million, net of unamortized debt issue cost of ₱6.1 million and ₱7.1 million as at December 31, 2019 and 2018, respectively.

Loan 23 consists of 7-year unsecured loan acquired from a local bank on May 8, 2019 amounting to ₱1,000.0 million. The loan is subject to a variable interest equal to the simple average of the preceding five (5) banking days PHP BVAL Reference rate for three (3) months tenor plus spread of 0.66% or to an interest rate floor equal to the BSP Overnight Reverse Repurchase Rate plus spread of 0.50%. Zenith has an option to convert the variable interest rate into a fixed interest within one (1) year from the drawdown date. The conversion to fixed interest rate is based on simple average of the applicable/interpolated PHP BVAL Reference rate for the remaining tenor of the loan plus spread of 1.0%. Zenith incurred debt issue cost of ₱7.5 million, representing documentary stamp tax, in relation to this loan. The principal is payable in equal quarterly installments commencing on the 9th quarter from the drawdown date and every quarter thereafter until maturity. The carrying amount of the loan is ₱993.2 million, net of unamortized debt issue cost of ₱6.8 million, as at December 31, 2019.

In 2019, Loans 4, 11 and 12 were paid in full at maturity dates.

The loans are guaranteed by the Parent Company. Consequently, the Parent Company is subject to certain debt covenants which include, among others, maintaining a Debt-to-Equity ratio, Debt-to-EBITDA ratio and Debt-to-Service Coverage Ratio. As at December 31, 2019, the Debt-to-EBITDA ratio was amended temporarily from 3.0-4.0 or below to 5.0 or below and Debt-to-Service Coverage Ratio was waived until December 31, 2020. The Parent Company is in compliance with these debt covenants as at December 31, 2019 and 2018.

Interest expense recognized on long-term debt amounted to ₱1,172.6 million, ₱888.2 million and ₱392.6 million in 2019, 2018 and 2017, respectively (see Note 23). Accretion of debt issue costs amounting to ₱19.6 million, ₱14.9 million and ₱3.2 million in 2019, 2018 and 2017, respectively, is recognized under "Interest expense" account in the consolidated statements of comprehensive income.

The future expected principal settlements of the JFC Group's loans follow:

	2019	2018
2019	**₱–**	₱4,899,151
2020	**3,433,754**	3,510,235
2021	**4,758,007**	4,391,793
2022	**4,928,959**	4,552,194
2023 to 2026	**9,562,226**	9,010,254
	22,682,946	26,363,627
Less debt issue costs	**(87,223)**	(99,274)
	₱22,595,723	₱26,264,353

Embedded Derivatives

Certain long-term loans of the JFC Group include provisions for an option to convert the variable interest rate into a fixed interest rate. Certain long-term loans are also subject to an interest rate floor. In addition, the JFC Group's long-term loans generally provide an option to pre-pay the loan in full before the maturity date.

The JFC Group assessed that the derivatives embedded in the loan contracts need not be bifurcated since they are clearly and closely related to the economic characteristics and risks of the host loan contract and do not qualify for separate accounting as at December 31, 2019 and 2018.

Freestanding Derivatives, Hedges and Hedge Effectiveness Testing

On November 20, 2015, the JFC Group entered into an Interest Rate Swap (IRS) with a bank to convert its exposure in the variable interest rate of Loan 1 to a fixed interest rate. The IRS will terminate and the loan will mature simultaneously on October 21, 2025. The JFC Group has designated the IRS as a cash flow hedge.

The IRS with a notional amount equal to the principal amount of the loan requires the JFC Group to pay fixed interest payments at 3.36% in exchange of variable interest payments at three-month LIBOR plus spread of 1.20% from the bank throughout the term of the IRS on the notional amount. The IRS settles quarterly on a net basis.

The fair value of the IRS amounted to ₱58.2 million as at December 31, 2019, presented as derivative liability, and ₱82.9 million as at December 31, 2018, presented as derivative asset in the consolidated statements of financial position. The terms of the IRS approximately match the terms of the interest payments on the loan. Accordingly, there is no hedge ineffectiveness to be recognized in profit or loss.

Unrealized loss of ₱141.1 million and unrealized income of ₱70.9 million and ₱45.5 million were recognized in other comprehensive income in 2019, 2018 and 2017, respectively.

19. Equity

a. Capital Stock

The movements in the account are as follows:

	2019	2018
Authorized - ₱1 par value		
1,450,000,000 shares	**₱1,450,000**	₱1,450,000
Issued and subscribed:		
Balance at beginning of year	**₱1,105,214**	₱1,101,656
Issuances during the year	**4,935**	3,558
Balance at end of year	**1,110,149**	1,105,214
Subscriptions receivable	**(17,178)**	(17,178)
	₱1,092,971	₱1,088,036

The total number of shareholders of the Parent Company is 3,004 and 3,023 as at December 31, 2019 and 2018, respectively.

b. Additional Paid-in-Capital

The movements in the Additional paid in-capital pertain to the difference between the exercise prices of stock options exercised and the par value of Parent Company's shares. For the years ended December 31, 2019 and 2018, stock options totaling 4,934,701 shares and 3,558,182 shares, respectively, were exercised (see Note 26). These resulted to an additional paid-in capital amounting to ₱580.5 million, ₱472.0 million and ₱850.8 million in 2019, 2018 and 2017, respectively.

Stock options expense amounting to ₱262.9 million, ₱312.0 million and ₱227.5 million in 2019, 2018 and 2017, respectively, were also recognized as part of additional paid-in capital (see Notes 22 and 26).

The Parent Company recognized deferred tax assets on MSOP and ELTIP, resulting to a decrease of ₱684.5 million and increase of ₱334.1 million and ₱782.0 million in additional paid-in capital in 2019, 2018 and 2017, respectively.

As at December 31, 2019 and 2018, total additional paid-in capital amounted to ₱8,797.4 million and ₱8,638.4 million, respectively.

c. 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, 2019 and 2018.

d. 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, 2019 and 2018, 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
15% of Belmont in 2007	375,721
40% of Adgraphix in 2010	(1,214)
30% of Mang Inasal in 2016	1,217,615
30% of HBFPPL in 2016	391,782
15% of SJBF in 2018 (see Note11)	(347,395)
	₱1,804,766

e. Retained Earnings

The JFC Group has a cash dividend policy of declaring one-third of the JFC 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 43.8%, 32.8% and 33.9% in 2019, 2018 and 2017, 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 ₱14,183.9 million, ₱12,538.8 million and ₱10,876.0 million as at December 31, 2019, 2018 and 2017, respectively.

The Parent Company's cash dividend declarations for 2019, 2018 and 2017 follow:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total Cash Dividends Declared
			(In Thousands, except dividend per share)	
2019				
April 8	April 26	May 9	**₱1.23**	**₱1,341,178**
November 11	November 26	December 10	**1.35**	**1,473,767**
			₱2.58	**₱2,814,945**
2018				
April 6	April 24	May 9	₱1.14	₱1,236,518
November 9	November 26	December 10	1.34	1,455,269
			₱2.48	₱2,691,787
2017				
April 5	April 21	May 5	₱1.00	₱1,077,527
November 10	November 27	December 11	1.18	1,277,984
			₱2.18	₱2,355,511

An important part of the JFC 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 2006 (₱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), 40% of SJBF LLC, the parent company of the entities comprising the Smashburger business in US (₱4,812.8 million), including transaction costs in 2015, the remaining 30% minority share each in Mang Inasal (₱2,000.0 million) and HBFPPL (₱514.9 million), acquisition of GSC (₱8.6 million) in 2016, the acquisition of additional 10% share in SuperFoods Group (₱2,712.7 million) in 2017, acquisition of the remaining 60% share in SJBF LLC (₱5,735.8 million) in 2018 and 80% of The Coffee Bean & Tea Leaf (₱17,163.0 million) in 2019.

The JFC Group plans to continue to make substantial acquisitions in the coming years. The JFC 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.

On November 9, 2018, the BOD approved the following:

- Release of previously appropriated retained earnings amounting to ₱18,200.0 million as at September 30, 2018 related to the completed projects in 2013 to 2018; and,

- Appropriation of retained earnings amounting to ₱20,000.0 million. Details are as follows:

Projects	Timeline	Amount
Capital Expenditures	2019 - 2024	₱12,000,000
Acquisition of Businesses	2019 - 2024	8,000,000
		₱20,000,000

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 as well as the undistributed retained earnings of its subsidiaries which amounted to ₱1,715.4 million, ₱3,063.9 million and ₱3,525.2 million as at December 31, 2019, 2018 and 2017, respectively.

In relation with the Securities Regulation Code, below is the summary of the Parent Company's track record of registration of securities.

	Number of Shares registered	Initial issue/offer price	Listing Date	Number of holders of securities	
				2019	2018
Common shares	75,000,000	₱9	July 14, 1993	**3,004**	3,023

20. Royalty, Set-up Fees and Others

This account consists of:

	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Royalty fees	**₱8,477,040**	₱7,043,891	₱5,614,447
Set-up fees	**471,711**	546,909	424,217
Service fees	**381,188**	489,359	380,149
Scrap sales	**89,367**	109,658	199,077
Rent income (see Notes 13 and 29)	**58,493**	24,992	27,219
Other revenues	**237,917**	228,655	237,879
	₱9,715,716	₱8,443,464	₱6,882,988

The JFC Group has existing Royalty and Service 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", "Hong Zhuang Yuan", "Highlands Coffee", "Pho 24", "Smashburger" and "The Coffee Bean & Tea Leaf" concepts and trade names. In consideration thereof, the franchisees agree to pay set-up fees and monthly royalty fees equivalent to a certain percentage of the franchisees' net sales.

The JFC Group's franchisees pay service fees for various services, including repairs and maintenance services, rendered by the JFC Group's personnel.

Other revenues pertain to delivery fees and other miscellaneous revenues earned by the JFC Group.

21. Direct Costs

This account consists of:

	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Cost of Sales			
Cost of inventories	**₱85,405,049**	₱74,995,446	₱62,725,504
Personnel costs:			
Salaries, wages and other employee benefits (see Note 25)	**17,778,095**	14,878,078	11,021,803
Pension expense (see Note 25)	**189,336**	190,272	168,059
Depreciation and amortization (see Notes 2, 12 and 29)	**12,876,957**	11,343,834	8,467,350
Contracted services	**9,942,936**	8,847,468	7,305,046
Rent (see Notes 2 and 29)	**4,466,414**	4,700,223	4,429,587
Electricity and other utilities	**5,535,762**	5,247,450	4,587,166
Supplies	**2,963,236**	3,150,090	2,570,007
Repairs and maintenance	**2,001,413**	1,578,608	1,218,581
Security and janitorial	**1,103,819**	983,306	795,773
Communication	**341,033**	289,677	227,195
Professional fees	**162,482**	169,531	57,575
Representation and entertain-ment	**125,518**	131,853	39,191
Others	**4,364,723**	3,391,257	2,914,522
	147,256,773	129,897,093	106,527,359

(Forward)

	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Cost of Services			
Advertising expense	**3,001,108**	2,523,492	2,036,535
	₱150,257,881	₱132,420,585	₱108,563,894

Others consist mainly of delivery costs and insurance expenses.

22. General and Administrative Expenses - Net

This account consists of:

	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Personnel costs:			
Salaries, wages and other employee benefits (see Note 25)	**₱9,580,087**	₱8,027,163	₱6,850,398
Stock options expense (see Notes 19 and 26)	**262,875**	311,964	227,483
Pension expense (see Note 25)	**204,831**	208,533	194,781
Taxes and licenses	**1,854,426**	1,561,687	1,394,412
Professional fees	**1,213,054**	1,018,320	825,264
Transportation and travel	**836,518**	748,856	577,374
Depreciation and amortization (see Notes 2, 12, 14, 15 and 29)	**596,289**	541,918	460,874
Contracted services	**597,231**	565,260	474,622
Rent (see Notes 2 and 29)	**522,230**	586,982	516,717
Impairment in value of:			
Property, plant and equipment (see Note 12)	**399,212**	–	431,939
Receivables (see Note 7)	**25,342**	10,188	143,772
Inventories (see Note 8)	**16,670**	8,278	7,443
Other assets	**–**	–	122,759
Repairs and maintenance	**323,257**	279,891	157,495
Training	**279,548**	151,753	134,448
Corporate events	**215,376**	234,865	192,187
Membership and subscriptions	**222,805**	160,414	139,552
Loss (gain) on retirements and disposals of:			
Property, plant and equipment and other intangible assets (see Notes 12 and 14)	**(278,318)**	45,540	174,510
Investment properties (see Note 13)	**–**	–	(231,036)
Communication	**186,030**	158,430	116,101
Reversals of provision for impairment on:			
Receivables (see Note 7)	**(91,402)**	(23,675)	(20,705)
Property, plant and equipment (see Note 12)	**(29,179)**	(408,184)	(2,111)
Inventories (see Note 8)	**(26,465)**	(6,148)	(53,819)

(Forward)

	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Donations	**120,576**	101,118	93,294
Supplies	**106,830**	96,224	89,641
Representation and entertainment	**94,201**	121,306	70,282
Insurance	**80,048**	41,179	21,182
Electricity and other utilities	**71,749**	72,095	55,806
Association dues	**42,338**	69,569	51,994
Security and janitorial	**34,054**	26,053	24,408
Research and development and others	**1,424,369**	751,040	688,308
	₱18,884,582	₱15,460,619	₱13,929,375

Others pertain to penalties on pre-termination of leases and other miscellaneous expenses.

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

	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Interest income			
Cash and cash equivalents and short-term investments (see Note 6)	**₱273,022**	₱313,273	₱149,298
Loans and advances (see Note 11)	**85,985**	55,523	77,120
Accretion of interest on security and other deposits and employee car plan receivables (see Note 15)	**33,564**	46,589	33,149
Accretion of interest lease receivables (see Note 29)	**8,086**	9,034	9,866
	₱400,657	₱424,419	₱269,433

	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Interest expense			
Accretion of lease liabilities (see Notes 2 and 29)	**(₱1,824,311)**	(₱1,728,620)	(₱1,387,557)
Long-term debt (see Note 18)	**(1,172,589)**	(888,216)	(392,589)
Short-term debt (see Note 18)	**(189,917)**	–	–
Accretion of customers' deposits (see Note 16)	**(481)**	(627)	(13,231)
	(₱3,187,298)	(₱2,617,463)	(₱1,793,377)

	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Other income (expense)			
Gain from acquisition of a business and re-measurement of previously held interest (see Note 11)	**₱3,150,776**	₱754,804	₱1,328,733
Write-off of liabilities	**2,290,538**	2,343,295	1,547,166
Bank charges	**(404,958)**	(317,791)	(165,348)
Pre-termination of lease agreements (see Note 2)	**400,367**	193,230	52,778
Rebates and suppliers' incentives	**339,082**	194,927	189,452
Foreign exchange loss - net	**(268,155)**	(34,597)	(63,535)
Penalties and charges	**65,826**	62,467	69,610
Charges to franchisees	**24,556**	24,679	18,979
Other rentals	**6,258**	8,662	17,484
Net unrealized gain (loss) on financial assets at FVTPL (see Note 10)	**(1,640)**	9,980	–
Marked-to-market loss on derivatives (see Note 11)	**–**	(49,791)	(129,371)
Reversal of impairment loss on interest in an associate (see Note 11)	**–**	16,660	–
Provisions (see Note 17)	**–**	–	(794,609)
Loss on divestment of subsidiaries and interest in a joint venture (see Note 11)	**–**	–	(116,207)
Insurance claims and others	**143,021**	136,003	180,515
	₱5,745,671	₱3,342,528	₱2,135,647

In the normal course of business, the JFC Group accrues liabilities based on management's best estimate of costs incurred, particularly in cases when the JFC Group has not yet received final billings from suppliers and vendors. There are also ongoing negotiations and reconciliations with suppliers and vendors on certain liabilities recorded. These balances are continuously reviewed by management and are adjusted based on these reviews, resulting to write-off of certain liabilities as other income.

24. Income Taxes

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

	2019	2018	2017
Final tax withheld on:			
Royalty income	**₱1,750,140**	₱1,512,611	₱1,260,352
Interest income	**30,914**	39,153	16,349
RCIT:			
With itemized deduction	**873,698**	511,077	306,010
With Optional Standard Deduction (OSD)	**195,044**	473,240	369,839
MCIT	**405,868**	286,011	336,152
Capital gains	**–**	–	21,928
	₱3,255,664	₱2,822,092	₱2,310,630

RCIT consists of corporate income taxes from the JFC Group's operations in the Philippines, PRC, USA and Vietnam.

For the years ended December 31, 2019 and 2018, Grandworth and RRBH, wholly-owned subsidiaries, elected to use OSD in computing for their taxable income. The net tax benefit from the availment of OSD amounted to ₱123.6 million and ₱2.7 million for in 2019 and 2018, respectively.

The components of the JFC Group's recognized net deferred tax assets as at December 31 follow:

	2019	2018 (As restated - Note 2)
Deferred tax assets:		
Lease liabilities	**₱7,055,657**	₱7,766,064
NOLCO:		
Philippine-based entities	**155,759**	311,331
PRC-based entities	**110,960**	190,154
USA-based entities	**608,903**	45,976
Pension liability and other benefits	**765,184**	504,790
Accrued expenses of USA-based entities	**730,686**	749,663
Excess of MCIT over RCIT	**654,418**	614,580
MSOP and ELTIP	**531,568**	1,312,022
Unrealized foreign exchange loss	**158,461**	85,708
Accumulated impairment loss in value of receivables, inventories, property, plant and equipment and other nonfinancial assets	**66,697**	108,432
Unaccreted discount on security deposits and employee car plan receivables	**36,004**	36,978
Unamortized past service costs	**6,491**	15,408
Others	**12,053**	9,634
	10,892,841	11,750,740
Deferred tax liabilities:		
Right-of-use assets	**6,019,510**	6,746,460
Prepaid rent	**155,549**	4,685
Excess of fair value over book value of identifiable assets of acquired businesses	**77,282**	80,243
Unrealized foreign exchange gain	**76,936**	93,995
State income taxes	**47,343**	49,157
Unaccreted discount on employee car plan receivables and security deposits	**26,714**	25,811
Operating lease receivables	**22,576**	18,087
Deferred rent expense	**15,225**	19,316
Unrealized gain on change in fair value of financial assets at FVTPL	**2,444**	1,192
	6,443,579	7,038,946
Deferred tax assets - net	**₱4,449,262**	₱4,711,794

The components of the JFC Group's recognized net deferred tax liabilities as at December 31 follow:

	2019	2018 (As restated - Note 2)
Deferred tax assets:		
Lease liabilities	**₱4,388,629**	₱2,711,783
Allowance for impairment loss on receivables and inventories	**79,590**	85,494
Pension liability and other benefits	**56,045**	57,494
MSOP and ELTIP	**5,665**	27,639
Unaccreted discount on security deposits and employee car plan receivables	**837**	3,180
Unamortized past service costs	**378**	3,436
Unrealized foreign exchange loss	**32**	1,377
	4,531,176	2,890,403
Deferred tax liabilities:		
Excess of fair value over book value of identifiable assets of acquired businesses	**4,915,996**	3,703,679
Right-of-use assets	**4,333,105**	2,631,289
Finance lease receivables	**33,327**	33,264
Unaccreted discount on employee car plan receivables, security and product security deposits	**1,049**	1,640
Unrealized foreign exchange gain	**5**	–
Others	**6,927**	2,028
	9,290,409	6,371,900
Deferred tax liabilities - net	**₱4,759,233**	₱3,481,497

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

	2019	2018 (As restated - Note 2)
Balance at beginning of year, As previously reported	**₱810,743**	₱2,719,818
Effect of adoption of PFRS 16 (see Note 2)	**419,554**	378,152
Balance at beginning of year, As restated	**1,230,297**	3,097,970
Additions:		
Arising from business combination	**(1,692,575)**	(1,697,082)
Income tax effect to profit or loss	**(195,024)**	(141,975)
Income tax effect of remeasurements of net defined benefit plan	**252,873**	(54,831)
Translation adjustments	**94,458**	26,215
Balance at end of year	**(₱309,971)**	₱1,230,297

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

	2019	2018
Deferred tax assets:		
Lease liabilities	**₱19,142**	₱–
Allowance for impairment loss on receivables and nonfinancial assets	**4,550**	6,429
Unaccredited discount on financial instruments and others	**434**	504
	24,126	6,933
Deferred tax liabilities:		
Operating lease receivables	**22,218**	4,963
Right-of-use assets	**15**	–
Others	**391**	359
	22,624	5,322
Deferred tax assets - net	**₱1,502**	₱1,611

As at December 31, 2019, 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	Carryforward Benefit up to	NOLCO	Excess of MCIT over RCIT
2019	December 31, 2022	₱1,279,864	₱350,898
2018	December 31, 2021	185,873	413,493
2017	December 31, 2020	218,874	336,872
2016	December 31, 2019	1,037,769	179,133
		2,722,380	1,280,396
Write-off during the year		(1,037,769)	(179,133)
		₱1,684,611	₱1,101,263

Deferred tax assets on temporary differences and carryforward benefits of NOLCO and excess of MCIT over RCIT of the Philippine-based subsidiaries, which were not recognized as it is not probable that taxable income will be sufficient against which they can be utilized, amounted to ₱349.6 million and ₱446.8 million, respectively, as at December 31, 2019 and ₱121.4 million and ₱314.9 million, respectively, as at December 31, 2018.

The PRC enterprise income tax law provides that income tax rates are unified at 25%. As at December 31, 2019, NOLCO of the PRC-based entities that can be claimed as deductions from taxable income are as follows:

Year Incurred	Carryforward Benefit up to	Tax Losses	Deferred Tax at 25%
2019	December 31, 2024	₱53,716	₱13,429
2018	December 31, 2023	43,346	10,837
2017	December 31, 2022	40,612	10,153
2016	December 31, 2021	212,213	53,053
2015	December 31, 2020	237,227	59,307
2014	December 31, 2019	227,219	56,805
		814,333	203,584
Utilized during the year		(322,595)	(80,649)
Translation adjustments		(47,898)	(11,975)
		₱443,840	₱110,960

As at December 31, 2019, NOLCO of the USA-based entities that can be claimed as deductions from taxable income are as follows:

Year Incurred	Tax Losses	Deferred Tax at 21%
2019	₱2,688,684	₱564,624
2018	182,732	38,374
2017	36,200	7,602
	2,907,616	610,600
Translation adjustments	(8,078)	(1,697)
	₱2,899,539	₱608,903

NOLCO of USA-based entities has no prescription effective taxable year 2018.

The following are the movements in deferred tax assets on NOLCO of the JFC Group:

	2019	2018
Balance at beginning of year	**₱547,461**	₱811,226
Additions	**733,812**	50,221
Utilized during the year	**(80,649)**	(253,376)
Write-offs and expirations	**(311,331)**	(62,308)
Translation adjustments	**(13,671)**	1,698
	₱875,622	₱547,461

The following are the movements in deferred tax assets on Excess of MCIT over RCIT of the JFC Group:

	2019	2018
Balance at beginning of year	**₱614,580**	₱531,431
Additions	**218,971**	244,814
Write-offs and expirations	**(179,133)**	(161,665)
	₱654,418	₱614,580

The net change in deferred tax liabilities recognized in equity amounted to ₱252.9 million, (₱54.8 million) and (₱59.4 million) in 2019, 2018 and 2017, respectively.

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:

	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Provision for income tax at statutory income tax rate	**₱2,845,067**	₱3,096,511	₱2,422,785
Income tax effects of:			
Effect of different tax rate for royalty and interest income	**(887,556)**	(772,025)	(638,351)
Nontaxable income	**(483,150)**	(481,576)	(313,827)
Net movement in unrecognized DTA	**888,650**	285,963	(28,325)
Expired/written off NOLCO and excess of MCIT over RCIT	**490,463**	163,221	156,321
Intrinsic value of stock options exercised	**(261,013)**	(153,891)	(323,503)
Nondeductible expenses	**95,678**	107,152	35,754
Tax effect of MSOP and ELTIP	**108,357**	(49,104)	(175,401)
Difference between OSD and itemized deductions	**(123,565)**	(2,723)	12,621
Effect of different tax rates for capital gains tax	**–**	(1,497)	(47,382)
Others	**387,709**	488,086	482,238
	₱3,060,640	₱2,680,117	₱1,582,930

Provision for current income tax of foreign entities operating in the United States, PRC and Singapore amounted to ₱120.8 million, ₱56.5 million and ₱31.5 million, respectively, in 2019 and ₱41.0 million, ₱147.4 million and ₱1.2 million, respectively, in 2018 and ₱55.1 million, ₱119.3 million and ₱2.3 million, respectively, in 2017.

For Philippine-based entities, Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect on January 1, 2018. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same did not have any significant impact on the consolidated financial statement balances as of the reporting date.

For US-based entities, Tax Cuts and Jobs Act (the US Tax Reform) was signed into law on December 22, 2017, making the new law enacted by that date under Philippine Financial Reporting Standards (PFRSs) and therefore applicable as of the reporting date. The US Tax Reform resulted in the re-measurement of deferred tax assets and liabilities as a result of the change in the corporate income tax rate from 35% to 21%. The US-based entities recognized net deferred tax liabilities amounting to ₱2,375.5 million and ₱1,650.9 million as at December 31, 2019 and 2018, respectively.

25. Pension Liability

Defined Benefit Plan

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

The funds are administered by trustee banks. Subject to the specific instructions provided in writing, the Parent Company and certain Philippine-based subsidiaries direct the trustee banks 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 cash and other short-term deposits, investments in government and corporate debt securities and quoted equity securities.

Under the existing regulatory framework, Republic Act No. 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 pension expense, included under "Cost of sales" and "General and administrative expenses" accounts in the consolidated statements of comprehensive income and pension liability in the consolidated statements of financial position, which are based on actuarial valuations.

Changes in pension liability of the JFC Group in 2019 are as follows:

	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Pension Liability**
At January 1, 2019	**₱3,484,946**	**₱2,164,300**	**₱1,320,646**
Pension expense (see Notes 21 and 22):			
Current service cost	**270,535**	**–**	**270,535**
Net interest	**251,452**	**151,420**	**100,032**
Past service cost	**–**	**–**	**–**
Settlement loss	**23,600**	**–**	**23,600**
	545,587	**151,420**	**394,167**
Benefits paid	**(198,182)**	**(198,182)**	**–**
Settlement paid	**(133,226)**	**(133,226)**	**–**
(Forward)			
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	**₱–**	**₱126,830**	**(₱126,830)**
Actuarial changes arising from changes in financial assumptions	**444,835**	**–**	**444,835**
Actuarial changes due to experience adjustment	**528,344**	**–**	**528,344**
Actuarial changes due to demographic adjustment	**63,920**	**–**	**63,920**
	1,037,099	**126,830**	**910,269**
Contributions	**–**	**401,554**	**(401,554)**
Transferred out - net	**(2,208)**	**–**	**(2,208)**
At December 31, 2019	**₱4,734,016**	**₱2,512,696**	**₱2,221,320**

Changes in pension liability of the JFC Group in 2018 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At January 1, 2018	₱3,574,277	₱2,084,731	₱1,489,546
Pension expense (see Notes 21 and 22):			
Current service cost	290,935	–	290,935
Net interest	211,958	123,693	88,265
Past service cost	15,851	–	15,851
Settlement loss	3,754	–	3,754
	522,498	123,693	398,805
Benefits paid	(150,925)	(150,925)	–
Settlement paid	(28,400)	(28,400)	–
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	(223,899)	223,899
Actuarial changes arising from changes in financial assumptions	(485,586)	–	(485,586)
Actuarial changes due to experience adjustment	68,003	–	68,003
Actuarial changes due to demographic adjustment	(14,921)	–	(14,921)
	(432,504)	(223,899)	(208,605)
Contributions	–	359,100	(359,100)
At December 31, 2018	₱3,484,946	₱2,164,300	₱1,320,646

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

The following table presents the carrying amounts, which approximate the estimated fair values, of the assets of the plan:

	2019	2018
Cash and cash equivalents	**₱44,913**	₱638,046
Investments in government and corporate debt securities	**2,049,972**	1,043,573
Investments in quoted equity securities:		
Holding firms	**207,530**	186,312
Property	**135,221**	110,603
Banks	**118,411**	105,906
Food and beverage	**42,523**	51,292
Telecommunications	**16,986**	25,688
Electricity, energy, power and water	**18,383**	26,223
Others	**46,618**	35,772
Interest and dividends receivable	**29,029**	15,851
Fund liabilities (see Note 27)	**(196,890)**	(74,966)
	₱2,512,696	₱2,164,300

The plan assets consist of the following:

- Investments in government securities which consist of retail treasury bonds that bear interest ranging from 3.24%-7.38% and have maturities from August 2020 to October 2037 and fixed-rate treasury notes that bear interest ranging from 5.75%-8.5% and have maturities from February 2020 to November 2032.

- Investments in debt securities consist of long-term corporate bonds in the property sector, which bear interest ranging from 5.13%-6.30% maturing from March 2024 to October 2026.

- Investments in equity securities consist of investments in listed equity securities, including equity securities of the Parent Company, for certain retirement plans of the JFC Group (see Note 27).

- Other financial assets held by the retirement plan are primarily accrued interest income on cash and cash equivalents, debt instruments and other securities.

Pension expense 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 expense and liability for the defined benefit plans are shown below:

	December 31, 2019	December 31, 2018	December 31, 2017
Discount rate	**4.9% – 5.5%**	7.40% – 7.80%	5.90% – 6.30%
Salary increase rate	**6.00%**	6.00%	6.00%

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

	Increase (Decrease)	Philippine Plan **2019**	2018	2017
Discount rates	+0.50%	**(₱636,924)**	(₱196,313)	(₱142,506)
	-0.50%	**777,116**	111,323	195,703
Future salary increases	+0.50%	**773,398**	112,745	194,789
	-0.50%	**(636,797)**	(198,792)	(143,116)

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

	2019	2018
Less than 1 year	**₱822,626**	₱797,550
More than 1 year to 5 years	**1,357,711**	1,078,936
More than 5 years to 10 years	**2,599,074**	2,408,837
More than 10 years to 15 years	**3,135,585**	2,880,848
More than 15 years to 20 years	**3,418,491**	2,956,666
More than 20 years	**11,479,469**	10,074,315

The Parent Company and certain Philippine-based subsidiaries do not have a formal asset-liability matching strategy. The overall investment policy and strategy of the retirement plans is based on the client suitability assessment, as provided by trustee banks, in compliance with the BSP requirements. Nevertheless, the Parent Company and certain Philippine-based subsidiaries 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 plans.

The plan assets are primarily exposed to financial risks such as liquidity risk and price risk. Liquidity risk pertains to the plans' ability to meet obligation to the employees upon retirement. To effectively manage liquidity risk, the trustee banks maintain 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 banks continuously assess these risks by closely monitoring the market value of the securities and implementing prudent investment strategies.

The Parent Company and certain Philippine-based subsidiaries expect to contribute ₱823.0 million to the defined benefit pension plans in 2020.

The average duration of the defined benefit obligation is 10 years as at December 31, 2019 and 2018.

Defined Contribution Plan

The employees of the PRC-domiciled of the JFC Group are members of a state-managed pension benefit scheme operated by the national government. 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.

Pension expense under the defined contribution plan amounted to ₱506.7 million, ₱595.5 million and ₱569.8 million in 2019, 2018 and 2017, respectively (see Notes 21 and 22).

26. Stock Options Plan

Senior Management Stock Option and Incentive Plan

On January 10, 2017 and December 17, 2002, the SEC approved the exemption requested by the JFC Group on the registration requirements of 31,500,000 and 101,500,000 options, respectively, underlying the Parent Company's common shares to be issued pursuant to the JFC Group's Senior Management Stock Option and Incentive Plan (the Plan). The Plan covers selected key members of management of the JFC Group 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 senior management committee of the JFC 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 in the JFC 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 JFC 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 JFC Group with reference to the market closing price at date of grant.

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 grant date. For instance, under the 1st MSOP cycle, the Compensation Committee of the JFC Group granted 2,385,000 options to eligible participants on July 1, 2004. One-third of the options granted, or 795,000 options, vested and may be exercised starting July 1, 2005. The exercise period for the 1st MSOP cycle was until June 30, 2012. From July 1, 2005 to September 25, 2019, the Compensation Committee granted series of MSOP grants under the 2nd to 16th MSOP cycle to eligible participants. Under the most recent grant (September 25, 2019), the 16th MSOP cycle, the Compensation Committee granted 2,222,300 options. These options vest similar to the 1st MSOP cycle.

The options under MSOP expire eight years after grant date. The 1st, 2nd, 3rd 4th, 5th, 6th, 7th and 8th MSOP cycles expired on June 30, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019, respectively.

The JFC Group does not pay cash as a form of settlement.

The movements in the number of stock options outstanding under MSOP and related weighted average exercise prices (WAEP) for the years ended December 31, 2019, 2018 and 2017 follow:

	2019		2018		2017	
	Number of Options	**WAEP**	Number of Options	WAEP	Number of Options	WAEP
Total options granted at beginning of year	**50,492,844**	**₱111.92**	47,184,794	₱102.59	42,986,294	₱92.47
Options granted during the year	**2,222,300**	**219.00**	3,308,050	245.00	4,198,500	206.20
Total options granted at end of year	**52,715,144**	**₱116.43**	50,492,844	₱111.92	47,184,794	₱102.59
Outstanding at beginning of year	**17,613,253**	**₱193.07**	16,780,550	₱176.63	15,256,198	₱159.46
Options granted during the year	**2,222,300**	**219.00**	3,308,050	245.00	4,198,500	206.20
Options exercised during the year	**(1,696,402)**	**139.16**	(2,234,849)	145.31	(2,672,040)	110.35
Options forfeited during the year	**(234,003)**	**270.75**	(240,498)	204.03	(2,108)	213.28
Outstanding at end of year	**17,905,148**	**₱200.38**	17,613,253	₱193.07	16,780,550	₱176.63
Exercisable at end of year	**12,077,981**	**₱188.14**	10,612,036	₱169.70	9,688,683	₱151.94

The weighted average share price of the Parent Company's common shares is ₱264.79, ₱278.16 and ₱222.86 in 2019, 2018 and 2017, respectively. The weighted average remaining contractual life for the stock options outstanding is 4.62 years, 4.48 years and 5.21 years as at December 31, 2019, 2018 and 2017, respectively.

The weighted average fair value of stock options granted in 2019, 2018 and 2017 is ₱48.07, ₱58.42 and ₱29.88, 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 the option plan allows exercise before the expiry date.

The inputs in the valuation of 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
10th	2013	2.00%	29.38%	2.68%	3-4 years	145.00	145.00
11th	2014	2.00%	24.87%	2.64%	3-4 years	179.80	179.80
12th	2015	2.00%	18.94%	2.98%	3-4 years	180.00	180.00
13th	2016	2.00%	17.76%	2.63%	3-4 years	236.00	236.00
14th	2017	2.00%	16.70%	3.92%	3-4 years	206.20	206.20
15th	2018	2.00%	28.98%	4.95%	3-4 years	245.00	245.00
16th	2019	2.00%	27.65%	4.18%	3-4 years	219.00	219.00

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.

ELTIP. The ELTIP entitlement is given to members of the senior management committee and designated consultants of the JFC Group.

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 are conditional upon achievement of the JFC Group's medium to long-term goals and individual targets in a given period, and the employment of the employee-participants in the JFC Group within the vesting period. If the goals are achieved, the options will be granted. For 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. For the 4th ELTIP cycle, the percentage of the options to be granted and the targeted percentage of growth in annual earnings per share have been further revised such that 150%, 100% or 50% of the options granted when percentage of growth in annual earnings per share are 15% and above, 12% to less than 15% or 10% to less than 12%, respectively.

The exercise price of the stock options under ELTIP is determined by the JFC Group with reference to prevailing market prices over the three months immediately preceding the date of entitlement for the first and second ELTIP cycles. Starting with the 3rd ELTIP cycle, the exercise price of the option is determined by the JFC Group with reference to the closing market price as at the date of entitlement.

The options will vest at the rate of one-third of the total options granted on each anniversary date which will start after the goals are achieved. For instance, on July 1, 2004, the Compensation Committee gave an entitlement of 22,750,000 options under the 1st ELTIP cycle to eligible participants. One-third of the options granted, or 7,583,333 options, vested and were exercised starting July 1, 2007 until June 30, 2012. On July 1, 2008, October 19, 2012, August 25, 2015 and January 3, 2018, entitlement to 20,399,999, 24,350,000, 11,470,000 and 9,290,000 options were given to eligible participants under the 2nd, 3rd, 4th and 5th ELTIP cycles, respectively. The 1st and 2nd ELTIP cycles expired on June 30, 2012 and April 30, 2017, respectively. The stock options granted under the 3rd and 4th ELTIP cycles will expire in 2020 and 2023, respectively.

The JFC Group does not pay cash as a form of settlement.

The movements in the number of stock options outstanding for the 3rd to 4th ELTIP cycles and related WAEP for the years ended December 31, 2019, 2018 and 2017 follow:

	2019		2018		2017	
	Number of Options	**WAEP**	Number of Options	WAEP	Number of Options	WAEP
Total options granted at beginning and end of year	**78,969,999**	**₱74.58**	78,969,999	₱74.58	78,969,999	₱74.58
Outstanding at beginning of year	**18,630,000**	**₱120.55**	27,436,666	₱136.35	35,118,896	₱122.65
Options exercised during the year	**(3,238,299)**	**107.47**	(1,323,333)	111.99	(7,682,230)	73.69
Options forfeited during the year	**(23,333)**	**180.00**	(7,483,333)	180.00	–	–
Outstanding at end of year	**15,368,368**	**₱123.22**	18,630,000	₱120.55	27,436,666	₱136.35
Exercisable at end of year	**13,895,035**	**₱117.20**	15,683,333	₱109.38	15,966,666	₱105.00

The weighted average remaining contractual life for the stock options outstanding is 1.06 years, 2.07 years and 3.59 years as at December 31, 2019, 2018 and 2017, respectively.

The fair value of stock options granted is ₱26.13 in 2015. There were no additional stock option grants under ELTIP in 2019, 2018 and 2017. 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 ELTIP cycle are 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
1st	2004	1.72%	36.91%	6.20%	5 years	₱24.00	₱20.00
2nd	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
3rd	2012	2.00%	28.74%	3.60%	3-4 years	105.00	105.00
4th	2015	2.00%	18.94%	2.98%	3-4 years	180.00	180.00

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 for both MSOP and ELTIP in the "General and administrative expenses" account amounted to ₱262.9 million, ₱312.0 million and ₱227.5 million in 2019, 2018 and 2017, respectively (see Notes 19 and 22). Correspondingly, a credit was made to additional paid-in-capital (see Note 19).

27. Related Party Transactions

The JFC 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 JFC Group, including holding companies, subsidiaries and fellow subsidiaries are related entities of the JFC Group. Individuals owning, directly or indirectly, an interest in the voting power of the JFC Group that give them significant influence over the enterprise; key management personnel, including directors and officers of the JFC Group, and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

Compensation of Key Management Personnel of the JFC Group

The aggregate compensation and benefits to key management personnel of the JFC Group in 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Salaries and short-term benefits	**₱1,265,771**	₱1,221,283	₱1,107,515
Stock options expense (see Notes 22 and 26)	**262,875**	311,964	227,483
Net pension expense	**124,114**	106,756	65,075
Employee car plan and other long-term benefits	**54,728**	58,859	48,948
	₱1,707,488	₱1,698,862	₱1,449,021

Transactions with the Retirement Plans

As at December 31, 2019 and 2018, certain retirement funds of the JFC Group include investment in equity securities of the Parent Company with details as follows:

	2019	2018
Number of shares	**151,810**	144,740
Market value	**₱32,791**	₱42,694
Cost	**11,564**	9,860
Unrealized gain	**₱21,227**	₱32,834

The JFC Group's receivable from the retirement fund amounted to ₱193.6 million and ₱72.8 million as at December 31, 2019 and 2018, respectively (see Note 25). The receivable arose from benefit payments made by the JFC Group for and in behalf of the retirement plans. The receivable is noninterest-bearing.

Terms and Conditions of Transactions with other Related Parties

Transactions with related parties are made at market prices and are normally settled in cash. The JFC Group has approval process and established limits when entering into material related party transactions. Other related party transactions between entities under the JFC Group are eliminated in the consolidation process.

28. Earnings Per Share

Basic and diluted EPS are computed as follows:

	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
	(In Thousand pesos, except for shares data and EPS)		
(a) Net income attributable to the equity holders of the Parent Company	**₱6,432,434**	₱8,212,608	₱6,939,577
(b) Weighted average number of shares - basic	**1,092,593,583**	1,087,093,411	1,080,488,873
Weighted average number of shares outstanding under the stock options plan	**32,334,237**	34,865,233	32,366,508
Weighted average number of shares that would have been purchased at fair market value	**(19,781,303)**	(18,607,619)	(18,180,717)
(c) Adjusted weighted average shares - diluted	**1,105,146,517**	1,103,351,025	1,094,674,664
EPS			
Basic (a/b)	**₱5.887**	₱7.555	₱6.423
Diluted (a/c)	**5.820**	7.443	6.340

Potential common shares for stock options under the 15th MSOP cycle were not included in the calculation of the diluted EPS in 2019 because they are antidilutive.

29. Leases

JFC Group as Lessee

The JFC Group has lease contracts for QSR outlets, warehouses and office spaces. Leases of QSR outlets and warehouse generally have lease terms between three (3) to 20 years. The JFC Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the JFC Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The JFC Group also has certain leases of QSR outlets with lease term of 12 months or less. The JFC Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	QSR Outlets	Warehouses	Office Space	Total
As at January 1, 2018, As restated (see Note 2)	**₱24,653,160**	**₱601,851**	**₱69,367**	**₱25,324,378**
Acquisition of a business (see Note 11)	10,102,337	–	–	10,102,337
Additions	7,345,423	162,114	95,110	7,602,647
Pre-termination	(795,650)	–	–	(795,650)
Depreciation expense (see Notes 2, 21 and 22)	(5,896,464)	(93,393)	(31,527)	(6,021,384)
Cumulative translation adjustments	346,688	5,226	–	351,914
As at December 31, 2018, As restated (see Note 2)	**35,755,494**	**675,798**	**132,950**	**36,564,242**
Additions	4,960,468	43,880	22,333	5,026,681
Acquisition of a business (see Note 11)	12,147,693	–	2,614	12,150,307
Pre-termination	(2,533,032)	(4,285)	–	(2,537,317)
Depreciation expense (see Notes 2, 21 and 22)	(7,024,659)	(103,818)	(36,326)	(7,164,803)
Cumulative translation adjustments	(1,129,112)	(2,557)	(23)	(1,131,692)
As at December 31, 2019	**₱42,176,852**	**₱609,018**	**₱121,548**	**₱42,907,418**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2019	2018 (As restated - Note 2)
As at January 1	**₱40,630,789**	₱28,682,918
Acquisition of a business (see Note 11)	**12,472,792**	10,308,436
Additions	**4,998,947**	7,513,119
Pre-termination	**(2,934,354)**	(902,982)
Accretion of interest (see Note 23)	**1,824,311**	1,728,620
Payments	**(8,419,749)**	(6,979,019)
Cumulative translation adjustments	**(1,265,332)**	279,697
As at December 31	**₱47,307,404**	40,630,789
Current	**₱7,036,754**	₱5,743,062
Noncurrent	**40,270,650**	34,887,727

The maturity analysis of lease liabilities are disclosed in Note 31.

The following are the amounts recognized in profit or loss:

	2019	2018	2017
Depreciation expense of right-of-use assets (see Notes 2, 21 and 22)	**₱7,164,803**	₱6,021,384	₱4,191,960
Interest expense on lease liabilities	**1,824,311**	1,728,620	1,387,557
Rent expense - short-term leases (see Notes 21 and 22)	**2,850,568**	2,861,424	2,888,536
Rent expense - variable lease payments (see Notes 21 and 22)	**2,138,076**	2,425,781	2,057,768
	₱13,977,758	₱13,037,209	₱10,525,821

The JFC Group had total cash outflows for leases of ₱13,408.4 million and ₱12,266.2 million in 2019 and 2018, respectively.

JFC Group as Lessor
The JFC Group entered into commercial property leases for its investment property units. These leases have terms of between three (3) and 20 years. Leases generally include a clause to enable upward revision of the rent charges on an annual basis based on prevailing market conditions.

Rent income recognized on a straight-line basis amounted to ₱58.5 million, ₱25.0 million and ₱27.2 million in 2019, 2018 and 2017, 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 are included under "Operating lease receivables" which amounted to ₱98.7 million, ₱64.3 million and ₱157.8 million as at December 31, 2019, 2018 and 2017, respectively.

The future minimum lease receivables under noncancellable operating leases as at December 31 are as follows:

	2019	2018	2017
Within one year	**₱61,612**	₱63,062	₱174,333
After one year but not more than five years	**236,607**	253,908	500,520
More than five years	**65,725**	33,271	163,067
	₱363,944	₱350,241	₱837,920

JFC Group as an Intermediate Lessor
The JFC Group subleases certain parcels of land with lease terms between 5 to 20 years. The lease contracts contain renewal options under terms and conditions that are mutually agreed upon by the parties.

Set out below are the carrying amounts of finance lease receivables and the movements during the period:

	2019	2018
At January 1	**₱184,800**	₱204,698
Accretion of interest (see Note 23)	**8,086**	9,034
Payments	**(30,952)**	(28,932)
As at December 31	**₱161,934**	₱184,800

Shown below is the maturity analysis of the undiscounted finance lease receivables:

	2019	2018
1 year	**₱33,388**	₱30,951
more than 1 year to 5 years	**144,678**	168,142
more than 5 years	**5,198**	15,123

30. Contingencies

The JFC 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 JFC Group. Thus, other than the provisions in Note 17, there were no other provisions made for contingencies.

The JFC Group does not provide further information on these provisions and contingencies in order not to impair the outcome of the litigations, claims and disputes.

31. Financial Risk Management Objectives and Policies

The JFC Group is exposed to a variety of financial risks from its operating, investing and financing activities. The JFC Group's risk management policies focus on actively securing the JFC Group's short-term to medium-term cash flows by minimizing the exposure to financial markets.

The JFC Group's principal financial instruments comprise of cash and cash equivalents, short-term investments, receivables, short-term and long-term debts. The main purpose of these financial instruments is to obtain financing for the JFC Group's operations. The JFC Group has other financial assets and liabilities such as security and other deposits, finance lease receivables, operating lease receivables, lease liabilities and trade payables and other current liabilities (excluding accrual for local and other taxes, liabilities to government agencies and unearned revenue from gift certificates) which arise directly from its operations and financial assets at FVTPL.

The main risks arising from these financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The risk management policies reviewed regularly by the Parent Company's BOD and management for managing each of these risks are summarized as follows:

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

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

To manage the interest rate risk related to the JFC Group's long-term debts, the JFC Group used a derivative instrument to fix the interest rate over the term of one of its long-term debts (see Note 18). With the JFC Group's Corporate Planning Team, it enters into loan contracts with variable interest rates and option to fix interest rates which can be availed to manage its loan risks.

There is minimal exposure on the other sources of the JFC Group's interest rate risk. These other sources are from the JFC Group's cash in banks, short-term deposits and short-term investments.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the JFC Group's income before income tax as at December 31, 2019 and 2018. The impact on the JFC Group's income before income tax is due to changes in the fair value of floating interest rates.

Long-term Debt with Floating Interest Rates

	Increase/ Decrease in Basis Points	Effect in Profit or Loss Before Income Tax		
		2019	2018	2017
PHP	+100	**(161,228)**	(188,907)	(80,599)
	-100	**161,228**	188,907	80,599
USD	+100	**(55,802)**	(67,688)	(64,245)
	-100	**55,802**	67,688	64,245
VND	+100	**(8,928)**	(6,068)	(4,167)
	-100	**8,928**	6,068	4,167

The assumed movement in basis point for interest rate sensitivity analysis is based on the currently observable market environment.

Foreign Currency Risk

The JFC Group's exposure to foreign currency risk arises from the Parent Company's investments outside the Philippines, which are mainly in PRC and USA. The net assets of foreign businesses account for only 5.0% and 6.1% of the consolidated net assets of the JFC Group as at December 31, 2019 and 2018, respectively.

The JFC Group also has transactional foreign currency exposures. Such exposure arises from the JFC Group's Philippine operations' cash and cash equivalents, receivables and trade payables in foreign currencies.

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

	2019		2018	
	USD	**PHP Equivalent**	USD	PHP Equivalent
Foreign currency denominated assets:				
Cash and cash equivalents	**17,022**	**861,884**	71,661	3,767,938
Receivables	**11,063**	**560,160**	9,014	473,955
	28,085	**1,422,044**	80,675	4,241,893
Foreign currency denominated liability -				
Accounts payable - trade	**(4,020)**	**(203,576)**	(4,929)	(259,177)
Foreign currency denominated assets - net	**24,065**	**1,218,468**	75,746	3,982,716

Foreign Currency Risk Sensitivity Analysis

The JFC Group has recognized in profit or loss, a net foreign exchange loss of ₱268.2 million, ₱34.6 million and ₱63.5 million in 2019, 2018 and 2017, respectively (see Note 23), included under "Other income" account. This resulted from the movements of the Philippine peso against the USD as shown in the following table:

December 31, 2019	**50.64**
December 31, 2018	52.58
December 31, 2017	49.93

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

		2019		2018	
	Appreciation (Depreciation) of ₱ against Foreign Currency	**Effect on Income before Income Tax**	**Effect on Equity before Income Tax**	Effect on Income before Income Tax	Effect on Equity before Income Tax
USD	1.50	**(₱36,096)**	**(₱36,096)**	(₱113,619)	(₱113,619)
	(1.50)	**36,096**	**36,096**	113,619	113,619
	1.00	**(24,065)**	**(24,065)**	(75,746)	(75,746)
	(1.00)	**24,065**	**24,065**	75,746	75,746

Credit Risk

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

The JFC 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 services 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 further increase the exposure of the JFC Group are discontinued.

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

The aging analysis of financial assets as at December 31, 2019 and 2018 are as follows:

	2019						
		Neither Past Due nor	Past Due but not Impaired (Age in Days)				
	Total	Impaired	1-30	31-60	61-120	Over 120	Impaired
Financial Assets at Amortized Cost					*(In Millions)*		
Cash and cash equivalents*	**₱20,515.1**	**₱20,515.1**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Short-term investments	**2,130.0**	**2,130.0**	**–**	**–**	**–**	**–**	**–**
Receivables:							
Trade	**5,348.9**	**3,753.9**	**433.6**	**139.4**	**124.6**	**505.0**	**392.4**
Employee car plan receivables**	**216.7**	**216.7**	**–**	**–**	**–**	**–**	**–**
Advances to employees	**175.4**	**175.4**	**–**	**–**	**–**	**–**	**–**
Other receivables***	**215.2**	**41.0**	**1.7**	**2.2**	**3.2**	**167.1**	**–**
Operating lease receivables	**98.7**	**98.7**	**–**	**–**	**–**	**–**	**–**
Finance lease receivables	**161.9**	**161.9**	**–**	**–**	**–**	**–**	**–**
Other noncurrent assets -							
Security and other deposits**	**3,210.8**	**3,210.8**	**–**	**–**	**–**	**–**	**–**
	32,072.7	**30,303.5**	**435.3**	**141.6**	**127.8**	**672.1**	**392.4**
Financial Assets at FVTPL	**38.2**	**38.2**	**–**	**–**	**–**	**–**	**–**
	₱32,110.9	**₱30,341.7**	**₱435.3**	**₱141.6**	**₱127.8**	**₱672.1**	**₱392.4**

**Excluding cash on hand amounting to ₱376.9 million.*
***Including noncurrent portion of employee car plan receivables and security and other deposits.*
****Including interest receivable and excluding receivables from government agencies amounting to ₱62.7 million.*

	2018 (As restarted)						
		Neither Past Due nor	Past Due but not Impaired (Age in Days)				
	Total	Impaired	1-30	31-60	61-120	Over 120	Impaired
Financial Assets at Amortized Cost					*(In Millions)*		
Cash and cash equivalents*	₱22,805.0	₱22,805.0	₱–	₱–	₱–	₱–	₱–
Short-term investments	883.2	883.2	–	–	–	–	–
Receivables:							
Trade	4,680.6	2,869.9	267.2	107.6	167.4	591.6	676.9
Employee car plan receivables**	260.3	260.3	–	–	–	–	–
Advances to employees	167.4	167.4	–	–	–	–	–
Other receivables***	151.6	93.1	0.7	1.7	2.1	54.0	–
Operating lease receivables	64.3	64.3	–	–	–	–	–
Finance lease receivables	184.8	184.8	–	–	–	–	–
Other noncurrent assets -							
Security and other deposits**	2,713.8	2,713.8	–	–	–	–	–
	31,911.0	30,041.8	267.9	109.3	169.5	645.6	676.9
Financial Assets at FVTPL	39.8	39.8	–	–	–	–	–
	₱31,950.8	₱30,081.6	₱267.9	₱109.3	₱169.5	₱645.6	₱676.9

**Excluding cash on hand amounting to ₱480.9 million.*
***Including noncurrent portion of employee car plan receivables and security and other deposits.*
****Including interest receivable and excluding receivables from government agencies amounting to ₱41.6 million.*

Credit Risk Exposure. The tables below show the maximum exposure to credit risk of the JFC Group as at December 31, 2019 and 2018 without considering the effects of collaterals and other credit risk mitigation techniques:

	2019		
	Gross Maximum Exposure (a)	**Fair Value and Financial Effect of Collateral or Credit Enhancement (b)**	**Net Exposure (c) = (a) - (b)**
		(In Millions)	
Financial Assets at Amortized Cost			
Cash and cash equivalents*	**₱20,515.1**	**₱122.8**	**₱20,392.3****
Short-term investments	**2,130.0**	**–**	**2,130.0**
Receivables:			
Trade	**5,348.9**	**564.6**	**4,784.3*****
Employee car plan receivables	**216.7**	**23.4**	**193.3**
Advances to employees	**175.4**	**–**	**175.4**
Other receivables******	**215.2**	**–**	**215.2**
Operating lease receivables	**98.7**	**–**	**98.7**
Finance lease receivables	**161.9**	**–**	**161.9**
Other noncurrent assets -			
Security and other deposits	**3,210.8**	**30.6**	**3,180.2**
Financial assets at FVTPL	**38.2**	**–**	**38.2**
	₱32,110.9	**₱741.4**	**₱31,369.5**

** Excluding cash on hand amounting to ₱376.9 million.*
*** 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.*
***** Including interest receivable and excluding receivables from government agencies amounting to ₱62.7 million.*

	2018 (As Restated - Note 2)		
	Gross Maximum Exposure (a)	Fair Value and Financial Effect of Collateral or Credit Enhancement (b)	Net Exposure (c) = (a) - (b)
		(In Millions)	
Financial Assets at Amortized Cost			
Cash and cash equivalents*	₱22,805.0	₱31.6	₱22,773.4**
Short-term investments	883.2	–	883.2
Receivables:			
Trade	4,680.6	216.3	4,464.3***
Employee car plan receivables	260.3	–	260.3
Advances to employees	167.4	–	167.4
Other receivables******	151.6	–	151.6
Operating lease receivables	64.3	–	64.3
Finance lease receivables	184.8	–	184.8
Other noncurrent assets -			
Security and other deposits	2,713.8	–	2,713.8
Financial assets at FVTPL	39.8	–	39.8
	₱31,950.8	₱247.9	₱31,702.9

** Excluding cash on hand amounting to ₱480.9 million.*
*** 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.*
***** Including interest receivable and excluding receivables from government agencies amounting to ₱41.6 million.*

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

Credit Quality. The financial assets of the JFC Group are grouped according to stage of which description is explained as follows:

Stage 1 - Those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as at reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as at reporting date.

The tables below show determination of ECL stage of the JFC Group's financial assets:

	2019			
	Total	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**
Financial Assets at Amortized Cost			*(In Millions)*	
Receivables:				
Trade	**₱5,348.9**	**₱4,187.5**	**₱769.0**	**₱392.4**
Employee car plan receivables*	**216.7**	**216.7**	**–**	**–**
Advances to employees	**175.4**	**175.4**	**–**	**–**
Other receivables**	**215.2**	**42.7**	**172.5**	**–**
Financial Assets at FVTPL	**38.2**	**38.2**	**–**	**–**
	₱5,994.4	**₱4,660.5**	**₱941.5**	**₱392.4**

**Including noncurrent portion of employee car plan receivables.*
***Including interest receivable and excluding receivables from government agencies amounting to ₱62.7 million.*

	2018			
	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
Financial Assets at Amortized Cost			*(In Millions)*	
Receivables:				
Trade	₱4,680.6	₱3,137.1	₱866.6	₱676.9
Employee car plan receivables*	260.3	260.3	–	–
Advances to employees	167.4	167.4	–	–
Other receivables**	151.6	93.8	57.8	–
Financial Assets at FVTPL	39.8	39.8	–	–
	₱5,299.7	₱3,698.4	₱924.4	₱676.9

**Including noncurrent portion of employee car plan receivables.*
***Including interest receivable and excluding receivables from government agencies amounting to ₱41.6 million.*

Liquidity Risk
The JFC 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 JFC Group closely monitors its cash flows to be able to finance its capital expenditures and to pay its obligations as and when they fall due.

On a weekly basis, the JFC 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 JFC Group has short-term cash deposits and has available credit lines with accredited banking institutions, in case there is a sudden deficiency. The JFC 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 JFC Group during the years ended December 31, 2019 and 2018.

The JFC 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, short-term investments and trade receivables and contract assets amounting to ₱20,892.0 million, ₱2,130.0 million and ₱5,369.7 million, respectively, as at December 31, 2019 and ₱23,285.9 million, ₱883.2 million and ₱4,411.0 million, respectively, as at December 31, 2018.

The tables below summarize the maturity profile of the JFC Group's other financial liabilities based on the contractual undiscounted cash flows as at December 31, 2019 and 2018:

	2019				
	Due and Demandable	**Less than 1 Year**	**1 to 5 Years**	**Over 5 Years**	**Total**
			(In Millions)		
Financial Liabilities					
Trade payables and other current liabilities*	**₱8,351.2**	**₱22,255.9**	**₱–**	**₱–**	**₱30,607.1**
Short term debt	**–**	**22,180.3**	**–**	**–**	**22,180.3**
Long-term debt (including current portion)	**47.9**	**3,367.2**	**19,081.0**	**99.6**	**22,595.7**
Liability for acquisition of a business (including current portion)	**2.8**	**–**	**–**	**–**	**2.8**
Lease liabilities	**–**	**9,139.3**	**25,015.1**	**30,110.9**	**64,265.3**
Total Financial Liabilities	**₱8,401.9**	**₱56,942.7**	**₱44,096.1**	**₱30,210.5**	**₱139,651.2**

** Excluding statutory obligations such as local and other taxes payable, PHIC, SSS, HDMF and NHMFC payables and unearned revenue from gift certificates amounting to ₱4,045.0 million as at December 31, 2019.*

	2018 (As Restated - Note 2)				
	Due and Demandable	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
			(In Millions)		
Financial Liabilities					
Trade payables and other current liabilities*	₱7,174.5	₱18,808.7	₱–	₱–	₱25,983.2
Long-term debt (including current portion)	22.5	4,857.9	19,681.5	1,702.5	26,264.4
Liability for acquisition of a business (including current portion)	–	11.2	2.9	–	14.1
Lease liabilities	–	8,534.9	25,272.8	26,718.7	60,526.4
Total Financial Liabilities	₱7,197.0	₱32,212.7	₱44,957.2	₱28,421.2	₱112,788.1

** Excluding statutory obligations such as local and other taxes payable, PHIC, SSS, HDMF and NHMFC payables and unearned revenue from gift certificates amounting to ₱2,733.6 million as at December 31, 2018.*

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

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

The primary objective of the JFC 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 JFC Group has sufficient capitalization.

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

As at December 31, 2019 and 2018, the JFC Group's debt ratio and net debt ratio are as follows:

Debt Ratio

	2019	2018 (As restated - Note 2)
Total debt (a)	**₱134,994,129**	₱101,516,781
Total equity attributable to equity holders of the Parent Company	**52,780,558**	47,675,620
Total debt and equity attributable to equity holders of the Parent Company (b)	**₱187,774,687**	₱149,192,401
Debt ratio (a/b)	**72%**	68%

Net Debt Ratio

	2019	2018 (As restated - Note 2)
Total debt	**₱134,994,129**	₱101,516,781
Less cash and cash equivalents and short-term investments	**23,022,021**	24,169,115
Net debt (a)	**111,972,108**	77,347,666
Total equity attributable to equity holders of the Parent Company	**52,780,558**	47,675,620
Net debt and equity attributable to equity holders of the Parent Company (b)	**₱164,752,666**	₱125,023,286
Net debt ratio (a/b)	**68%**	62%

32. Fair Value of Financial Assets and Liabilities

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 measurement date.

Financial Instruments Which Carrying Amounts Approximate Fair Value. Management has determined that the carrying amounts of cash and cash equivalents, short-term investments, receivables, operating lease receivables, trade payables and other current liabilities, 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.

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

Investment Properties. The fair value of the investment properties are determined by independent appraisers using the market data and cost approach, which considers the local market conditions, the extent, character and utility of the property, sales and holding prices of similar parcels of land and the highest and best use of the investment properties.

Finance Lease Receivables, Security and Other Deposits, Employee Car Plan Receivables, Long-term Debt and Lease Liabilities. Management has determined that the estimated fair value of security and other deposits, noncurrent portion of employee car plan receivables, long-term debt and derivative asset or liability are based on the discounted value of future cash flows using applicable rates as follows:

	2019	2018
Finance lease receivables	**3.46% -3.98%**	6.45%–6.83%
Security and other deposits	**0.55%–15.43%**	2.36%–8.20%
Employee car plan receivables	**2.80%–8.26%**	2.51%–8.23%
Long-term debt	**1.27%–6.89%**	2.50%–4.07%
Lease liabilities	**0.64%–22.48%**	0.60%–19.30%

The following tables provide the fair value measurement hierarchy of the JFC Group's recurring financial assets and liabilities.

Quantitative disclosure fair value measurement hierarchy for assets as at December 31, 2019:

		Fair Value Measurement Using			
	Carrying Value	**Total**	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets measured at fair value -					
Financial assets at FVTPL	**₱38,202**	**₱38,202**	**₱–**	**₱38,202**	**₱–**
Assets for which fair values are disclosed:					
Investment properties:					
Land	**572,722**	**2,083,920**	**–**	**–**	**2,083,920**
Buildings	**–**	**954,427**	**–**	**–**	**954,427**
Finance lease receivables	**161,934**	**162,947**	**–**	**–**	**162,947**
Other noncurrent assets:					
Security and other deposits	**3,210,835**	**2,338,288**	**–**	**–**	**2,338,288**
Employee car plan receivables	**216,713**	**194,172**	**–**	**–**	**194,171**

Quantitative fair value measurement hierarchy for assets as at December 31, 2018:

		Fair Value Measurement Using			
	Carrying Value	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value -					
Financial assets at FVTPL	₱39,842	₱39,842	₱–	₱39,842	₱–
Derivative asset - interest rate swap	82,852	82,852	–	82,852	–
Assets for which fair values are disclosed:					
Investment properties:					
Land	848,974	2,083,920	–	-	2,083,920
Buildings	–	954,427	–	-	954,427
Finance lease receivables	184,800	165,295	–	-	165,295
Other noncurrent assets:					
Security and other deposits	2,713,844	2,506,400	–	-	2,506,400
Employee car plan receivables	260,281	251,492	–	-	251,492

Quantitative fair value measurement hierarchy for liabilities as at December 31, 2019:

		Fair Value Measurement Using			
	Date of Valuation	**Total**	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Liabilities measured at fair value -					
Derivative liability - interest rate swap	**December 31, 2019**	**₱58,241**	**₱–**	**₱58,241**	**₱–**
Liabilities disclosed at fair value:					
Tenants' deposit	**December 31, 2019**	**7,442**	**–**	**–**	**₱7,442**
Long-term debt	**December 31, 2019**	**22,768,094**	**–**	**–**	**22,768,094**

Quantitative fair value measurement hierarchy for liabilities as at December 31, 2018:

		Fair Value Measurement Using			
	Date of Valuation	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities measured at fair value:					
Tenants' deposit	December 31, 2018	₱5,907	₱–	₱–	₱5,907
Long-term debt	December 31, 2018	16,421,331	–	–	16,421,331

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.

33. Notes to the Statements of Cash Flows

In 2019 and 2018, movements in the JFC Group's liabilities and equity arising from financing activities follow:

2019

	January 1, 2019	Cash Flows	Acquisition of a Subsidiary (Note 11)	Dividends Declared (Note 19)	Granted Stock Options to Employees and Subsidiaries	Interest Expense (Note 23)	Deferred Tax Assets (Note 24)	Amortization of Debt Issue Cost (Note 18)	Cumulative Translation Adjustments	Share in Net Losses of Non-controlling Interest (Note 11)	Share in Cumulative Translation Adjustments of Non-controlling Interest (Note 11)	Additions (Note 29)	Pre-termination of Lease (Note 29)	December 31, 2019
							(in Millions)							
Dividends payable (see Note 16)	₱80.8	(₱2,807.8)	₱–	₱2,814.9	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱87.9
Short-term debt (see Note 18)	–	22,180.3	–	–	–	–	–	–	–	–	–	–	–	22,180.3
Long-term debt (see Note 18)	26,264.4	(3,415.0)	–	–	–	–	–	19.6	(273.3)	–	–	–	–	22,595.7
Interest payable (see Note 16)	239.6	(1,434.8)	–	–	–	1,362.5	–	–	–	–	–	–	–	167.3
Lease liabilities (see Note 29)	40,630.8	(8,419.7)				1,824.3			(1,265.3)			17,471.7	(2,934.4)	47,307.4
Capital stock (see Note 19)	1,105.2	4.9	–	–	–	–	–	–	–	–	–	–	–	1,110.1
Additional paid-in capital (see Note 19)	8,638.5	580.5	–	–	262.9	–	(684.5)	–	–	–	–	–	–	8,797.4
Non-controlling interest (see Note 11)	1,500.9	30.4	(1,877.4)	(14.9)	–	–	–	–	–	(9.5)	52.3	–	–	(318.2)
Total liabilities and equity on financing activities	₱78,460.2	₱6,718.8	(₱1,877.4)	₱2,800.0	₱262.9	₱3,186.8	(₱684.5)	₱19.6	(₱1,538.6)	(₱9.5)	₱52.3	₱17,471.7	(₱2,934.4)	₱101,927.9

2018 (As Restated - Note 2)

	January 1, 2018	Cash Flows	Acquisition of a Subsidiary (Note 11)	Dividends Declared (Note 19)	Granted Stock Options to Employees and Subsidiaries	Interest Expense (Note 23)	Deferred Tax Assets (Note 24)	Amortization of Debt Issue Cost (Note 18)	Cumulative Translation Adjustments	Share in Net Losses of Non-controlling Interest (Note 11)	Share in Cumulative Translation Adjustments of Non-controlling Interest (Note 11)	Additions (Note 29)	Pre-termination of Lease (Note 29)	December 31, 2018
							(in Millions)							
Dividends payable (see Note 16)	₱56.0	(₱2,667.0)	₱–	₱2,691.8	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱80.8
Long-term debt (see Note 18)	16,117.3	5,601.7	4,119.3	–	–	–	–	14.9	411.2	–	–	–	–	26,264.4
Interest payable (see Note 16)	83.1	(731.7)	–	–	–	888.2	–	–	–	–	–	–	–	239.6
Lease liabilities (see Note 29)	28,683.0	(6,979.0)	–	–	–	1,728.6	–	–	279.7	–	–	17,821.5	(903.0)	40,630.8
Capital stock (see Note 19)	1,101.7	3.5	–	–	–	–	–	–	–	–	–	–	–	1,105.2
Additional paid-in capital (see Note 19)	7,520.4	472.0	–	–	312.0	–	334.1	–	–	–	–	–	–	8,638.5
Non-controlling interest (see Note 11)	1,758.3	11.4	266.3	–	–	–	–	–	–	(571.0)	35.9	–	–	1,500.9
Total liabilities and equity on financing activities	₱55,319.8	(₱4,289.1)	₱4,385.6	₱2,691.8	₱312.0	₱2,616.8	₱334.1	₱14.9	₱690.9	(₱571.0)	₱35.9	₱17,821.6	(₱903.0)	₱78,460.2

2017 (As Restated - Note 2)

	January 1, 2017	Cash Flows	Acquisition of a Subsidiary (Note 11)	Dividends Declared (Note 19)	Granted Stock Options to Employees and Subsidiaries	Interest Expense (Note 23)	Deferred Tax Assets	Amortization of Debt Issue Cost (Note 18)	Cumulative Translation Adjustments	Share in Net Losses of Non-controlling Interest (Note 11)	Share in Cumulative Translation Adjustments of Non-controlling Interest (Note 11)	Additions	Pre-termination of Lease	December 31, 2017
							(in Millions)							
Dividends payable	₱47.7	(₱2,347.2)	₱–	₱2,355.5	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱56.0
Long-term debt	12,155.4	3,909.7	–	–	–	–	–	3.2	49.0	–	–	–	–	16,117.3
Interest payable	51.4	(360.9)	–	–	–	392.6	–	–	–	–	–	–	–	83.1
Lease liabilities	23,605.7	(4,902.3)		–	–	1,387.6	–	–	363.9			8,624.6	(396.5)	28,683.0
Capital stock	1,091.3	10.4	–	–	–	–	–	–	–	–	–	–	–	1,101.7
Additional paid-in capital	5,660.1	850.8	–	–	227.5	–	782.0	–	–	–	–	–	–	7,520.4
Non-controlling interest	648.1	14.5	1,536.5	–	–	–	–	–	–	(446.6)	5.8	–	–	1,758.3
Total liabilities and equity on financing activities	₱43,259.7	(₱2,825.0)	₱1,536.5	₱2,355.5	₱227.5	₱1,780.2	₱782.0	₱3.2	₱412.9	(₱446.6)	₱5.8	₱8,624.6	(₱396.5)	₱55,319.8

34. Events after the Reporting Period

Dividend Declaration

On April 7, 2020, the BOD of the Parent Company approved a cash dividend of ₱0.62 per share of common stock to all stockholders of record as at April 27, 2020. Consequently, the cash dividend is expected to be paid out on May 22, 2020. The cash dividend is 50.0% lower than the ₱1.23 cash dividend per share declared on April 8, 2019.

Issuance of Guaranteed Senior Perpetual Capital Securities

Guaranteed Senior Perpetual Capital Securities (Securities) was issued by JWPL, a wholly owned subsidiary, and listed in the Singapore Exchange Securities Trading Limited on January 24, 2020. The Securities offered an initial distribution rate of 3.9%, non-call (5 years) and payable semi-annually.

Prepayment of Short-term Debt

On February 3 and February 6, 2020, JWPL prepaid its USD400.0 million (₱20,340.2 million) short-term debt amounting to USD170.0 million (₱8,660.8 million) and USD230.0 million (₱11,679.4 million), respectively, from the proceeds of the issuance of the Guaranteed Senior Perpetual Capital Securities.

Impact of COVID-19 Outbreak

The JFC Group operates restaurants in 34 countries, the largest of which in terms of contribution to system-wide sales, a measure of all sales to consumers- both from company-owned and franchised stores, are the Philippines, the United States of America including Canada, China and Vietnam. The impact of COVID-19 to the operations of restaurants varies quite significantly at different countries and changing on a daily basis.

In China, the epicenter of the epidemic and which accounts for 6.1% of JFC Group's system-wide sales, the decline in sales was abrupt. All of the 14 QSR outlets of "Yonghe King" brand in and near Wuhan were temporarily closed down mainly due to the restriction of movement of people imposed by the government in order to contain the virus. At its worst time, in the week of February 10, 2020, 107 "Yonghe King" QSR stores were temporarily closed, representing 31% of its total store network, to ensure the safety of its employees and in view of the very low level of customer visits due to restriction of movement of people. The number of temporarily closed QSR stores had declined to 22 representing 6% of "Yonghe King" brand's total store network as of the week of March 30, 2020. Meanwhile, sales in China have been improving as the number of new infections have been declining.

In the Philippines, in a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. About 70% of JFC Group's domestic stores have been temporarily closed, resulting to a decline in systemwide sales by about 40%.

In North America, Smashburger has suspended its dine-in services, but continued serving its customers through on-line delivery and take-out. Philippine brands "Jollibee", "Chowking" and "Red Ribbon" also continued to operate with drive-thru and take-out and have started operating its on-line delivery in April 2020.

In Singapore, the delivery business grew by 256% in the crisis period versus year ago, increasing sales contribution from 7% to 22%, enabling total same store sales to grow by about 4%.

The JFC Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on the JFC Group's 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the JFC Group cannot determine at this time the impact to its financial position, performance and cash flows. The JFC Group will continue to monitor the situation.

To manage the risks or uncertainties brought about by the outbreak, the JFC Group is implementing the following measures, among others:

- Restaurant Operations – Prioritizing the protection of health and safety of its employees and preservation of cash in the business to ensure sustainability and long-term growth and profitability by temporarily closing losing QSR outlets.

- Product Supply – To ensure adequate supply, the Philippine business had identified alternative sources of supply and has also spread its inventories in different parts of the country in various warehouses and depots. The JFC Group also has commissaries located in different parts of the country. This dispersion of supply chain facilities, warehouses and QSR outlets reduces the probability that the pandemic will have significant impact and magnitude, all at the same time, on the different parts of the JFC Group's business.

- Safety and Health of Customers, Employees and Workers and Business Partners – Implementation of the following: observing social distancing in the stores and buildings; travel restrictions; and work from home arrangements.

- Dispersion and Diversification – The nature and structure of the JFC Group's business have created physical dispersion and diversification into different brands, countries, sites, facilities and locations which make the business strong against event risks.

- Overall Business – To preserve cash, the JFC Group will delay some capital expenditures in 2020 to the following year. It will also aggressively cut costs in response to the reduction in revenues due to constraints brought about by the lockdowns.

INVESTOR INFORMATION

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COMMON STOCK
Jollibee's common stock is listed and traded on the Philippine Stock Exchange with the ticker symbol "JFC." It is one of the companies that comprise the PSE Composite Index.

ANNUAL STOCKHOLDERS' MEETING
The Annual Stockholders' Meeting will be held on July 24, 2020 at 2:00 P.M. The Corporation shall conduct the meeting virtually and the stockholders may attend and participate via remote communication and by voting in absentia or by appointing the Chairman of the meeting as their proxy.

STOCKHOLDERS' INQUIRIES
Inquiries regarding dividend payments, account status, address changes, stock certificates and other pertinent matters may be addressed to the Company's registrar and transfer agent:

Rizal Commercial Banking Corporation
Stock Transfer Office
Ground Floor, West Wing
Grepalife Building
221 Senator Gil Puyat Avenue
Makati City
Telephone: (632) 8892-4156

SEC FORM 17-A
The financial information in this report, in the opinion of Management, substantially conforms with the information required in the "17-A Report" submitted to the Securities and Exchange Commission. Copies of this report may be obtained free of charge upon written request to the Office of the Corporate Secretary

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