Jollibee Foods
CORPORATION

Serving You with Joy!
ANNUAL REPORT 2013

Jollibee Foods
CORPORATION

Serving You with Joy!

This annual report to our shareholders features how the people in our restaurants serve our customers with passion and excellence. This is how they bring to life the Company's mission of "spreading the joy of eating to everyone"!

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2013: A Record Breaking Year for JFC

System wide sales rose by 12.8% in 2013, the highest organic sales growth in six years, enabling JFC to breach the Php100 billion mark for the first time

Net income attributable to equity holders of the Parent Company grew by 25.3%, the fastest growth in 7 years

JFC's stock price increased by 69.7%, one of the best performers in the Philippine Stock Market

To My Fellow Stockholders,

The world economy continued to recover, although very gradually in 2013. It grew by 2.1%, about the same growth rate as in 2012. The United States grew by 1.9%, lower than its 2.8% performance in 2012. China's economy did one of the strongest performances with its gross domestic product rising by 7.7 percent, matching its growth in 2012.

After growing by 6.8% in 2012, the Philippine economy posted an even stronger performance of 7.2% in 2013 driven by robust private consumption and fixed investment of 5.6% and 11.7%, respectively. The impressive performance was despite three major tragedies that struck the country during the year: the Zamboanga crisis in September; the Bohol earthquake in October; and the super typhoon Yolanda in November.

Philippine inflation averaged 3.0% in 2013, the lowest in six years, due largely to lower non-food inflation as a result of lower electricity rates and domestic petroleum prices. The peso, however, weakened against the US dollar by 8.1% closing at Php44.40/US$1 at year-end. The Philippine Stock Exchange (PSE), meanwhile, gained only a modest 77 points, or 1.3% from 2012's close. The Philippine financial market, together with other emerging markets, was affected by concerns over the timing and scale of the US Federal Reserve's reduction of its bond purchases program, the US budget impasse over the debt ceiling and measures of automatic spending cuts and tax increases.

Despite the challenges brought about by the calamities in the country and the uncertainty in the world economy, the Philippine economy grew strongly. Your Company surely benefitted from the healthy growth of the country but it performed even better! Your Company performed even stronger than the major competitors in the Philippines, and practically everywhere it does business. It delivered record performance in 2013, successfully driving both revenue growth and margin expansion.

JFC revenues increased by 13.0% to Php80.3 billion. Worldwide System Wide Sales, a measure of all sales to consumers both from company-owned and franchised stores, increased by 12.8% to Php104.1 billion. The Philippines grew by 11.3%, China by 19.7%, the United States by 9.9% and Southeast Asia and the Middle East by 32.2%. In total, our foreign business grew by 19.0%. This was the highest organic sales growth in six years, enabling JFC to breach the Php100 billion sales mark for the first time. According to data from consumer research Euromonitor and to various other sources including Bloomberg, your Company had the 2nd highest system wide sales among all Asian restaurant companies, outgrowing several Asian competitors. According to our estimate, JFC would generate the largest sales by 2014 or 2015. For all intents and purposes, your Company has achieved its vision of becoming the No. 1 Asian restaurant company. The sales growth was driven by strong same store sales and by the continued expansion of our store network, which grew by 5.2%. Worldwide same store sales growth versus year ago was

“We achieved a return on equity of 21.5%, our highest in 15 years. Total shareholder return for 2013 was 73.0%.”

8%, practically all from higher volume of customers and purchases per store. Based on our market research data, our same store sales growth was clearly superior to those of our major competitors in the Philippines, in China, in the United States, in Southeast Asia and in the Middle East. During the year, we opened 235 new stores worldwide; 172 in the Philippines and 63 outside the country.

Net income attributable to equity holders of the Parent Company grew by 25.3%, the fastest growth rate in seven years. Earnings per share grew by 24.4% to Php4.45. We achieved a return on equity of 21.5%, our highest in 15 years. For the entire year, net income margin increased from 5.2% of revenues in 2012 to 5.8% in 2013 driven primarily by improvement in store operating efficiency. We continued to have a conservative balance sheet and continued to build our financial resources to execute our growth plans. Our total assets grew by 10.2% to Php46.0 billion. During the year, we generated Php9.2 billion in cash from operations and spent Php4.2 billion in capital expenditures, mostly for new stores and for the renovation of existing stores.

We drove significant value for our shareholders. We declared special cash dividends and regular cash dividends of Php3.36, the highest cash dividend in JFC’s history, representing a 76.5% payout of profit. JFC’s stock price increased by 69.7%, one of the best performers in the Philippine Stock Market. JFC’s stock price to earnings ratio rose to 38.9 times. Based on Bloomberg data, your Company’s stock valuation is already the 2nd highest in the Quick Service Restaurant industry in the whole world! JFC is also the most valuable Asian Restaurant company based on its market capitalization as of end of the year. Total shareholder return, the combination of stock price appreciation and cash dividends, for 2013 was 73.0%.

Our progress in building the business has been taking place across our brands in different countries. In the years ahead, we look forward to further strengthening our brands and to accelerating our profitable growth by keeping our intense focus on the fundamentals of our business for the benefit of our consumers: superior product quality and taste, value, service, restaurant experience and store locations made possible by an even stronger JFC organization.

In 2013, your Company and the Jollibee Group Foundation (JGF) continued to take meaningful steps to address hunger and help pupils stay in school and learn better through the Busog, Lusog, Talino (BLT) School Feeding Program. For school year 2013-2014, the BLT Program was implemented in over 1,100 public schools in 193 cities and municipalities nationwide benefitting more than 40,000 grades 1 and 2 pupils. The program has now covered over 100,000 pupils since its implementation in 2007. The Farmer Entrepreneurship Program (FEP) that was launched in 2008 to give opportunities to small farmers to be direct suppliers of JFC has helped more than 900 small farmers in 15 provinces nationwide. In a move aimed at improving education and employment opportunities, the JGF continued to support 20 students of Hotel and Restaurant Management from its partner schools as well as 40 technical skills scholars from Don Bosco.

Responsible citizenship was also reflected in JGF's efforts to help the victims of the typhoon Yolanda that hit the Philippines in November 2013. The JGF formed the Jollibee Group FoodAID Program to facilitate relief operations and set up mobile kitchen in severely affected communities in the Visayas region that benefited more than 160,000 survivors, with the help of our employee volunteers from all the business units of JFC. The JGF was able to raise Php44.0 million worth of donations from JFC, shareholders, franchisees, business partners, executives, employees and the public through the JGF coinbanks in JFC stores nationwide.

In 2013, your Company commenced the succession process of the Chief Executive Officer (CEO). We announced on August 6, 2013 the Board's decision to appoint Ernesto Tanmantiong as JFC's CEO effective July 1, 2014. His performance has clearly demonstrated that he is ready to lead our organization in building an even stronger, larger and more successful business in the future here in the Philippines and abroad. Ernesto has been the Chief Operating Officer of the entire Philippine business since January 2012. As COO, he is in charge of the profitability and growth of JFC's 6 local brands, namely: Jollibee, Chowking, Greenwich, Red Ribbon, Mang Inasal and Burger King and the Global Filipino markets in the following countries: the Middle East, USA, Brunei, Singapore and Hong Kong. In addition, he has been responsible for the JFC Corporate Services Group which includes: Supply Chain, Purchasing, Engineering, Quality Management, Information Management, and Accounting and Employee Shared Services. JFC's great performance in 2013 was to a significant extent, due to his leadership, particularly in our Philippine business and in our corporate support services. While stepping down as CEO, I will continue to provide guidance as Chairman of the Board of JFC, and will remain active in the area of product research and development for the Jollibee Group of Companies.

In closing, we would like to thank our shareholders, partners and customers for their support and loyalty to our business. We would also like to thank the Board of Directors and the Senior Management Team for their outstanding contributions over the past year. Most importantly, we would like to thank all our employees whose efforts have helped us achieve another year of superb performance. We look forward to another year of record performance in 2014 as we accelerate our profitable growth, expand our business in key markets around the world and reinforce our competitive strength.

TONY TAN CAKTIONG
Chairman and Chief Executive Officer


Jollibee
3
Jollibee

Enabling Our Customers to Savor the Joy of Family

In 2013, Jollibee reaffirmed its commitment to delight customers with superior-tasting food while strengthening the bond of Filipino families. It was also the year that tested the Philippine's leading fast food chain's mettle due to the natural disasters and other challenges faced by the country that affected many lives, properties and businesses.

Through it all, Jollibee successfully managed to continue its growth path, recording total system wide sales of P50.6 billion, 11.8 percent higher than 2012. Total stores' net operating income (NOI) also breached the P2-billion mark and set a new record in terms of the highest NOI percentage achieved in 10 years.

The steady growth in Jollibee's market share was consistently achieved through its flagship products and new offerings. Jollibee re-asserted Chickenjoy's taste superiority via a campaign highlighting it as the best choice of Filipino families, came up with a series of attractive bucket promotions and super value meals, and introduced buttered corn and mashed potato as side dishes. Yumburgers attained the highest ever recorded occasion and value shares – thanks to the successful comeback of the Amazing Aloha and the launch of our premium burger extension, the Cheesy Bacon Mushroom Champ. Jolly Spaghetti's 'Happiest with the Spaghettiest' campaign and special bundling with other products helped protect its leadership in the noodles category.

Jollibee also continued to introduce exciting products giving customers more reasons to keep coming back, such as the premium Ultimate Burger Steak, Crispy Pork Steak, Garlic Bangus, Chocolate and Coffee Flip Floats, and Milo Mix-ins in three delicious variants.

With Jollibee celebrating its 35th year in 2013, a year-long campaign anchored on the theme, "Dito ang sarap maging pamilya," was implemented. This included the Jollibee Family Getaway Promo in partnership with Resorts World Singapore, the special 35th anniversary commemorative watch by Swatch and the HR-led initiative Beeda ang Pamilya. Jollibee also produced heartwarming family thematic and Christmas ads, which cultivated brand love and engaged customers, stakeholders and employees.

2013 also witnessed a new milestone for Jollibee as it opened its 800th store in Malaybalay, Bukidnon. It opened a total of 42 new stores ending the year with a store network of 811, still the biggest and most extensive in the industry.

Jollibee continued to champion the promotion of Filipino values with its 3rd Jollibee Family Values Awards where a new OFW category was added to honor Global Filipinos. The yearly Maaga ang Pasko was also expanded to Hong Kong, Kuwait and Singapore.

For the past 35 years, Jollibee has hinged its success on its long standing relationship with generations of Filipino families and it will continue to do so as it remains the brand's greatest source of inspiration and fulfillment.

"At Jollibee, we aim to give the best experience possible to our customers - genuine Alagang Jollibee that is warm, sincere and efficient. We treat every encounter as an opportunity to engage our customers."

ARNEL YANEZA
Crew Leader
Ground Floor, SM Megamall
Mandaluyong City, Philippines


Jollibee
Jollibee
Jollibee
9.000đ

Spreading the Joy of Eating Across the Globe

2013 was another eventful year for Jollibee's international operations as it ended the year with P4.5-billion in sales, up by 28% vs. 2012. This was driven by the opening of 18 new stores and steady growth in all markets. Jollibee is now present in eight countries outside the Philippines, including Vietnam, Brunei, Hong Kong, Singapore, USA, Saudi Arabia, Qatar and Kuwait.

Jollibee Vietnam bounced back strongly in 2013 with a series of value for money offerings, new product introductions and eight new store openings that led to more customer visits. With a total of 41 stores, Jollibee Vietnam now has the highest number of branches in a single foreign market.

Jollibee Brunei was able to register a 15.8% sales growth despite the aggressive efforts of competitors and the influx of new players. This was due mainly to the opening of two new stores and the introduction of "Everyday Affordable" value offerings.

Jollibee Hong Kong implemented operational improvements that helped the store attain a 13.1% sales growth. Complementing the new store look were the creation of a two-lane counter during Sundays, earlier store hours on Saturdays and the introduction of new breakfast offerings, that all helped improve overall customer experience.

Jollibee Kingdom of Saudi Arabia (KSA) drove sales growth to a robust 34.1% due to the opening of a new store, significant trade area development, launching of new products and aggressive sales promotions. To date, Jollibee KSA has a total of nine stores across the country.

Jollibee Qatar opened its latest store, Jollibee Bin Mahmoud, last year bringing its total store count to four. It also introduced the Family Bucket Meals that helped sustain growth amidst intense competition from new QSRs in the area. These initiatives helped Jollibee Qatar achieve system wide sales of 30.1%.

Despite stricter measures implemented by the government in the OFW retail trade, Jollibee Kuwait continued to expand with two new store openings that drove sales growth to 40.1%.

Jollibee USA continued its strong performance with a system wide sales growth of 17.3%, driven by strong same store sales and new stores supported by a full year TV commercial and aggressive sales promotions. Jollibee USA opened 3 stores in 2013, with its first branch in Texas, Jollibee Houston breaking the opening day record sales previously held by Jollibee Hawaii. It also opened its first store in the state of Virginia on April, bringing the total store network to 29.

Jollibee Singapore had its much awaited opening last March and delivered the highest sales performance among international markets. It also landed in the list of Singapore's longest queue restaurants, proving the strong appeal of Everyday Delicious meals not just to Filipinos but to Singaporeans as well.

In line with its vision of becoming a truly global brand, Jollibee is poised to aggressively expand and conquer more new markets like Indonesia and Canada in the coming years bringing the joy of eating to more families across the globe.

"Serving our customers is not just simply doing it well, but rather doing it excellently. I always keep in mind that giving our customers my 100% best shows my respect not just toward them, but also to my employers. Being passionate and dedicated in service will make our customers come back to the store. They know their needs are given paramount importance."

CIELO TIMBOL
Service Crew
Jollibee Eagle Rock
California, USA


greenwich
greenwich
pizza & pasta
5-5-5-5-5
SARAP PA-DELIVER

It's Green-and-Go for Greenwich

There is no stopping Greenwich from being the country's best-loved pizza. 2013 saw Greenwich on a sumptuous gastronomic roll and as envisioned, everyone wanted to have a slice of Greenwich's great tasting pizza and dig in to its mouthwatering pasta.

One major indicator of the brand's rise to the top is the fact that Greenwich significantly led all pizza brands in key brand imagery attributes. From tickling the consumers' pizza appetite all the way down to the last bite, Greenwich delivered and even exceeded expectations in terms of product offering, product quality, customer service, and brand innovation. Evidently, the Greenwich pizza and pasta lines attained a remarkable double-digit growth – the highest growth achieved since 2008.

Greenwich's connection with its market also became stronger than ever through a growing mix of brand ambassadors with whom customers easily identified with – a fun, outgoing barkada who enjoys bonding moments and great-tasting food. Customers readily felt a sense of "belongingness" with Greenwich, which is also another reason why they keep coming back for more.

In spite of having reached the pinnacle of the brand's strength so far, Greenwich is not just about to rest on its laurels. The brand believes there is still more room for growth that is why it is bracing for a more dynamic 2014 to strengthen Greenwich as the country's top-of-mind pizza and pasta destination.

Starting at the storefront, plans are already in the pipeline to give stores a facelift with the next generation Greenwich concept store designs.

Greenwich will also optimize its menu with new products that will complement its flagship products: the iconic Ultimate Special Overload, Hawaiian Overload and Lasagna Supreme.

In the thin crust category, the Greenwich Pizza Thins will continue to take an aggressive stance in the market and make it the most preferred crispy thin crust pizza ever.

To top it all, Greenwich will also continue to feed the hearts of the people. Together with the Jollibee Group Foundation, Greenwich will still play an active role in the Busog Lusog Talino School Feeding Program in offering nutritious meals in various schools to address hunger and improve learning among marginalized youth.

Of course, Greenwich will continue to keep its social media channels open to its ever-growing followers. Since its launch in 2012, the Greenwich official Twitter account (@ greenwichpizza) has garnered the most number of followers amongst all eat-out brands with over 70,000 followers.

With the remarkable success Greenwich attained in 2013, pizza lovers can look forward to nothing but the best from Greenwich in 2014. It's the Year of the Horse and Greenwich continues to gallop to dominate and conquer the pizza and pasta industry.

"As a Crew Team Leader, I ensure that standard practices are followed at all times by the team, keeping an eye out that we always strictly adhere to production standards and brand service practices. With this commitment and dedication from the entire team, gold standard products are made, food serving time is met and guests get a delightful dining experience."

JONWARD "LANCE" PENERO
Crew Team Leader
Greenwich Atrium Level 4, SM Megamall
Mandaluyong City, Philippines


Chowking
Wonton Mami
99

Moving Forward as One in 2013

The Chowking Philippines business cemented its turnaround in 2013. Its cash registers punched in more customers, more spending and hence, more profitable growth for the restaurants. Inspired to race to the finish, all its engines were revved up—all regional business units from Luzon, Visayas to Mindanao delivering both growth and profit. The business moved forward as one, guided by three priorities: to elevate the brand, grow iconic products and achieve excellence in the restaurant.

Key efforts to elevate the brand included a visual showcase of Chowking's Chinese food that Filipinos love. These were prominently displayed in the restaurant interiors, creating a Chinese atmosphere that is up-to-date and welcoming. Lastly, the introduction of two system wide activations, Cookie Fat Choi and Mooncake Dice For a Prize, brought the brand even closer to its Chinese heritage. These campaigns were mounted during the Chinese New Year and Mooncake Festival, respectively.

In growing iconic products, Chowking sourced growth from strengthening key existing products and from introducing new blockbuster offerings, Pork Siomai Chao Fan and Golden Chinese Pork Rice. To ensure consistent, high quality food in all restaurants every day, an end-to-end approach was undertaken. This began with all its commissary sites receiving the highest ratings in quality management audits. This was followed through with an effort to equip all stores with capability in terms of people and equipment.

The team worked to achieve excellence in all restaurants starting with their strategic locations. Chowking opened new well-located restaurants in 2013. Chowking also renovated and improved existing restaurants. Additionally, the day to day operations of the stores worked to meet acceptable levels of food, service and cleanliness standards.

With the momentum of 2013, Chowking is more ready than ever to WOW its guests in 2014! It will remain focused on delivering the best of its food, its people and its brand. It will WOW for WIN!

"As a proud service frontliner of Chowking for eight years, I make it a point to consistently provide all the guests with only the best service - smiling and greeting them as they come in the store, attentively listening and promptly attending to their requests and giving an extra hand to our elderly customers. We are the most visible employees for the customers. That is why, we take extra effort in ensuring that our guests feel at home and satisfied the whole time they are in the store."

JOVEN MANALON
Regular Frontliner
Chowking Marcos Highway
Antipolo City, Philippines


Ck
Chowking
ALSO AVAILABLE IN PLATTERS:
• Pancit Bihon
• Pancit Canton
• Garlic Chicken
• Crispy Soy Chicken
• Crunchy Chicken
Grilled Tilapia
BREAKFAST CHOW
DESSERTS & DRINKS
pepsi
Chowking
Beef Wonton

A Great Leap Forward

Chowking International Operations (IO) proved that in 2013, its consistent drive for excellence could bring the brand to new and stellar places. The continuous opening of new stores, introduction of new products and improvement of existing products and enhanced services to customers were keys to Chowking IO's achievements last year.

Chowking USA expanded its store count to 20 in the region with the opening last April of its new store along Vermont Avenue in Los Angeles, helping the brand reach a wider consumer base. Throughout the year, Chowking's stores in the cities of Union, Mira Mesa, National, Vallejo and Panorama were also renovated, enhancing the customers' dining experience.

Chowking USA also added new delectable Chinese dishes to their menu such as the Chao Fan, the Crispy Soy Chicken, and the Taho Shake. It also re-launched the Sotanghon, giving the customers more food choices.

Making the year memorable and in celebration of the Chinese New Year, Chowking USA offered the $1 Siopao that helped reinforce customers' perception of the brand of having low cost but high satisfaction meals.

Chowking Middle East's sales continued to grow at a robust rate with its total sales growing 24% in 2013, driven by high growth sales of Chowking United Arab Emirates (UAE) at 24% and Chowking Qatar at close to 20%.

The brand opened two additional stores in Qatar. It also opened its second store in the Sultanate of Oman—bringing to 26 its store network in key cities in the Middle East. It now has 19 stores in the UAE, five in Qatar and two in Oman.

2013 was also a breakthrough in quality management for Chowking Middle East. As a step towards aligning Food, Service, Cleanliness and Conditions (FSC) standards with Jollibee Food Corporation's Corporate Quality Management, the first official audit was conducted in UAE. The results were encouraging as the market achieved an FSC score of 100%. This showed the brand's strong commitment towards consistently delivering Gold Standard Products to its guests.

An aggressive store expansion is planned by Chowking Middle East in 2014 as it prepares to enter new markets in the Kingdom of Saudi Arabia and Kuwait. It will also launch one of its flagship products, the Chinese Style Fried Chicken, in the Middle East market.

The strong performances of Chowking USA and Chowking Middle East in 2013 will continue in 2014 as its solid foundation in these regions are already supported by the continuous introduction of new products, new store locations, stringent store processes as well as the hundreds of customers that visit the stores throughout the year.

"Bringing warmth and joy to all customers who visit our store is our mission. We make each moment truly comfortable and satisfying for them."

CARLO MIGUEL SUPAN
Service Crew
Chowking West Covina
Californina, USA


Coca-Cola
Red Ribbon

Continuing the Winning Streak

The winning streak continued as Red Ribbon registered its biggest year yet in 2013. System wide sales and rolling base growths were the highest in six years! The show-stopping sales performance was driven by a 10% leap in transaction count, showing that more customers are experiencing and enjoying the brand. Outstanding sales coupled with prudent management of store and main office expenses, plus relentless pursuit of commissary efficiencies led to company profitability soaring to its all time high in 2013.

Red Ribbon delighted the market by making itself more accessible with the opening of 74 new stores – the highest in its history. Customers who longed to experience the brand eagerly flocked to Red Ribbon stores in new territories in Nueva Vizcaya, Tarlac, Bohol, Roxas, Dumaguete, Isabela, Butuan, Kidapawan, and Cotabato. As a result, the 5-year record for opening day sales was smashed not just once, but twice in 2013. The expanding network was achieved with best-in-class store ratings in Food, Service, and Cleanliness – a testament to Red Ribbon's commitment to product and service quality.

True to their being flagship products, Chocolate Dedication Cake, Black Forest, and Butter Mamon topped the chart, posting huge incremental sales vs prior year. Market share made quantum leaps for Chocolate Dedication Cake and Black Forest, while Mamon finally established its dominance in the mamon segment.

Innovation made its full swing with the launch of fourteen new products like Brazo de Mercedes and Cheesy Mamon, providing customers with a wider assortment of products. Meanwhile, sales during red-letter days like Valentine's, Mother's Day, Father's Day, Christmas, and New Year had record-breaking growths vs prior year, a clear proof that Red Ribbon is increasingly becoming a part of celebrations of more and more Filipinos.

In a pioneering partnership with Apl.de.Ap of the world-renowned and Grammy-award winning musical group Black Eyed Peas and the Franklin Baker Company of the Philippines, Macaroons for a Cause was launched as a CSR project that aimed to provide access to education by building public schools starting in Zamboanga.

Supply chain improvement programs were implemented to meet the ever-increasing lift in demand. The purchase of new ovens and equipment in Red Ribbon's various commissaries significantly increased baking capacity. A brand new commissary with more modern and efficient facilities was opened in Cagayan de Oro in late 2013, an unmistakeable sign of the company's commitment to grow the business in the provinces.

These outstanding results signal that Red Ribbon is poised to create more sweet family moments through breakthrough innovations in products and services. With a brand new year ahead, Red Ribbon is committed to take the lead as it goes higher in 2014.

"Simple gestures such as politely greeting our customers with a warm smile, and asking them how their day was really do leave a good impression with them. With the whole team executing these, aside from the established standards we follow, customers indeed come in droves to our stores! And we get to be good friends with them in the long run."

RUBY LYN T. DELOS REYES
Regular Crew
Red Ribbon Marquee Mall
Angeles City, Philippines

Red Ribbon
New
Cashew
Brownies
Ube Overload
Ultimate Chocolate
Triple Chocolate Roll
Mango Cake

Delivering Sweet Delight

Red Ribbon USA continued to soar high and delight customers in 2013. Despite tough economic situation & stiff competition in the region, Red Ribbon USA managed an impressive same store sales growth of 5.6% and exceeded net income budget by double digits.

A key ingredient for this sweet success was the focus on improving its flagship products Butter Mamon and Mango Cake. For Butter Mamon, a successful advertising campaign was developed that promoted the product as the standard for butter deliciousness. The "Buy 6, Get 1 Free" Value Pack offer also encouraged bulk purchases for Butter Mamon. These efforts grew Butter Mamon's revenue grew double digit at 13% versus same period last year, and nearly tripling its sales compared to 2011 or a 185% growth increase.

The Mango Cake also had a memorable advertising campaign that prided it as the cake with the sweetest ripe mango ingredients imported from the Philippines—sweeter than the taste of locally-sourced mangoes. This translated to a 24% growth in the product's sales revenues versus the same period a year ago.

Red Ribbon also introduced popular products that were widely accepted by our customers. This generated incremental sales for the business. The launch of the Triple Chocolate Roll contributed 42% additional sales for the rolls category. The new Mocha Crumble Cake became the top 5 best-selling round cake, contributing to the 6% total cakes category growth in 2013 vs 2012. The pastries category also had a strong growth of 30%, aided by the launch of Brownies & Cheesy Mamon.

Red Ribbon USA also opened its first bakeshop-model store in the city of Rancho Cucamonga, California, marking the brand's 31st store in the United States.

Commissary improvements such as the mechanization of cake slicing, investment in additional icing conveyor lines, installation of new refrigeration systems, rehabilitation of ovens, implementation of safety and sanitation work gear, work safety program and conduct of good manufacturing practices (GMP) training programs resulted to sustained commissary profitability and improved GMP scores.

Red Ribbon USA's commitment to deliver delicious, high-quality bakeshop products and excellent service made 2013 a truly memorable & delightful experience to its customers and this will surely carry on for the years to come.

"Working with my co-employees who are hardworking, dedicated, and respectful has helped me serve our customers so well everyday. I learned that espousing these values produce happy employees like me, and happy customers!"

JEAN LABOG
Service Crew
Red Ribbon Bakeshop Rancho Cucamonga
California, USA


永和大王
Yonghe King
多C番茄牛肉面
¥25
永和大王

Pursuing Growth through Customer Satisfaction

In 2013, competition in China in the Quick Service Restaurant (QSR) market was increasingly fierce. Western QSRs such as McDonald's and KFC expanded their menu by offering delicacies that satisfy the Chinese locals' palates. They massively invested in advertising and media which targeted customers' familiarity with the Chinese QSR market.

This was one reason why Yonghe King (YHK) became more critical of its brand differentiation last year. Since the repositioning of the brand in 2012 from a general "Tastes of China" brand to a distinct "Taiwan-inspired" brand, YHK has indeed refocused its sights to its customers.

With the clarity of brand positioning, YHK introduced a series of iconic Taiwanese foods such as "Pop Chicken," "Douhua (Sweet Bean curd Dessert)," and "Formosa Meatball Rice," and strengthened product taste on existing products such as 3-cup Chicken Rice and Braised Beef Noodle to condition customer impression of continuously supporting the brand.

Yonghe King also launched a year-round marketing event named "Taiwan Food Festival" with a pervasive TV commercial that clearly communicated and showcased the taste and quality of YHK's products. The TV ad resulted to Good Value Score for its major products as it increased by 10% and Good Taste Score reached over 60% based on Consumer Research statistics.

These various efforts paved the way for Yonghe King to achieve more than 10% sales growth in 2013, the highest growth recorded in the QSR Industry in China.

In addition to business performance and enhancement of customer satisfaction, Yonghe King further upgraded its brand reputation that resulted to numerous awards. It won The Top Brand in Chinese Quick Service Restaurant Industry of C-BPI (China Brand Power Index) for three consecutive years; Seven Star Award for Chinese Food Safety for two consecutive years and the Sincerity Service and Satisfactory Brand on March 15, 2013 (dubbed as Consumer Day) for two consecutive years. In addition, YHK was recognized by WPP, the largest communication group around the world, in their BRANDZ category as one of the Most Valuable China brand being the only Chinese QSR brand on the group.

Equally the same with customers' needs, Yonghe King also prioritized the needs of its employees. Last year, it facilitated People Culture building that reinforced the performance and full potential of the organization inside out.

It is YHK's vision to become the most favorite QSR in China and it is set to deliver on its promises to offer more tasty food, more excellent services, and valued customer experience to its customers in 2014 and in the coming years.

"As a Store Manager in Yonghe King, I learned to bear hardships, accept new ideas and analyze information. These made me do my job ably and serve our customers so well that they always feel delighted to be in our stores!"

LEI ZHENG
South Lianhua Road Manager
Yonghe King
China


宏状元
Hong Zhuang Yuan

Marked for Success

2013 marked another prosperous year for Hong Zhuang Yuan (HZY) as it strengthened its position as the only Chinese neighborhood restaurant that "feels like home." HZY aggressively pursued this goal as a key for maintaining customers' loyalty to the brand by serving best-tasting, value-for-money authentic Chinese dishes and improving their overall service for a delightful, comfortable eating experience.

The company focused on improving its service levels in the restaurants by greeting all customers with a smile and ensuring that all their food orders were served on time. Maximizing the good service to the customers earned compliments and good word-of-mouth for the brand, which translated to more traffic count everyday at the stores.

Showcasing its competitive stance, two of its restaurants, Tong & Yang, both broke the Monthly Sales Record of ¥1 Million (Net) last July & August 2013. This double digit sales growth helped the brand remodel three of its old restaurants encouraging more customers to visit the stores and feel the HZY store experience.

2013 was also the year HZY formalized its new tagline, "Congee, and Much More," where a full new menu of 30 new products was introduced. This provided more great-tasting food at very affordable prices to customers. The launch of the new menu improved the brand's average check (AC) to 10% and its gross profit (GP) by 5% in the last quarter of 2013.

Never foregoing congee as its main flagship product, HZY managed to evolve from a quick-service congee restaurant to China's neighborhood casual dining restaurant.

Hong Zhuang Yuan is determined to be at the top of its industry in the coming years. It firmly believes that the innovations they put in place will not just improve the company's reputation but will help in maintaining the brand's unique identity.

"Working carefully and earnestly in the store kitchen everyday is what I love to do. I want to let all our customers know the great taste of our products and make them come back for more. At the same time, I also provide service to my fellow workers by helping train new employees in the correct kitchen working procedures. My positive attitude helps both my co-workers and customers appreciate good service when they visit our store."

XIAOMIN ZHAI
Back Kitchen Employee
Hong Zhuang Yuan
Yuanzhou, China


Mang
INASAL
SUPER
SULIT

Robust Growth Reflects Company Success in Meeting Pinoy Taste Needs

Mang Inasal's record performance in 2013 mirrors its success in satisfying the unique needs and taste preferences of the Filipino consumer.

Guided by its vision of 'serving its customers with joy', the company focused on strategic moves to strengthen its position as the leading Filipino branded chicken outlet in Metro Manila and as purveyor of dishes well-loved by the Filipino heart and palate.

The company implemented Gold Standard Training across all stores to ensure the consistent high quality of Chicken Inasal, its flagship product. Chicken Inasal systematization provided for standardized tools and utensils, better timer and strengthened holding cabinet compliance.

The 2-in-1 sa Laki at Sarap campaign was launched to highlight the great taste and value of Chicken Inasal. Featuring popular movie and television actress Angel Locsin as its brand ambassador, the campaign resonated with both loyal and newly-captive Mang Inasal consumers, leading to a significant 2013 growth in chicken sales over 2012.

Mang Inasal's other flagship product, the Halo-Halo, was boosted by marketing campaigns that nearly doubled its sales–indicating an increase in consumer preference for the brand. Moreover, the Pork Barbecue re-launch in May resulted in a hefty growth in sales over the previous year.

Strengthening its menu line-up to sustain consumer excitement, Mang Inasal also launched Pansit Bihon, Ginataang Bilo-Bilo and big size Halo-halo to complete the customer dining experience.

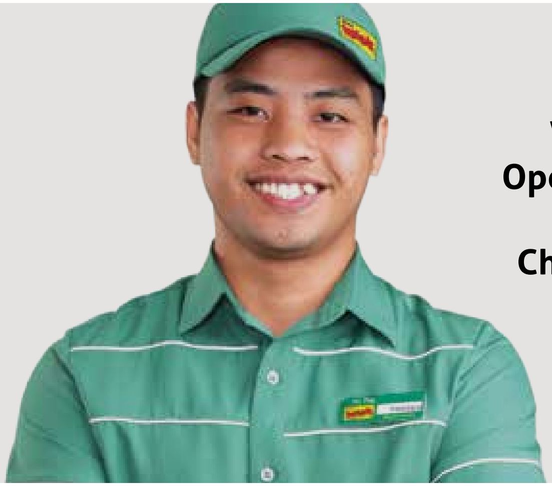
With the brand's surging growth, it became paramount to safeguard consistent product quality and sanitation. Standardized Commissary Processes following the Chicken Inasal Gold Standard manufacturing process and store manuals were completed to uphold strict procedural guidelines.

All three Mang Inasal commissaries passed the 2013 Corporate Quality Management audit rating with flying colors. HACCP accreditation was awarded to the Taguig, Iloilo and Davao commissaries, attesting to Mang Inasal's commitment to food safety.

The company intensified its continuing improvement process, launching the comprehensive FSC Audit Training, Feedback Management System, Food Safety Computer-based Training, HACCP standards, workshops for grillmen and overall systematization to improve store operations and product quality. Food Serving Time was shortened through Product Assembly Improvement training.

The leadership team was completed and operations re-structured into three Regional Business Units (RBU) to provide focus in growing each RBU.

Mang Inasal is the No. 1 Pinoy branded outlet in Metro Manila. It achieved an excellent FSC Stars Rating even with higher validation criteria. Eighteen (18) new stores were built while 29 existing stores underwent renovation translating into a robust system wide sales and rolling base growth. Mang Inasal ended 2013 with 459 stores nationwide. No wonder that for 2014, customers will continue to get the best from Mang Inasal.



"As a Grillman of Mang Inasal, I strictly adhere to the Standard Operating Procedures in cooking Chicken Inasal and other grilled products. This is to ensure that we only serve Gold Standard Chicken Inasal and other grilled products. Our customers surely love them and crave for more. This is truly Alagang Pinoy!"

ANDREW BAUTISTA SULIT
Crew Team Leader & Grillman
Mang Inasal Araneta
Cubao, Quezon City, Philippines


三品王®
San Pin Wang
台

Prosperity Amidst Complexity

2013 proved to be a challenging year for San Pin Wang (SPW) but that did not stop it from instituting reforms in the organization.

Faced with the rising price of domestic beef, San Pin Wang took advantage of its group procurement and imported quality beef from other countries such as New Zealand, Australia and Canada, fully guaranteeing the stable supply of beef to its stores. With this initiative, SPW decided to return to its original beef soup. Despite the added processing time, storage, and logistics costs, the brand was able to ensure the quality and taste of its products.

San Pin Wang also launched its new 5 Happiness Beef Rice noodles and the Pickled Vegetables Beef Rice noodles giving the customers more options and value to choose from. High-end melamine bowls also replaced the stainless steel bowls used in serving beef noodles.

Aside from new products and improved food processes, San Pin Wang amplified its store designs to make the customers feel more comfortable with their dining experience. Huge posters about its delicious products were posted at the stores' doors making it easily visible for customers. 3D signs were also posted on the door to entice more customers.

San Pin Wang also opened seven new stores in 2013, where it established its first stores in Liuzhou, Guigang and Yulin, areas outside Nanning, China where most of the brands' stores are located. 2013 also marked the year where SPW opened its first franchised store. These solid steps in store expansion utilized the brand's commitment to reach out to as many areas in the region to be able to satisfy the local food cravings of the customers.

Recognizing the importance of all its employees to the stores' daily operations, SPW raised the staff's pay last year giving them a greater sense of belongingness working with the company.

Bigger and better plans are in store for San Pin Wang in 2014 as it plans to enhance its flagship products, open more stores and expand its franchise business. SPW also plans to launch a take-out service system, introduce new packaging and improve its manufacturing and quality management in the organization as these will lay the foundation to a more profitable growth for the brand in the years to come.

"Providing warm and thoughtful service to our customers, which include the young, the elderly and pregnant women, is what I always aspire to give at the store. I believe that my ebullient personality complemented with my joyful demeanor and excellent work attitude helps gain the delight and loyalty of our customers in San Pin Wang!"

XIAODONG NONG
Coach
San Pin Wang Minghu
Nanning, China


BURGER KING

Delivering the Best Burger Experience

In 2013, Burger King set its course to delivering only the "best burger experience" to all its valued guests.

With this in mind, Burger King focused on building its world famous burgers through innovations centered on bringing out the "best tasting burger," with new value and limited time offerings; crafting the most delightful guest experience by means of restaurant technology upgrades; and creating new avenues for accessibility via network expansion and remodeling of its key outlets.

For its world-famous Whopper, a delightful twist was given via its 3-Meat Whopper which was warmly appreciated for its unique, satisfying taste and value.

Burger King also introduced via limited time offers other world burger favorites such as the Angus Steak House collection among others.

The second half of 2013 marked a milestone in Burger King's recent history with the most number of restaurant openings in the country. The "Home of the Whopper" strengthened its foothold in key Central Business District areas such as Makati City and Ortigas. It also expanded its territory with strategic locations in the South Luzon area.

The Whopper and all its products have also been made more accessible in new Burger King Drive-Thru restaurants which marked the first Drive-Thru restaurants to be opened since more than a decade ago.

Drive-Thru and cashier terminal systems were upgraded to allow for an easier order-taking process, thus allowing guests to have a more pleasant and convenient experience every time they come to visit the restaurants.

Key outlets also got much-needed renovation works to the delight of our guests, resulting in immediate sales growth despite increased competition in both retail trade areas.

All the efforts of 2013 brought the official store count of Burger King to 34 by the end of 2013 sporting the brands revitalized look aptly called the "Garden Grill" concept. The new design, which is expected to be adapted by soon-to-open Burger King restaurants in the country, highlights the unique heritage that's been with Burger King since 1954, which is flame-grilling.

All these initiatives in 2013 always place the customer at its heart to ensure that Burger King is able to deliver the best burger experience, with the delicious food, friendly service, and warm ambiance, that will truly make every guest feel like a king!

"I believe that we should treat all our customers entering the store as friends or relatives visiting our homes. Be friendly and always make them feel at home! Having our valued guests experience this type of exceptional service makes them come back to our stores!"

KRISTINE A. BAUTISTA
Restaurant General Manager
Burger King Frontera Verde
Pasig City, Philippines


Jollibee Group FOUNDATION
Jollibee FOUNDATION
Busog
Lusog
Talino

The Joy of Giving Back

Jollibee Group Foundation (JGF), the corporate social responsibility arm of Jollibee Foods Corporation (JFC), brings joy to the communities through the implementation of various initiatives. Its major programs are as follows:

Busog, Lusog, Talino (BLT) School Feeding Program. For SY 2013-2014, the BLT Program was implemented in over 1,100 public schools in 193 cities and municipalities nationwide benefitting more than 40,000 pupils. The program has now covered over 100,000 pupils since its implementation in 2007. By providing lunch every day, the Program addresses hunger and helps pupils stay in school and learn better.

Community ownership is a component of the BLT Program that makes it sustainable. In partnership with local education stakeholders, local civic organizations, residents and overseas contacts are mobilized to donate to and volunteer in the program. About 500 BLT schools in SY 2013-2014 were funded with significant support from local institutions. In Davao City for example, the city government committed P5.7 million pesos to support the BLT Program in 142 schools in the next five (5) years.

Farmer Entrepreneurship Program (FEP). For 2013, the program helped more than 900 small farmers in 15 provinces nationwide. FEP was implemented in Ilocos, Pangasinan, Nueva Vizcaya, Nueva Ecija, Quezon, Mindoro, Albay, Antique, Iloilo, Cebu, Negros Occidental, Bukidnon, Compostela Valley, Davao Oriental and Agusan del Sur.

Eight farmer groups are supplying onions, tomatoes, bell peppers, chilli peppers, and calamansi to JFC. In total, for 2013 the program assisted 18 farmer groups to deliver their products to various institutions such as restaurants, supermarkets, and food processors. In addition, 12 companies are currently sourcing directly from smallholder farmers for their vegetable material requirements through FEP. These companies practice inclusive business by offering the farmers opportunities to be directly part of the supply chain.

Jollibee Group FoodAID Program. When Typhoon Yolanda hit the Philippines in 2013, JGF immediately set up a disaster response center which provided food assistance to affected communities. The Jollibee Group FoodAID Program organized relief operations and established mobile kitchens in severely affected communities in the Visayas region. This benefited more than 160,000 survivors, with the help of employee volunteers from all the business units of JFC. The FoodAID Program also provided assistance to volunteers of various relief organizations and served more than 17,000 meals.

JGF was able to raise P44M worth of donations from JFC, shareholders, franchisees, business partners, executives, employees and from the public through the JGF coinbanks in all JFC stores nationwide. Portion of this will go to the Foundation's rehabilitation efforts that include a special school feeding program, livelihood recovery assistance for small farmers and scholarship grants to students in affected communities.

In line with the government's thrust to promote inclusive growth, JGF will continue to serve its communities, scale up its reach and help develop resiliency in these areas, through meaningful and productive partnerships.

"JGF helped me realize my desire to give back to the community. I am grateful that JGF gave me the chance to help out as an English tutor to the scholars and as a volunteer staff in the BLT activities. In my own small way, I contribute in uplifting the lives of our fellowmen."

VICTORINO "VIC" TOLOSA II
Corporate IM Manager
Jollibee Foods Corporation

DIRECTORS[1]

ANG NGO CHIONG†
Chairman Emeritus

TONY TAN CAKTIONG
Chairman of the Board/President

WILLIAM TAN UNTIONG
Director / Corporate Secretary

ERNESTO TANMANTIONG
Director / Treasurer

JOSEPH C. TANBUNTIONG
Director

ANG CHO SIT
Director

ANTONIO CHUA POE ENG
Director

MONICO C. JACOB
Director

CEZAR P. CONSING
Director

(RET) CHIEF JUSTICE ARTEMIO C. PANGANIBAN
Director

WASHINGTON Z. SYCIP
Independent Adviser

[1] ATTY. VALERIE F. AMANTE
Assistant Corporate Secretary and VP - Corporate Legal

CORPORATE OFFICERS

TONY TAN CAKTIONG
President and Chief Executive Officer

ERNESTO TANMANTIONG
Chief Operating Officer

YSMAEL V. BAYSA
Chief Finance Officer

WILLIAM TAN UNTIONG
Chief Real Estate Executive

DANIEL RAFAEL RAMON Z. GOMEZ III
Chief Marketing Officer

HEADS OF LOCAL UNITS

JOSEPH C. TANBUNTIONG
President, Jollibee Philippines

JOSE A. MINANA, JR.
Group President, JFC

FERNANDO S. YU
President, Chowking Philippines

ALBERT C. CUADRANTE
General Manager, Greenwich Business

ZINNIA CARMENCITA RIVERA
General Manager, Red Ribbon Business

JUSTO S. ALANO III
General Manager, Mang Inasal

LEILA F. ACOSTA
Managing Director, Burger King Business

HEADS OF INTERNATIONAL UNITS

CHIN SENG YUE
Chief Human Resource Advisor

DR. POLLY YANG
VP - Corporate Research and Development

RAYMOND SU
President, Yonghe King Business

LAWRENCE YIN
General Manager, Hong Zhuang Yuan Business

FRANKIE TAN
President, Jollibee Foods Processing Pte., Ltd

DU HAN
President, Guangxi San Pin Wang Food and Beverage Management Co., Ltd

FRANCIS ALDWIN E. FLORES
VP - International Mainstream Markets

DENNIS M. FLORES
VP - Global Filipino Markets

TRAN THI LAN ANH
General Manager, Jollibee Vietnam

MARIBETH DELA CRUZ
General Manager, US Operations

HEADS OF CORPORATE UNITS

INOCENCIO HUYONG JR.
VP - Country Real Estate

WILLIAM S. LORENZANA, JR.
President - Zenith Business Unit and VP - Corporate Supply Chain

ANASTACIA S. MASANCAY
VP - Corporate Audit and Other Businesses

SUSANA K. TANMANTIONG
Chief Procurement Officer

LAURO C. MATIAS
Chief Information Officer

LIWAYWAY T. MATEO
VP - Corporate Quality Management

ERLINDA F. CASTRO
Head, FA/HR Shared Services

JOLLIBEE GROUP FOUNDATION, INC.

GRACE A. TAN CAKTIONG
President, Jollibee Group Foundation, Inc.

* As of March 31, 2014

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

FOR THE YEAR	2011**	2012**	2013
Consolidated Systemwide Sales	82,170,085	92,271,200	**104,090,057**
Gross Revenues	62,554,927	71,059,039	**80,282,769**
Net Income	3,284,780	3,711,996	**4,722,807**
Net Income (Attributable to Equity Holders of the Parent)	3,262,644	3,727,084	**4,671,559**
Payroll and Benefits	9,919,111	11,056,054	**12,504,376**
Personnel	39,162	42,090	**40,958**
Number of Stores			
Jollibee*	823	872	**912**
Greenwich	205	202	**199**
Chowking*	430	430	**446**
Red Ribbon*	242	244	**309**
Yonghe King	265	297	**314**
Hong Zhuang Yuan	52	46	**43**
Mang Inasal	429	465	**459**
Burger King	23	29	**34**
Chow Fun	3	3	**3**
San Pin Wang		40	**45**
*Domestic and International			
AT YEAR-END			
Total Assets	38,908,227	41,768,131	**46,026,634**
Total Property & Equipment	10,580,367	11,059,464	**11,772,441**
Total Equity	20,414,870	21,731,303	**23,360,940**
Current Ratio	1.10	0.94	**1.18**
Debt Ratio	0.49	0.49	**0.50**
PER SHARE DATA			
Basic Earnings Per Share	3.14	3.58	**4.45**
Diluted Earnings Per Share	3.10	3.51	**4.36**
Cash Dividend	1.07	2.20	**3.36**
Book Value	19.66	20.75	**22.20**
SHARE INFORMATION			
Outstanding Shares (net of Treasury Shares)	1,038,505,893	1,047,412,219	**1,052,161,335**

***Restated*

The management of JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013, 2012 and 2011 including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submit the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the years ended December 31, 2013, 2012 and 2011 has examined the consolidated financial statements of the Company 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 examination.

Signed under oath by the following:

TONY TAN CAKTIONG
Chairman of the Board
Chief Executive Officer

YSMAEL V. BAYSA
Vice-President for Corporate Finance
and Chief Finance Officer

MARILOU N. SIBAYAN
Comptroller

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: 03-5003942-0
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 persons 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 31st day of March 2014.

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Series of 2014

The Stockholders and the Board of Directors
Jollibee Foods Corporation

We have audited the accompanying consolidated financial statements of Jollibee Foods Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Jollibee Foods Corporation and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

Marydith C. Miguel
Partner
CPA Certificate No. 65556
SEC Accreditation No. 0087-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 102-092-270
BIR Accreditation No. 08-001998-55-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225193, January 2, 2014, Makati City

April 7, 2014

	December 31, 2013	December 31, 2012 (As restated - Note 2)	January 1, 2012 (As restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 6, 30 and 31)	**₱9,903,877,068**	₱8,848,591,584	₱6,655,312,875
Receivables (Notes 7, 30 and 31)	**3,082,872,678**	2,750,341,491	2,388,617,052
Inventories (Note 8)	**3,560,432,134**	2,629,743,477	2,860,103,279
Other current assets (Note 9)	**1,836,995,105**	1,394,525,363	1,354,914,695
	18,384,176,985	15,623,201,915	13,258,947,901
Noncurrent Assets			
Available-for-sale financial assets (Notes 10, 30 and 31)	**21,479,461**	128,149,438	120,649,438
Interests in and advances to joint ventures, co-venturers and an associate (Note 11)	**3,322,393,765**	3,011,501,581	3,188,515
Property, plant and equipment - net (Note 12)	**11,772,440,510**	11,059,464,042	10,580,366,696
Investment properties (Note 13)	**751,767,041**	754,012,771	772,468,616
Goodwill and other intangible assets (Note 14)	**9,103,636,848**	8,837,559,145	8,542,321,057
Operating lease receivables (Note 29)	**21,267,251**	22,560,089	26,838,873
Deferred tax assets - net (Note 24)	**756,196,860**	685,822,447	636,389,585
Other noncurrent assets (Notes 15, 30 and 31)	**1,893,275,392**	1,645,859,282	4,609,351,786
Total Noncurrent Assets	**27,642,457,128**	26,144,928,795	25,291,574,566
	₱46,026,634,113	₱41,768,130,710	₱38,550,522,467
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities (Notes 16, 30 and 31)	**₱14,249,926,021**	₱11,753,066,051	₱10,165,594,869
Income tax payable	**154,744,537**	78,958,189	154,717,083
Short-term debt (Notes 18, 30 and 31)	**–**	–	900,000,000
Current portion of:			
Long-term debt (Notes 18, 30 and 31)	**1,106,275,244**	4,572,839,927	777,301,991
Liability for acquisition of businesses (Notes 11, 30 and 31)	**107,666,875**	216,368,476	104,763,179
Total Current Liabilities	**15,618,612,677**	16,621,232,643	12,102,377,122
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt (Notes 18, 30 and 31)	**4,062,970,500**	854,616,489	3,942,742,029
Liability for acquisition of businesses (Notes 11, 30 and 31)	**129,007,932**	151,203,664	178,964,787
Provisions (Note 17)	**30,500,639**	30,500,639	30,500,639
Derivative liability (Notes 18, 30 and 31)	**4,532,600**	22,782,820	–
Pension liability (Note 25)	**932,841,109**	521,578,602	9,379,018
Operating lease payables (Note 29)	**1,569,071,461**	1,460,167,999	1,343,261,889
Deferred tax liabilities - net (Note 24)	**318,157,118**	374,744,826	528,426,655
Total Noncurrent Liabilities	**7,047,081,359**	3,415,595,039	6,033,275,017
Total Liabilities	**22,665,694,036**	20,036,827,682	18,135,652,139
Equity Attributable to Equity Holders of the Parent Company (Note 30)			
Capital stock (Note 19)	**1,051,430,791**	1,046,681,675	1,037,775,349
Additional paid-in capital (Note 26)	**3,640,716,729**	3,284,139,309	2,914,463,925
Cumulative translation adjustments of foreign subsidiaries, joint ventures and an associate	**38,306,710**	(351,379,055)	(187,186,852)
Remeasurement gain (loss) on net defined benefit plan - net of tax	**(472,054,212)**	(224,657,742)	128,728,399
Unrealized gains on available-for-sale financial assets (Note 10)	**–**	102,626,829	102,626,829
Comprehensive loss on derivative liability (Note 18)	**(3,411,504)**	(7,087,197)	–
Excess of cost over the carrying value of non-controlling interests acquired (Note 19)	**(542,764,486)**	(542,764,486)	(542,764,486)
Retained earnings (Notes 2 and 19):			
Appropriated for future expansion	**10,200,000,000**	5,000,000,000	1,200,000,000
Unappropriated	**8,817,166,243**	12,871,154,204	15,238,047,410
	22,729,390,271	21,178,713,537	19,891,690,574
Less cost of common stock held in treasury (Note 19)	**180,511,491**	180,511,491	180,511,491
	22,548,878,780	20,998,202,046	19,711,179,083
Non-controlling Interests (Note 11)	**812,061,297**	733,100,982	703,691,245
Total Equity	**23,360,940,077**	21,731,303,028	20,414,870,328
	₱46,026,634,113	₱41,768,130,710	₱38,550,522,467

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
REVENUES			
Net sales	**₱76,313,489,585**	₱67,493,953,521	₱59,266,444,340
Royalty, franchise fees and others (Note 20)	**3,969,279,614**	3,565,085,633	3,288,482,719
	80,282,769,199	71,059,039,154	62,554,927,059
COST OF SALES (Note 21)	**65,284,763,064**	58,435,498,743	51,366,071,947
GROSS PROFIT	**14,998,006,135**	12,623,540,411	11,188,855,112
EXPENSES			
General and administrative expenses (Note 22)	**7,427,887,196**	6,908,802,947	5,939,317,810
Advertising and promotions	**1,639,022,544**	1,369,719,679	1,310,113,894
	9,066,909,740	8,278,522,626	7,249,431,704
INTEREST INCOME (EXPENSE) (Note 23)			
Interest income	**245,573,808**	270,114,157	179,763,236
Interest expense	**(152,920,028)**	(206,012,700)	(291,342,791)
	92,653,780	64,101,457	(111,579,555)
EQUITY IN NET EARNINGS (LOSSES) OF JOINT VENTURES AND AN ASSOCIATE (Note 11)	**(115,560,608)**	(50,954,378)	299,710
OTHER INCOME (Note 23)	**337,325,031**	503,534,839	566,813,617
INCOME BEFORE INCOME TAX	**6,245,514,598**	4,861,699,703	4,394,957,180
PROVISION FOR INCOME TAX (Note 24)			
Current	**1,521,966,682**	1,277,160,734	1,187,563,865
Deferred	**741,389**	(127,456,683)	(77,386,893)
	1,522,708,071	1,149,704,051	1,110,176,972
NET INCOME	**4,722,806,527**	3,711,995,652	3,284,780,208
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustments of foreign subsidiaries, joint ventures and associates	**414,851,757**	(169,424,928)	133,206,626
Comprehensive gain (loss) on derivative liability (Note 18)	**6,806,839**	(13,124,439)	–
Unrealized loss on available-for-sale financial assets - net of tax (Note 10)	**(102,626,829)**	–	(4,537,748)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on net defined benefit plan - net of tax	**(247,396,470)**	(353,386,141)	128,728,399
	71,635,297	(535,935,508)	257,397,277
TOTAL COMPREHENSIVE INCOME	**₱4,794,441,824**	₱3,176,060,144	₱3,542,177,485
Net Income Attributable to:			
Equity holders of the Parent Company (Note 28)	**₱4,671,559,394**	₱3,727,084,297	₱3,262,644,224
Non-controlling interests	**51,247,133**	(15,088,645)	22,135,984
	₱4,722,806,527	₱3,711,995,652	₱3,284,780,208
Total Comprehensive Income Attributable to:			
Equity holders of the Parent Company	**₱4,714,897,551**	₱3,202,418,756	₱3,516,670,668
Non-controlling interests	**79,544,273**	(26,358,612)	25,506,817
	₱4,794,441,824	₱3,176,060,144	₱3,542,177,485
Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company (Note 28)			
Basic	**₱4.450**	₱3.577	₱3.168
Diluted	**4.360**	3.513	3.125

See accompanying Notes to Consolidated Financial Statements.

	Capital Stock (Note 19)	Subscriptions Receivable	Additional Paid-in Capital (Note 26)	Cumulative Translation Adjustments of Foreign Subsidiaries Joint Ventures and an Associate	Remeasurement Gains (Loss) on Net Defined Benefit Plan - net of tax (Note 2)	Unrealized Gain on Available-for-Sale Financial Assets (Note 10)	Comprehensive Loss on Derivative Liability (Note 18)	Excess of Cost over the Carrying Value of Non-controlling Interests Acquired (Note 19)	Retained Earnings (Note 19): Appropriated for Future Expansion	Retained Earnings (Note 19): Unappropriated	Cost of Common Stock Held in Treasury (Note 19)	Total	Non-controlling Interests (Notes 2 and 11)	Total Equity (Note 2)
	Equity Attributable to Equity Holders of the Parent Company (Note 30)													
Balances at January 1, 2013, as previously reported	**₱1,063,859,559**	**(₱17,177,884)**	**₱3,284,139,309**	**(₱351,379,055)**	**₱–**	**₱102,626,829**	**(₱7,087,197)**	**(₱542,764,486)**	**₱5,000,000,000**	**₱12,808,533,096**	**(₱180,511,491)**	**₱21,160,238,680**	**₱733,100,982**	**₱21,893,339,662**
Effect of adoption of Revised PAS 19	–	–	–	–	(224,657,742)	–	–	–	–	62,621,108	–	(162,036,634)	–	(162,036,634)
Balance at January 1, 2013 (As restated - Note 2)	1,063,859,559	(17,177,884)	3,284,139,309	(351,379,055)	(224,657,742)	102,626,829	(7,087,197)	(542,764,486)	5,000,000,000	12,871,154,204	(180,511,491)	20,998,202,046	733,100,982	21,731,303,028
Net income	–	–	–	–	–	–	–	–	–	4,671,559,394	–	4,671,559,394	51,247,133	4,722,806,527
Other comprehensive income (loss)				389,685,765	(247,396,470)	(102,626,829)	3,675,693	–	–	–	–	43,338,159	28,297,138	71,635,297
Total comprehensive income (loss)	–	–	–	389,685,765	(247,396,470)	(102,626,829)	3,675,693	–	–	4,671,559,394	–	4,714,897,553	79,544,271	4,794,441,824
Movements in other equity accounts:														
Issuances of and subscriptions to capital stock	4,749,116	–	206,158,679	–	–	–	–	–	–	–	–	210,907,795	–	210,907,795
Cost of stock options granted	–	–	150,418,741	–	–	–	–	–	–	–	–	150,418,741	–	150,418,741
Cash dividends (Note 19)	–	–	–	–	–	–	–	–	–	(3,525,547,355)	–	(3,525,547,355)	–	(3,525,547,355)
Cash dividends received by non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	(30,000,000)	(30,000,000)
Appropriation during the year (Note 19)	–	–	–	–	–	–	–	–	5,200,000,000	(5,200,000,000)	–	–	–	–
Additional investments during the year	–	–	–	–	–	–	–	–	–	–	–	–	29,416,044	29,416,044
	4,749,116	–	356,577,420	–	–	–	–	–	5,200,000,000	(8,725,547,355)	–	(3,164,220,819)	(583,956)	(3,164,804,775)
Balances at December 31, 2013	**₱1,068,608,675**	**(₱17,177,884)**	**₱3,640,716,729**	**₱38,306,710**	**(₱472,054,212)**	**₱–**	**(₱3,411,504)**	**(₱542,764,486)**	**₱10,200,000,000**	**₱8,817,166,243**	**(₱180,511,491)**	**₱22,548,878,780**	**₱812,061,297**	**₱23,360,940,077**
Balances at January 1, 2012, as previously reported	₱1,054,953,233	(₱17,177,884)	₱2,914,463,925	(₱187,186,852)	₱–	₱102,626,829	₱–	(₱542,764,486)	₱1,200,000,000	₱15,174,359,248	(₱180,511,491)	₱19,518,762,522	₱703,691,245	₱20,222,453,767
Effect of adoption of Revised PAS 19	–	–	–	–	128,728,399	–	–	–	–	63,688,162	–	192,416,561	–	192,416,561
Balance at January 1, 2012, as restated	1,054,953,233	(17,177,884)	2,914,463,925	(187,186,852)	128,728,399	102,626,829	–	(542,764,486)	1,200,000,000	15,238,047,410	(180,511,491)	19,711,179,083	703,691,245	20,414,870,328
Total comprehensive income, as restated:														
Net income, as previously reported	–	–	–	–	–	–	–	–	–	3,728,151,351	–	3,728,151,351	(15,088,645)	3,713,062,706
Effect of adoption of Revised PAS 19	–	–	–	–	–	–	–	–	–	(1,067,054)	–	(1,067,054)	–	(1,067,054)
Net income, as restated	–	–	–	–	–	–	–	–	–	3,727,084,297	–	3,727,084,297	(15,088,645)	3,711,995,652
Other comprehensive income (loss), as previously restated	–	–	–	(164,192,203)	–	–	(7,087,197)	–		–	–	(171,279,400)	(11,269,967)	(182,549,367)
Effect of adoption of Revised PAS 19	–	–	–	–	(353,386,141)	–		–	–	–	–	(353,386,141)	–	(353,386,141)
Other comprehensive loss, as restated	–	–	–	(164,192,203)	(353,386,141)		(7,087,197)	–	–	–		(524,665,541)	(11,269,967)	(535,935,508)
	–	–	–	(164,192,203)	(353,386,141)	–	(7,087,197)	–	–	3,727,084,297	–	3,202,418,756	(26,358,612)	3,176,060,144
Movements in other equity accounts:						–			–		–			
Issuances of and subscriptions to capital stock	8,906,326	–	292,691,011	–	–	–	–	–	–	–	–	301,597,337	–	301,597,337
Cost of stock options granted	–	–	76,984,373	–	–	–	–	–	–	–	–	76,984,373	–	76,984,373
Cash dividends (Note 19)	–	–	–	–	–	–	–	–	–	(2,293,977,503)	–	(2,293,977,503)	–	(2,293,977,503)
Cash dividends received by non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	(45,000,000)	(45,000,000)
Arising from business combination	–	–	–	–	–	–	–	–	–	–	–	–	20,895,511	20,895,511
Appropriation during the year (Note 19)	–	–	–	–	–	–	–	–	3,800,000,000	(3,800,000,000)	–	–	–	–
Additional investments during the year	–	–	–	–	–	–	–	–	–	–	–	–	59,148,000	59,148,000
Arising from incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	20,724,838	20,724,838
	8,906,326	–	369,675,384	–	–	–	–	–	3,800,000,000	(6,093,977,503)	–	(1,915,395,793)	55,768,349	(1,859,627,444)
Balances at December 31, 2012, as restated	₱1,063,859,559	(₱17,177,884)	₱3,284,139,309	(₱351,379,055)	(₱224,657,742)	₱102,626,829	(₱7,087,197)	(₱542,764,486)	₱5,000,000,000	₱12,871,154,204	(₱180,511,491)	₱20,998,202,046	₱733,100,982	₱21,731,303,028
Balances at January 1, 2011, as previously reported	₱1,053,438,818	(₱17,177,884)	₱2,773,682,164	(₱317,022,645)	₱–	₱107,164,577	₱–	(₱542,764,486)	₱1,200,000,000	₱13,042,709,169	(₱180,511,491)	₱17,119,518,222	₱561,924,546	₱17,681,442,768
Effect of adoption of PAS 19R	–	–	–	–	–	–	–	–	–	32,710,878	–	32,710,878	–	32,710,878
Balances at January 1, 2011, as restated	1,053,438,818	(17,177,884)	2,773,682,164	(317,022,645)	–	107,164,577	–	(542,764,486)	1,200,000,000	13,075,420,047	(180,511,491)	17,152,229,100	561,924,546	17,714,153,646
Total comprehensive income, as restated	–	–	–	–	–	–	–	–	–					
Net income, as previously reported	–	–	–	–	–	–	–	–	–	3,231,666,940	–	3,231,666,940	22,135,984	3,253,802,924
Effect of adoption of Revised PAS 19	–	–	–	–	–	–	–	–	–	30,977,284	–	30,977,284	–	30,977,284
Net income, as restated	–		–	–	–	–	–	–	–	3,262,644,224	–	3,262,644,224	22,135,984	3,284,780,208
Other comprehensive income (loss), as previously reported	–	–	–	129,835,793	–	(4,537,748)	–	–	–	–	–	125,298,045	3,370,833	128,668,878
Effect of adoption of Revised PAS 19	–	–	–		128,728,399	–	–	–	–	–	–	128,728,399	–	128,728,399
Other comprehensive income (loss), as restated	–	–	–	129,835,793	128,728,399	(4,537,748)	–	–	–	–	–	254,026,444	3,370,833	257,397,277
	–	–	–	129,835,793	128,728,399	(4,537,748)	–	–	–	3,262,644,224	–	3,516,670,668	25,506,817	3,542,177,485
Movements in other equity accounts														
Issuances of and subscriptions to capital stock	1,514,415	–	67,185,580	–	–	–	–	–	–	–	–	68,699,995	–	68,699,995
Cost of stock options granted	–	–	73,596,181	–	–	–	–	–	–	–	–	73,596,181	–	73,596,181
Cash dividends (Note 19)	–	–	–	–	–	–	–	–	–	(1,100,016,861)	–	(1,100,016,861)	–	(1,100,016,861)
Arising from business combination	–	–	–	–	–	–	–	–	–	–	–	–	73,838,539	73,838,539
Arising from incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	4,000,043	4,000,043
Additional investments during the year	–	–	–	–	–	–	–	–	–	–	–	–	38,421,300	38,421,300
	1,514,415	–	140,781,761	–	–	–	–	–	–	(1,100,016,861)	–	(957,720,685)	116,259,882	(841,460,803)
Balances at December 31, 2011, as restated	₱1,054,953,233	(₱17,177,884)	₱2,914,463,925	(₱187,186,852)	₱128,728,399	₱102,626,829	₱–	(₱542,764,486)	₱1,200,000,000	₱15,238,047,410	(₱180,511,491)	₱19,711,179,083	₱703,691,245	₱20,414,870,328

See accompanying Notes to Consolidated Financial Statements.

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱6,245,514,598**	₱4,861,699,703	₱4,394,957,180
Adjustments for:			
Depreciation and amortization (Notes 12, 13, 21 and 22)	**3,072,455,820**	2,705,626,363	2,401,593,897
Loss on disposals and retirements of :			
Property, plant and equipment - net (Note 12)	**446,158,983**	317,088,159	216,294,908
Investment properties (Note 13)	**–**	1,542,484	–
Available-for-sale (AFS) financial assets (Note 10)	**–**	–	229,360
Write off of AFS financial asset (Note 10)	**4,343,148**	–	–
Interest income (Note 23)	**(245,573,808)**	(270,114,157)	(179,763,236)
Interest expense (Note 23)	**152,920,028**	206,012,700	291,342,791
Deferred rent amortization - net (Note 29)	**110,196,300**	121,184,894	182,565,058
Movement in pension liability(Notes 21, 22 and 25)	**86,990,769**	56,017,397	49,056,944
Stock options expense (Note 26)	**150,418,741**	76,984,373	73,596,181
Impairment losses on:			
Receivables (Notes 7 and 22)	**11,206,210**	97,559,491	–
Inventories (Notes 8 and 22)	**9,367,464**	–	–
Property, plant and equipment, investment properties and security and other deposits (Note 22)	**(13,300,000)**	53,677,361	–
Contingencies (Note 22)	**1,102,608**	–	–
Equity in net loss (earnings) of joint ventures and an associate (Note 11)	**115,560,608**	50,954,378	(299,710)
Net unrealized foreign exchange loss (gain)	**(34,235,766)**	(30,892,981)	4,582,117
Income before working capital changes	**10,113,125,703**	8,247,340,165	7,434,155,490
Decreases (increases) in:			
Receivables	**(324,828,093)**	(214,752,618)	(314,201,325)
Inventories	**(940,056,121)**	243,401,297	(693,934,034)
Other current assets	**(447,087,313)**	308,051,784	(227,403,532)
Increases in trade payables and other current liabilities	**2,040,310,855**	858,004,807	783,520,729
Net cash generated from operations	**10,441,465,031**	9,442,045,435	6,982,137,328
Interest received	**224,956,889**	158,963,809	105,417,626
Income taxes paid	**(1,446,921,723)**	(1,363,045,319)	(1,206,994,209)
Net cash provided by operating activities	**9,219,500,197**	8,237,963,925	5,880,560,745

(Forward)

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment(Note 12)	**(₱3,907,875,891)**	(₱3,755,906,880)	(₱3,700,449,259)
Intangible assets (Note 14)	**(267,270,178)**	–	–
Subsidiaries - net of cash acquired (Note 11)	**–**	(127,585,219)	(637,662,433)
Interest in a joint venture (Note 11)	**(103,608,000)**	(98,040,000)	–
Available-for-sale financial assets (Note 10)	**(300,000)**	(7,500,000)	–
Investment property (Note 13)	**–**	–	(8,011,386)
Collection from (advances to) a joint venture	**(170,125,640)**	(105,179,193)	18,733,666
Proceeds from disposals of:			
Property, plant and equipment	**50,662,989**	41,167,841	31,976,343
Investment properties	**–**	599,048	–
Recovery from a joint venture (Note 11)	**–**	2,403,795	–
Increase in long-term loan receivable (Note 15)	**–**	–	(1,753,600,000)
Deposit for future business transaction (Note 15)	**–**	–	(1,096,000,000)
Decrease (increase) in other noncurrent assets	**109,573,188**	166,332,173	(11,750,343)
Net cash used in investing activities	**(4,288,943,532)**	(3,883,708,435)	(7,156,763,412)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Note 19)	**(3,232,637,120)**	(2,274,367,485)	(1,196,621,682)
Short-term debt (Note 18)	**–**	(900,000,000)	(342,030,865)
Long-term debt (Note 18)	**(3,149,351,766)**	(728,863,892)	(2,379,825,785)
Liability for acquisition of businesses (Note 11)	**(149,814,984)**	(108,696,000)	(178,125,110)
Proceeds from:			
Long-term debt (Note 18)	**2,582,580,000**	1,700,800,000	3,131,020,350
Issuances of and subscriptions to capital stock	**210,907,795**	301,597,337	68,699,995
Short-term debt (Note 18)	**–**	–	900,000,000
Interest paid	**(141,263,440)**	(194,335,697)	(284,118,329)
Contributions from non-controlling interests	**29,416,042**	79,872,838	42,421,343
Dividends paid to non-controlling interests	**(30,000,000)**	(45,000,000)	–
Net cash used in financing activities	**(3,880,163,473)**	(2,168,992,899)	(238,580,083)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,050,393,192**	2,185,262,591	(1,514,782,750)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**4,892,292**	8,016,118	(393,676)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**8,848,591,584**	6,655,312,875	8,170,489,301
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱9,903,877,068**	₱8,848,591,584	₱6,655,312,875

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

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

The registered office address of the Parent Company is 10th Floor, Jollibee Plaza Building, No. 10 Emerald Avenue, Ortigas Centre, Pasig City.

The consolidated financial statements as at December 31, 2013 and 2012 and January 1, 2012 and for each of the three years in the period ended December 31, 2013 were reviewed and recommended for approval by the Audit Committee as well as approved and authorized for issuance by the Board of Directors (BOD) on April 07, 2014.

2. Basis of Preparation, Statement of Compliance, Accounting Policies, Restatement of Comparative Financial Statements and Basis of Consolidation

Basis of Preparation

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

Statement of Compliance

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new PFRSs and amendments to existing PFRS and PAS which became effective on January 1, 2013:

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Government Loans*

  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance,* prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement,* and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Jollibee Group.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments affect disclosures only and have no impact on the Jollibee Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*

  The Jollibee Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements.* It also included the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities.* PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of the new standard did not have a significant impact on the financial position and performance of the Jollibee Group.

- PFRS 11, *Joint Arrangements*

  PFRS 11 replaced PAS 31, *Interests in Joint Ventures,* and SIC 13, *Jointly Controlled Entities Non-Monetary Contributions by Venturers.* PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of the new standard did not have a significant impact on the financial position and performance of the Jollibee Group.

- PFRS 12, *Disclosure of Interests in Other Entities*

  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). While the Jollibee Group has subsidiaries with material non-controlling interests, joint ventures and an associate, there are no unconsolidated structured entities. PFRS 12 disclosures are provided in Note 11 to the consolidated financial statements.

- PFRS 13, *Fair Value Measurement*

  PFRS13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The application of PFRS 13 has not materially impacted the fair value measurements carried out by the Jollibee Group. PFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including PFRS 7. The Jollibee Group provides these disclosures in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 31.

- Amendments to PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI*

  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Jollibee Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred. Prior to adoption of the Revised PAS 19, the Jollibee Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Jollibee Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur. The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Jollibee Group's financial position and financial performance.

  The Jollibee Group applied Revised PAS 19 retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. The opening consolidated statement of financial position of the earliest comparative period presented, January 1, 2012, and the comparative figures have been accordingly restated. The changes in accounting policies have been applied retrospectively. The effects of adoption on the consolidated financial statements are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Consolidated statements of financial position			
Increase (decrease) in:			
Pension liability	**₱406,535,327**	₱502,437,895	(₱269,295,496)
Deferred tax assets - net	**117,994,172**	147,984,700	(53,607,127)
Pension remeasurement gains/losses	**(288,541,155)**	(353,386,141)	128,728,399
Retained earnings	**(1,067,054)**	(1,067,054)	63,688,162

	Years Ended		
	2013	2012	2011
Consolidated statements of comprehensive income			
Increase (decrease) in:			
General and administrative expenses	**₱–**	₱1,477,996	(₱86,959,970)
Income before income tax	**–**	1,477,996	86,959,970
Provision for income tax	**–**	(410,942)	(23,271,808)
Net income	**–**	(1,067,054)	63,688,162
Net income attributable to:			
Equity holders of the Parent Company	**–**	(1,067,054)	63,688,162
Non-controlling interests	**–**	–	–
Basic earnings per share	**–**	(0.001)	0.030
Diluted earnings per share	**–**	(0.001)	0.029
Remeasurement gain (loss) on net defined benefit plan	**(350,596,092)**	(500,959,899)	182,335,526
Income tax relating to pension remeasurement gains/ losses	**(103,199,623)**	(147,573,758)	53,607,127
Other comprehensive income	**(247,396,469)**	(353,386,141)	128,728,399
Total comprehensive income	**(247,396,469)**	(354,453,195)	192,416,561
Total comprehensive income attributable to:			
Equity holders of the parent	**(247,396,469)**	(354,453,195)	192,416,561
Non-controlling interests	**–**	–	–

  The adoption did not have an impact on consolidated statement of cash flows.

  This revised standard also requires more extensive disclosures. The disclosures are provided in Note 25. Revised PAS 19 has been applied retrospectively, with following permitted exceptions:

  a) The carrying amounts of other assets have not been adjusted for changes in employee benefit costs that were included before 1 January 2012; and

  b) Sensitivity disclosures for the defined benefit obligation for comparative period, December 31, 2012, have not been provided.

- PAS 27, *Separate Financial Statements* (As Revised in 2011)

  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements, and* PFRS 12, *Disclosure of Interests in Other Entities,* what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate or stand-alone financial statements of the entities in the Jollibee Group.

- PAS 28, *Investments in Associates and Joint Ventures* (As Revised in 2011)

  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements,* and PFRS 12, *Disclosure of Interests in Other Entities,* PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures,* and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the amended PAS 28 did not have a significant impact on the separate or stand-alone financial statements of the entities in the Jollibee Group.

- Philippine Interpretation of International Financial Reporting Interpretations Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*

  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Jollibee Group.

- Annual Improvements to PFRSs (2009-2011 Cycle)

  The Annual Improvements to PFRSs (2009-2011 Cycle) contain non-urgent but necessary amendments to PFRSs. The Jollibee Group adopted these amendments for the current year.

  - PFRS 1, First-time Adoption of PFRS - Borrowing Costs

    The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Jollibee Group.

  - PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*

    These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third statement of financial position (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Jollibee Group has not included comparative information in respect of the opening statement of financial position as at January 1, 2012 relating to the accounts affected by the adoption of the Revised PAS 19. The amendments affect disclosures only and have no impact on the Jollibee Group's financial position or performance.

  - PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*

    The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the Jollibee Group's financial position or performance.

  - PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*

    The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes.* The amendment does not have any significant impact on the Jollibee Group's financial position or performance.

  - PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*

    The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Jollibee Group's financial position or performance.

Early Adoption of Amendments to Standards
On January 1, 2013, the Jollibee Group early adopted the Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets.*

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and has no significant impact on the Jollibee Group's financial position or performance.

<u>New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2013</u>
The Jollibee Group will adopt the following revised standards, interpretations and amendments when these become effective.

Effective January 1, 2014 (Unless otherwise indicated)

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

  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Jollibee Group since none of the entities in the Jollibee Group would qualify to be an investment entity under PFRS 10.

- Philippine Interpretation IFRIC 21, *Levies*

  Philippine IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Philippine IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Jollibee Group does not expect that Philippine IFRIC 21 will have material financial impact in its future financial statements.

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

  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments will have no significant impact on the Jollibee Group's financial position or performance.

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

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Jollibee Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

Effective January 1, 2015 (Unless otherwise indicated)

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

  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment will have no significant impact on the Jollibee Group's financial position or performance.

- Annual Improvements to PFRSs (2010-2012 Cycle)

  The Annual Improvements to PFRSs (2010-2012 Cycle) contain non-urgent but necessary amendments to the following standards:

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

    The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The amendments will have no significant impact on the Jollibee Group's financial position or performance.

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

    The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Jollibee Group shall consider this amendment for future business combinations.

  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

    The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will have no impact on the Jollibee Group's financial position or performance.

  - PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*

    The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is immaterial to the Jollibee Group's financial position or performance.

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

  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Jollibee Group's financial position or performance.

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

  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and will have no significant impact on the Jollibee Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments will have no impact on the Jollibee Group's financial position or performance.

- Annual Improvements to PFRSs (2011-2013 Cycle)

  The Annual Improvements to PFRSs (2011-2013 Cycle) contain non-urgent but necessary amendments to the following standards:

  - PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*

    The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Jollibee Group.

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

    The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. This amendment will not have any significant impact on the Jollibee Group's financial position and performance.

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

    The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no significant impact on the Jollibee Group's financial position or performance.

  - PAS 40, *Investment Property*

    The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no significant impact on the Jollibee Group's financial position or performance.

With No Mandatory Effective Date

- PFRS 9, *Financial Instruments*

  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relates to impairment of financial instruments, and the limited amendments to the classification and measurement model hedge accounting is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Jollibee Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Jollibee Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

With Deferred Effective Date

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

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Securities and Exchange Commission (SEC) and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The amendment will not have significant impact on the Jollibee Group's statements of financial position and performance.

<u>Restatement of Comparative 2012 Financial Statements</u>
On March 9, 2012, the Jollibee Group, through its wholly-owned subsidiary, completed its acquisition of 55% of Guangxi San Pin Wang Food and Beverage Management Company ("San Pin Wang") which operates the San Pin Wang noodle business in South China for a total acquisition cost of People's Republic of China (PRC) renminbi (RMB) 30 million (or ₱195.9 million).

In 2013, the valuation of the acquired net assets was completed resulting to the recognition of a contingent consideration and deferred tax asset and a corresponding increase in the amount of goodwill amounting to ₱121.7 million (see Note 14).

In accordance with PFRS 3, the Jollibee Group restated its comparative 2012 consolidated financial statements to reflect the results of the recognition of the contingent consideration as if the information existed as of the acquisition date.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2013 and 2012 of each year and for the three years ended December 31, 2013, 2012 and 2011.

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

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

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

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

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

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Jollibee Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Jollibee Group are eliminated in full on consolidation.

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

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

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

The consolidated financial statements include the accounts of the Parent Company and the following wholly-owned and majority-owned subsidiaries as at December 31, 2013 and 2012:

			2013		2012	
	Country of Incorporation	Principal Activities	**Direct Ownership**	**Indirect Ownership**	Direct Ownership	Indirect Ownership
Fresh N' Famous Foods, Inc. (Fresh N' Famous):	Philippines	Food service	**100**	**–**	100	–
Chowking Food Corporation USA	United States of America (USA)	Holding company	**–**	**100**	–	100
Zenith Foods Corporation (Zenith)	Philippines	Food service	**100**	**–**	100	–
Freemont Foods Corporation (Freemont)	Philippines	Food service	**100**	**–**	100	–
RRB Holdings, Inc. (RRBHI):	Philippines	Holding company	**100**	**–**	100	–
Red Ribbon Bakeshop, Inc. (RRBI)	Philippines	Food service	**–**	**100**	–	100
Red Ribbon Bakeshop, Inc. USA (RRBI USA)	USA	Food service	**–**	**100**	–	100
Mang Inasal Philippines Inc. (Mang Inasal)	Philippines	Food service	**70**	**–**	70	–
Grandworth Resources Corporation (Grandworth):	Philippines	Leasing	**100**	**–**	100	–
Adgraphix, Inc. (Adgraphix)	Philippines	Digital printing	**–**	**100**	–	100
IConnect Multimedia Network, Inc. (IConnect)	Philippines	Advertising	**–**	**60**	–	60
JC Properties & Ventures Corp.	Philippines	Inactive	**–**	**50**	–	50
Honeybee Foods Corporation (Honeybee):	USA	Food service	**100**	**–**	100	–
Tokyo Teriyaki Corporation (TTC)	USA	Food service	**–**	**100**	–	100
Jollibee Worldwide Pte. Ltd. (JWPL):	Singapore	Holding company	**100**	**–**	100	–
Regional Operating Headquarters of JWPL (JWS)	Philippines	Financial accounting, human resources and logistics services	**–**	**100**	–	100
Golden Plate Pte., Ltd. (GPPL)	Singapore	Holding company	**–**	**100**	–	100
Golden Beeworks Pte. Ltd.	Singapore	Food service	**–**	**60**	–	60
Beijing New Hongzhuangyuan Food and Beverage Management Co., Ltd. (Hong Zhuang Yuan)	PRC	Food service	**–**	**100**	–	100
Southsea Binaries Ltd. (Southsea)	British Virgin Island (BVI)	Holding company	**–**	**100**	–	100
Shanghai Yong He King Food and Beverage Co., Ltd.	PRC	Food service	**–**	**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 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
Guangxi San Pin Wang Food and Beverage Management Company Limited (San Pin Wang)	PRC	Food service	**–**	**55**	–	55
Jollibee Foods Processing Co. Ltd. (JFPPL)	Singapore	Holding company	**–**	**70**	–	70

	Country of Incorporation	Principal Activities	2013 Direct Ownership	2013 Indirect Ownership	2012 Direct Ownership	2012 Indirect Ownership
- Jollibee Foods Processing (Anhui) Co. Ltd.	PRC	Food service	–	100	–	100
JSF Investments Pte. Ltd. (JSF)	Singapore	Holding company	–	99	–	99
Chow Fun Holdings LLC (Chow Fun)	USA	Food service	–	81	–	81
Jollibee (China) Food & Beverage Management Co. Ltd. (formerly Shanghai Chunlv 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
- PT Chowking Indonesia	Indonesia	Food service	–	100	–	100
- PT Jollibee Indonesia	Indonesia	Dormant	–	100	–	100
- Jollibee (Hong Kong) Limited and Subsidiaries	Hong Kong	Dormant	–	85	–	85
- Belmont Enterprises Ventures Limited (Belmont):	BVI	Holding company	–	100	–	100
• Shanghai Belmont Enterprises Management and Adviser Co., Ltd. (SBEMAC)	PRC	Business management service	–	100	–	100
• Yong He Holdings Co., Ltd.:	BVI	Holding company	–	100	–	100
• Centenary Ventures Limited	BVI	Holding company	–	100	–	100
• Colossus Global Limited[(a)]	BVI	Dormant	–	–	–	100
• Granite Management Limited[(a)]	BVI	Dormant	–	–	–	100
• Cosmic Resources Limited[(a)]	BVI	Dormant	–	–	–	100
• All Great Resources Limited[(a)]	BVI	Dormant	–	–	–	100
Chanceux, Inc. -	Philippines	Holding company	100	–	100	–
• BKTitans, Inc. (BKTitans) -	Philippines	Holding company	–	54	–	54
- PFN Holdings, Corp. -	Philippines	Holding company	–	53	–	53
• Perf Restaurants, Inc.	Philippines	Food service	–	53	–	53
Donut Magic Phils., Inc. (Donut Magic)[(b)]	Philippines	Dormant	100	–	100	–
Ice Cream Copenhagen Phils., Inc. (ICCP)[(b)]	Philippines	Dormant	100	–	100	–
Mary's Foods Corporation (Mary's)[(b)]	Philippines	Dormant	100	–	100	–
QSR Builders, Inc.	Philippines	Inactive	100	–	100	–
Jollibee USA	USA	Dormant	100	–	100	–

(a) *BVI dormant entities were dissolved on May 1, 2013.*

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

(c) *On June 18, 2004, the stockholders of the Jollibee Group approved the Plan of Merger of the three dormant companies. The application is pending approval from the SEC as at December 31, 2013.*

3. Significant Accounting Policies

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

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

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

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

The Jollibee Group classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

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

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

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

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

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs. Where the Jollibee Group has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available an supportable market data as possible).

The Jollibee Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

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

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

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

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

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

Financial Instruments

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

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

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

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

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

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

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

Financial Assets

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

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

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

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

The Jollibee Group has no financial assets at FVPL as at December 31, 2013 and 2012.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of effective interest rate (EIR). Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Jollibee Group's cash and cash equivalents, receivables, and security and other deposits are classified under this category.

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

The Jollibee Group has no HTM investments as at December 31, 2013 and 2012.

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

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

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

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

The Jollibee Group's investments in club shares are classified under this category as at December 31, 2013. Club shares and shares in public utility companies were classified under this category as at December 31, 2012.

Financial Liabilities

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

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

The Jollibee Group has no financial liability classified under this category as at December 31, 2013 and 2012.

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

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

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

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

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

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

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

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

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

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

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

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

Debt Issue Costs

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

Impairment of Financial Assets

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

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

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

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

Quoted AFS Equity Investments. In the case of equity investments classified as AFS financial assets, an objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income under "Unrealized gain (loss) on available-for-sale financial assets" account, is removed from equity and recognized in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in fair value after impairment are recognized directly as other comprehensive income.

Derecognition of Financial Assets and Liabilities

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

(a) the rights to receive cash flows from the asset have expired;

(b) the Jollibee Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

(c) the Jollibee Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

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

Inventories

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

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

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

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

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

Other Current Assets
Other current assets include deposits which pertain to advance payments to suppliers to be applied for future purchases, prepaid expenses which are paid in advance and recorded as asset before these are utilized; and creditable withholding taxes, which represent claims for refund with the Bureau of Internal Revenue.

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

The initial cost of property, plant and equipment consists of its purchase price, including import duties and taxes and any other costs directly attributable in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

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

Land improvements	5	years
Plant, buildings, condominium units and improvements	5 - 4	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

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

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

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to profit or loss.

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

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

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

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

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

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

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

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

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

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

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

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

Goodwill or Gain on a Bargain Purchase

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

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

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

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

Frequency of Impairment Testing. Irrespective of whether there is any indication of impairment, the Jollibee Group tests goodwill acquired in a business combination for impairment annually as at September 30 and more frequently when circumstances indicate that the carrying amount is impaired.

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

Intangible Assets

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

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

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

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

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

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

An associate is an entity in which the Jollibee Group has significant influence and which is neither a subsidiary nor a joint venture.

A joint venture is a contractual arrangement whereby two or more parties (venturers) undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers. A jointly controlled entity is a joint venture that involves the establishment of a company, partnership or other entity to engage in economic activity that the Jollibee Group jointly controls with its fellow venturer. The considerations made in determining joint controls are similar to those necessary to determine control over subsidiaries.

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

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

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

The reporting dates of the Parent Company and the associate or joint ventures are identical and the latter's accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances. Unrealized gains arising from transactions with the associate or joint ventures are eliminated to the extent of the Jollibee Group's interests in the 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 Jollibee Group ceases to use the equity method of accounting on the date from which it no longer has joint control in the joint ventures, no longer has significant influence over an associate, or when the interest becomes held for sale.

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

Impairment of Nonfinancial Assets

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

For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value on a systematic basis over its remaining useful life.

Equity

Capital Stock and Additional Paid-in Capital. Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

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

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

Treasury Shares. Acquisitions of treasury shares are recorded at cost. The total cost of treasury shares is shown in the consolidated statements 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.

Subscriptions Receivable. Subscriptions receivable represents common stock subscribed and issued by the Parent Company but payment from the shareholders has not yet been received, regardless of when payment is made.

Revenue

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

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

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

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

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

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

Rent Income. Rent income from operating leases is recognized on a straight-line basis over the lease terms. For income tax reporting, rent income is continued to be recognized on the basis of the terms of the lease agreements.

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

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

Cost and Expenses

Costs and expenses are recognized when a decrease in future economic benefit related to a decrease of an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the Jollibee Group's statement of financial position as an asset.

Advertising and promotions expenses include costs incurred for advertising schemes and promotional activities for new products. The amount of expenses incurred by the Jollibee Group is reduced by the network advertising and promotional costs reimbursed by the Jollibee Group's franchisees and subsidiaries.

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

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

Defined benefit costs comprise the following:

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

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit 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 Jollibee Group, nor can they be paid directly to the Jollibee Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Jollibee Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The Jollibee 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. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

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

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

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

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

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

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

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

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

Jollibee Group as Lessee. Leases which do not transfer to the Jollibee Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term and carried at amortized cost. The related accretion is recognized as interest income and the amortization as rent expense. Associated costs, such as maintenance and insurance, are expensed as incurred.

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

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

Foreign Currency Transactions and Translations
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. Each entity in the Jollibee Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at reporting date. All differences are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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

Taxes

Current Tax. Current tax liabilities for the current and prior periods are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at reporting date.

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

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

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

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

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

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

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

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

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

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

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

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

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Trade payables and other current liabilities"accounts in the consolidated statements of financial position.

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

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

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

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

Rent expense amounted to ₱6,287.3 million, ₱5,895.9 million and ₱5,131.8 million in 2013, 2012 and 2011, respectively (see Notes 21, 22 and 29).

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

Rent income amounted to ₱97.5 million, ₱93.6 million and ₱88.4 million in 2013, 2012 and 2011, respectively (see Notes 20 and 29).

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

Impairment of AFS Financial Assets - Significant or Prolonged Decline in Fair Value and Calculation of Impairment Loss. The Jollibee Group determines that an AFS financial asset is impaired when there has been a significant or prolonged decline in the fair value below its cost. The Jollibee Group determines that a decline in fair value of greater than 20% of cost is considered to be a significant decline and a decline for a period of more than 12 months is considered to be a prolonged decline. This determination of what is significant or prolonged requires judgment. In making this judgment, the Jollibee Group evaluates, among other factors, the normal volatility in price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

To compute for the impairment of AFS equity instruments, the Jollibee Group expands its analysis to consider changes in the investee's industry and sector performance, legal and regulatory framework, changes in technology, and other factors that affect the recoverability of the Jollibee Group's investments.

There were no provisions for impairment loss on AFS financial assets in 2013, 2012 and 2011. The carrying amount of AFS financial assets amounted to ₱21.5 million and ₱128.1 million as at December 31, 2013 and 2012, respectively (see Note 10).

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.

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

Provision for impairment loss on receivables in 2013, 2012 and 2011 amounted to ₱34.0 million, ₱97.6 million and ₱33.6 million, respectively, resulting from specific and collective assessments. The carrying amount of receivables amounted to ₱3,082.9 million and ₱2,750.3 million as at December 31, 2013 and 2012, respectively (see Notes 7 and 22).

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

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

The Jollibee Group assessed that the net realizable value for some inventories is lower than cost, hence, it recognized provision for inventory obsolescence amounting to ₱9.4 million, ₱2.2 million and ₱6.1 million in 2013, 2012 and 2011, respectively (see Note 22). In addition, reversal of previously recognized provisions amounting to ₱13.3 million was recognized in 2012, while no reversal was recognized in 2013 and 2011 (see Note 22). The Jollibee Group also wrote-off allowance for inventory obsolescence amounting to ₱4.4 million in 2012, respectively. No write-off was made in 2013. The carrying amount of inventories amounted to ₱3,560.4 million and ₱2,629.7 million as at December 31, 2013 and 2012, respectively (see Note 8).

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

There was no change in the estimated useful lives of property, plant and equipment and investment properties in 2013, 2012 and 2011.

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

Management has determined that goodwill and other intangible assets are not impaired. The carrying amount of goodwill and other intangible assets amounted to ₱9,103.6 million and ₱8,837.6 million as at December 31, 2013 and 2012, respectively (see Notes 2 and 14).

Estimating the Fair Values of Acquiree's Identifiable Assets and Liabilities. Where the fair values of the acquiree's identifiable assets and liabilities cannot be derived from active markets, the Jollibee Group determined the fair values using internal valuation techniques and generally accepted valuation approaches. The inputs to these valuation approaches are taken from historical experience and observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The estimates may include discount rates and assumptions used in cash flow projections.

The fair values of the identifiable net assets acquired from San Pin Wang in 2012 amounted to ₱46.4 million (see Note 11).

Impairment of Property,Plant and Equipment and Investment Properties. The Jollibee Group performs impairment review of 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 Jollibee Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Jollibee Group to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the Jollibee Group's financial position and performance.

Reversal of impairment loss amounted to ₱13.3 million in 2013 while provision for impairment loss amounted to ₱29.5 million and nil in 2012 and 2011, respectively (see Note 22). The aggregate carrying values of property, plant and equipment and investment properties amounted to ₱12,524.2 million and ₱11,813.5 million as at December 31, 2013 and 2012, respectively (see Notes 12 and 13).

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

The carrying amount of deferred tax assets - net amounted to ₱756.2 million and ₱685.8 million as at December 31, 2013 and 2012, respectively (see Notes 2 and 24).

Present Value of Defined Benefit Obligation. The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions include, among others, discount rate and rate of increase in compensation. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

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

The carrying amount of pension liability amounted to ₱932.8 million and ₱521.6 million as at December 31, 2013 and 2012, respectively (see Note 25).

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

Total expense arising from share-based payment recognized by the Jollibee Group amounted to ₱150.4 million, ₱77.0 million and ₱73.6 million in 2013, 2012 and 2011, respectively (see Notes 22 and 26).

Fair Value of Financial Assets and Liabilities. The Jollibee Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgments. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates). The amount of changes in fair value would differ if the different valuation methodologies and assumptions are utilized. Any changes the fair value of these financial assets and liabilities would directly affect profit or loss.

The fair value of financial assets and liabilities are discussed in Note 31.

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

The Jollibee Group has recognized a contingent consideration amounting to RMB17.5 million (₱121.7 million) in 2012 (see Notes 2 and 11).

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

There were no additional provisions recorded in 2013, 2012 and 2011. Total outstanding provisions for legal claims and restructuring costs amounted to ₱30.5 million as at December 31, 2013 and 2012 (see Note 17).

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

5. Segment Information

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

Business Segments

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

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

The following tables present certain information on revenue, expenses, assets and liabilities and other segment information of the different business segments as at and for the years ended December 31, 2013 and 2012 and 2011:

			2013		
	Food Service	**Franchising**	**Leasing**	**Eliminations**	**Consolidated**
			(In Thousands)		
Revenue from external customers	**₱76,595,268**	**₱3,503,960**	**₱183,541**	**₱–**	**₱80,282,769**
Inter-segment revenue	**23,891,327**	**665,299**	**3,130,550**	**(27,687,176)**	**–**
Segment revenue	**100,486,595**	**4,169,259**	**3,314,091**	**(27,687,176)**	**80,282,769**
Segment expenses	**(98,060,904)**	**(665,299)**	**(3,281,467)**	**27,687,176**	**(74,320,494)**
Impairment losses on property, plant and equipment, investment properties, receivables, inventory and contingencies	**(31,178)**	**–**	**–**	**–**	**(31,178)**
Equity in net loss of joint ventures and an associate	**(115,561)**	**–**	**–**	**–**	**(115,561)**
Other segment income	**329,816**	**–**	**7,509**	**–**	**337,325**
Segment result	**₱2,608,768**	**₱3,503,960**	**₱40,133**	**₱–**	**6,152,861**
Interest income					**245,574**
Interest expense					**(152,920)**
Income before income tax					**6,245,515**
Provision for income tax					**(1,522,708)**
Net income					**₱4,722,807**
Assets and Liabilities					
Segment assets	**₱44,909,353**	**₱–**	**₱361,084**	**₱–**	**₱45,270,437**
Deferred tax assets	**740,289**	**–**	**15,908**	**–**	**756,197**
Consolidated assets	**₱45,649,642**	**₱–**	**₱376,992**	**₱–**	**₱46,026,634**
Segment liabilities	**₱16,913,356**	**₱–**	**₱110,190**	**₱–**	**₱17,023,546**
Deferred tax liabilities	**315,170**	**–**	**2,987**	**–**	**318,157**
Long-term debt - including current portion	**5,169,246**	**–**	**–**	**–**	**5,169,246**
Income tax payable	**152,387**	**–**	**2,358**	**–**	**154,745**
Consolidated liabilities	**₱22,550,159**	**₱–**	**₱115,535**	**₱–**	**₱22,665,694**
Other Segment Information					
Capital expenditures	**₱4,175,146**	**₱–**	**₱–**	**₱–**	**₱4,175,146**
Depreciation and amortization	**3,063,998**	**–**	**8,458**	**–**	**3,072,456**

	2012 (As restated)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
			(In Thousands)		
Revenue from external customers	₱67,751,942	₱3,143,620	₱163,477	₱–	₱71,059,039
Inter-segment revenue	21,173,546	559,947	1,889,953	(23,623,446)	–
Segment revenue	88,925,488	3,703,567	2,053,430	(23,623,446)	71,059,039
Segment expenses	(87,603,459)	(559,947)	(2,120,384)	23,623,446	(66,660,344)
Impairment losses on property, plant and equipment, investment properties and security deposit	(53,677)	–	–	–	(53,677)
Equity in net loss of joint ventures and an associate	(50,954)	–	–	–	(50,954)
Other segment income	488,029	–	15,506	–	503,535
Segment result	₱1,705,427	₱3,143,620	(₱51,448)	₱–	4,797,599
Interest income					270,114
Interest expense					(206,013)
Income before income tax					4,861,700
Provision for income tax					(1,149,704)
Net income					₱3,711,996
Assets and Liabilities					
Segment assets	₱40,637,819	₱–	₱444,490	₱–	₱41,082,309
Deferred tax assets	667,539	–	18,283	–	685,822
Consolidated assets	₱41,305,358	₱–	₱462,773	₱–	₱41,768,131
Segment liabilities	₱14,032,646	₱–	₱123,023	₱–	₱14,155,669
Deferred tax liabilities	371,280	–	3,465	–	374,745
Long-term debt - including current portion	5,427,456	–	–	–	5,427,456
Income tax payable	77,361	–	1,597	–	78,958
Consolidated liabilities	₱19,908,743	₱–	₱128,085	₱–	₱20,036,828
Other Segment Information					
Capital expenditures	₱3,755,907	₱–	₱–	₱–	₱3,755,907
Depreciation and amortization	2,700,694	–	4,942	–	2,705,636

	2011 (As restated)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
			(In Thousands)		
Revenue from external customers	₱59,513,806	₱2,893,497	₱147,624	₱–	₱62,554,927
Inter-segment revenue	8,331,488	448,801	1,000,582	(9,780,871)	–
Segment revenue	67,845,294	3,342,298	1,148,206	(9,780,871)	62,554,927
Segment expenses	(66,726,218)	(448,801)	(1,221,356)	9,780,871	(58,615,504)
Equity in net earnings of joint ventures and an associate	300	–	–	–	300
Other segment income	557,655	–	9,159	–	566,814
Segment result	₱1,677,031	₱2,893,497	(₱63,991)	₱–	4,506,537
Interest income					179,763
Interest expense					(291,343)
Income before income tax					4,394,957
Provision for income tax					(1,110,177)
Net income					₱3,284,780

	2011 (As restated)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
Assets and Liabilities					
Segment assets	₱37,533,049	₱–	₱381,083	₱–	₱37,914,132
Deferred tax assets	616,660	–	19,730	–	636,390
Consolidated assets	₱38,149,709	₱–	₱400,813	₱–	₱38,550,522
Segment liabilities	₱12,743,376	₱–	(₱10,912)	₱–	₱12,732,464
Deferred tax liabilities	524,082	–	4,345	–	528,427
Long-term debt - including current portion	4,720,044	–	–	–	4,720,044
Income tax payable	153,606	–	1,111	–	154,717
Consolidated liabilities	₱18,141,108	₱–	(₱5,456)	₱–	₱18,135,652
Other Segment Information					
Capital expenditures	₱3,708,461	₱–	₱–	₱–	₱3,708,461
Depreciation and amortization	2,393,467	–	8,127	–	2,401,594

Geographical Segments

The Jollibee Group's geographical segments are based on the location of the assets producing revenues in the Philippines and in other locations (which includes PRC and USA). Sales to external customers disclosed in the geographical segments are based on the geographical location of the customers.

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

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

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

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

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

	2011 (As restated)			
	Philippines	International	Eliminations	Consolidated
		(In Thousands)		
Segment revenue	₱50,235,281	₱12,475,708	(₱156,062)	₱62,554,927
Segment assets	24,446,432	13,467,700	–	37,914,132
Capital expenditures	2,263,819	1,444,642	–	3,708,461

6. **Cash and Cash Equivalents**

This account consists of:

	2013	2012
Cash on hand	**₱220,019,290**	₱194,069,517
Cash in banks	**4,313,506,109**	3,289,593,582
Short-term deposits	**5,370,351,669**	5,364,928,485
	₱9,903,877,068	₱8,848,591,584

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

Interest income earned from cash in banks and short-term deposits amounted to ₱145.6 million, ₱159.9 million and ₱101.1 million in 2013, 2012 and 2011, respectively (see Note 23).

7. **Receivables**

This account consists of:

	2013	2012
Trade	**₱3,128,358,963**	₱2,714,763,623
Less allowance for impairment loss	**274,461,795**	260,138,120
	2,853,897,168	2,454,625,503
Advances to employees	**112,214,103**	95,502,388
Current portion of employee car plan receivables	**33,366,298**	50,300,588
Others	**83,395,109**	149,913,012
	₱3,082,872,678	₱2,750,341,491

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

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

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

	2013	2012
Balance at beginning of year	**₱260,138,120**	₱164,744,992
Provisions (Note 22)	**34,007,984**	97,559,491
Write-offs	**(22,801,774)**	(1,113,709)
Translation adjustments	**3,117,465**	(1,052,654)
Balance at end of year	**₱274,461,795**	₱260,138,120

The provisions in 2013 and 2012 resulted from specific and collective impairment assessments performed by the Jollibee Group.

8. **Inventories**

This account consists of:

	2013	2012
At cost:		
Food supplies and processed inventories	**₱3,390,581,280**	₱2,498,077,691
Packaging, store and other supplies	**119,209,912**	118,104,894
	3,509,791,192	2,616,182,585
At net realizable value -		
Novelty items	**50,640,942**	13,560,892
Total inventories at lower of cost and net realizable value	**₱3,560,432,134**	₱2,629,743,477

The cost of novelty items carried at net realizable value amounted to ₱67.2 million and ₱20.8 million as at December 31, 2013 and 2012, respectively.

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

	2013	2012
Balance at beginning of year	**₱7,198,880**	₱22,731,966
Provisions (Note 22)	**9,367,464**	2,154,527
Reversals (Note 22)	**–**	(13,316,722)
Write-offs	**–**	(4,370,891)
Balance at end of year	**₱16,566,344**	₱7,198,880

The Jollibee Group performs an aging analysis of food supplies and packaging materials on hand in determining the amount of provision or reversal to be recognized. Based on this assessment, the Company booked provisions for inventory obsolescence amounting to ₱9.4 million and ₱2.2 million in 2013 and 2012, respectively.

9. **Other Current Assets**

This account consists of:

	2013	2012
Deposits to suppliers and others	**₱840,873,736**	₱567,340,190
Prepaid expenses:		
Rent	**465,306,028**	421,171,321
Taxes	**297,092,018**	184,878,704
Insurance and other prepayments	**147,069,555**	145,314,639
Supplies	**86,653,768**	75,820,509
	₱1,836,995,105	₱1,394,525,363

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

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

Prepaid taxes mainly represent creditable withholding taxes that can be applied in the following year against the corporate income tax of the Jollibee Group.

10. Available-for-Sale Financial Assets

This account consists mainly of shares in golf and leisure clubs as at December 31, 2013 and of shares in golf and leisure clubs and shares in public utility companies as at December 31, 2012.

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

	2013	2012
Balance at beginning of year	**₱128,149,438**	₱120,649,438
Additions	**300,000**	7,500,000
Changes in fair value	**(102,626,829)**	–
Write-off	**(4,343,148)**	–
Balance at end of year	**₱21,479,461**	₱128,149,438

The net unrealized loss on AFS financial assets presented in the consolidated statements of financial position amounted to nil and ₱102.6 million as at December 31, 2013 and 2012, respectively.

The change in fair value in 2013 was as a result of the reversal of previously recorded OCI of certain public utility companies' shares out of AFS to "Other receivables" as they have already been called for redemption. There were no movements in 2013 and 2012.

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

A. Business Combinations

Business Combination through Acquisition of Equity Shares

Acquisition in 2012

San Pin Wang. On March 9, 2012, the Jollibee Group, through JWPL, completed its acquisition of 55% of Guangxi San Pin Wang Food and Beverage Management Company Limited ("San Pin Wang") which operates the San Pin Wang beef noodle business in South China for a total acquisition cost of RMB30.0 million (₱195.9 million). The Jollibee Group paid RMB20.0 million (₱135.1 million) as of December 31, 2012. The remaining RMB10.0 million (₱67.6 million) was paid in March 2013. The remaining 45% is held by Guangxi Zong Kai Food Beverage Investment Company Limited ("GZK").

Subsequent to the acquisition date, the Jollibee Group and GZK contributed additional investments amounting to RMB11.0 million (₱74.6 million) and RMB9.0 million (₱59.2 million), respectively.

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

As part of the purchase agreement with GZK, a contingent consideration has been agreed. This consideration is contingent upon a target net income after tax of San Pin Wang for the next three years. In May 2013, the Jollibee Group paid RMB7.5 million (₱50.1 million) as the contingent consideration for the year 2012. The remaining contingent consideration is due for final measurement and payment to the former shareholders in May 2016.

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

Cash and cash equivalents	₱7,525,090
Receivables	2,894,103
Inventories	13,041,495
Other current assets	31,336,869
Property, plant and equipment (Note 12)	71,613,166
Other noncurrent assets	13,891,399
Total identifiable assets acquired	140,302,122
Less -	
Trade payables and other current liabilities	93,867,653
Net identifiable assets acquired	₱46,434,469

The amount of provisional goodwill initially recorded at acquisition date amounted to RMB25.2 million (₱170.4 million). As a result of the finalization in 2013, the Jollibee Group recognized additional goodwill amounting to RMB17.3 million (₱121.7 million). Total goodwill recognized for this business combination upon finalization amounted to ₱292.1 million, determined as follows:

Fair value of consideration transferred:	
Cash	₱135,110,309
Subscription payable	60,826,786
Contingent consideration	121,743,395
Total	317,680,490
Non-controlling interests' share in the net assets acquired	20,895,511
Aggregate amount	338,576,001
Less acquisition - date fair value of net assets acquired	46,434,469
Goodwill (Notes 2 and 14)	₱292,141,532

Goodwill pertains to the value of expected synergy arising from the business combination.

The fair value of acquired receivables approximates their carrying value. No impairment loss was provided on these receivables.

The net cash outflow on the acquisition is as follows:

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

San Pin Wang contributed RMB106.0 million (₱709.6 million) and RMB0.94 million (₱6.5 million) from the date of acquisition to December 31, 2012 to the consolidated revenue and consolidated net income for the period, respectively. If the business combination had taken place at the beginning of 2012, consolidated revenue and consolidated net income for the year would have been RMB10,640.7 million (₱71,212.6 million) and RMB539.6 million (₱3,712.2 million), respectively.

Below is the rollforward analysis of the unpaid purchase considerations as at December 31, 2013 and 2012:

	2013
Balance at January 1, 2013	₱185,522,383
Accretion	1,772,743
Settlements	(115,254,984)
Translation adjustments	(388,423)
Balance at December 31, 2013	₱71,651,719
In original currency	RMB9,800,000
Current portion of liability	₱–
Noncurrent portion of liability	₱71,651,719

	2012
Fixed consideration	₱60,826,786
Contingent consideration (Note 2)	121,743,395
	182,570,181
Accretion	5,391,461
Translation adjustments	(2,439,259)
Balance at December 31, 2012	₱185,522,383
In original currency	RMB28,086,050
Current portion of liability	₱113,870,663
Noncurrent portion of liability	₱71,651,720

Acquisitions in 2011 and Prior

Burger King. On September 30, 2011, the Jollibee Group, through the Parent Company, acquired a majority ownership of the entity, BKTitans, Inc. which operates Burger King in the Philippines. The Parent Company invested ₱65.5 million to purchase 54% equity interest in BKTitans, Inc., owner of Perf Restaurants, Inc. (or collectively the BK Group), the sole franchisee of the Burger King Brand in the Philippines.

Advances were made to the BK Group prior to its acquisition in 2011.

The Jollibee Group's primary reason for the business combination is to gain presence in the premium price segment of the hamburger category in the fast food market.

Mang Inasal. On November 22, 2010, the Jollibee Group, through the Parent Company, acquired 70% of the issued and outstanding shares of Mang Inasal from Injap Investments, Inc. (the seller), owner and operator of Mang Inasal restaurant business in the Philippines, for a total acquisition cost of ₱2,976.2 million. The Jollibee Group paid ₱2,700.0 million as of December 31, 2010.

The present value of the remaining 10% of the purchase price is payable over a 3-year period as follows:

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

The balance of liability for acquisition of Mang Inasal as at December 31, 2013 and 2012 are as follows:

	2013	2012
Balance at beginning of year	**₱72,292,267**	₱141,737,289
Payment	**–**	(75,000,000)
Accretion (Note 23)	**2,707,733**	5,554,978
Balance at end of year	**₱75,000,000**	₱72,292,267

As at December 31, 2013, the Jollibee Group has not yet settled the final installment payment of ₱75.0 million pending fulfillment of certain conditions in the contract.

The liability for acquisition of Mang Inasal was classified under "Current portion of liability for acquisition of businesses" in the statements of financial position as at December 31, 2013 and 2012, respectively.

The Jollibee Group's primary reason for the business combination is to grow Mang Inasal's sales from existing stores through application of the Jollibee Group's knowledge of consumers and available recipes and products, continued expansion of Mang Inasal's store network, cost improvement on its raw materials and operational efficiency by applying the Jollibee Group's technology and scale.

Business Combination through Purchase of Assets

Chowking US Operations. On May 27, 2011, the Jollibee Group, through its wholly-owned subsidiary, TTC, entered into an Asset Purchase Agreement with Fortune Capital Corporation, owner and operator of all Chowking stores in the US as the master licensee therein, to purchase the latter's property and equipment, inventories and security deposits of its twenty (20) existing stores. The purchase consideration amounted to USD16.0 million (₱693.3 million). The Jollibee Group paid USD 12.0 million (₱520.0 million) of the total consideration as of December 31, 2011. The balance shall be paid over the next five (5) years.

First and second year payments of the outstanding balance were paid in May 2012 and 2013 amounting to USD 0.8 million (₱33.7 million) and USD 0.8 million (₱34.6 million), respectively.

The balance of liability for acquisition of Chowking US operations as at December 31, 2013 and 2012 is as follows:

	2013	2012
Balance at beginning of year	**₱109,757,490**	₱141,990,657
Accretion (Note 23)	**6,620,533**	10,298,401
Payment	**(34,560,000)**	(33,696,000)
Translation adjustments	**8,205,065**	(8,835,568)
Balance at end of year	**₱90,023,088**	₱109,757,490
In original currency	**USD2,026,908**	USD2,673,750
Current portion of liability	**₱32,666,875**	₱30,205,546
Noncurrent portion of liability	**57,356,213**	79,551,944
	₱90,023,088	₱109,757,490

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

Business Combination Achieved in Stages

Chow Fun. On March 31, 2011, the Jollibee Group, through its wholly-owned subsidiary, JWPL, acquired from Aspen Partners, LLC 2,400 shares of Chow Fun Holdings, LLC ("Chow Fun") for USD3.2 million (₱139.6 million), bringing up its equity share in Chow Fun to 80.55%. The Jollibee Group (through JWPL) previously held 13.89% equity share in Chow Fun. Chow Fun is the developer and owner of Jinja Bar and Bistro in New Mexico, USA.

The carrying amount of the previously held equity interest in Chow Fun was presented as part of AFS financial assets in 2010. Prior to the business combination, the previously held equity interest was remeasured at the acquisition-date fair value resulting to a loss amounting to ₱12.8 million which was recognized in the statements of comprehensive income under "General and administrative expenses" account in 2011.

The Jollibee Group's objective in this venture is to enhance its capability in developing Asian food restaurant concepts for the mainstream consumers in the United States as part of its long-term strategy.

Fair Values of Net Identifiable Assets Acquired

The fair values of the identifiable assets acquired and liabilities assumed from Mang Inasal, BK Group, Chowking US Operations, and Chow Fun as at the dates of acquisitions were as follows:

	Mang Inasal	BK Group	Chowking US Operations	Chow Fun
Cash and cash equivalents	₱132,213,023	₱17,071,231	₱–	₱4,870,336
Receivables	113,733,554	5,951,921	–	331,325
Inventories	126,423,715	13,302,567	14,515,550	3,883,969
Other current assets	557,888	3,245,199	–	3,073,027
Property, plant and equipment*	263,083,640	222,303,494	262,106,940	105,912,607
Trademark	2,004,255,942	–	–	–
Deferred tax assets	–	3,323,559	–	–
Other noncurrent assets	26,086,618	50,269,948	6,322,410	–
Total identifiable assets acquired	2,666,354,380	315,467,919	282,944,900	118,071,264
Less:				
Trade payables and other current liabilities	271,381,354	168,691,196	–	23,760,278
Long-term liabilities	–	–	–	77,128,142
Income tax payable	59,145,715	1,102,058	–	–
Deferred tax liabilities	628,717,866	30,976,291	6,889,470	–
Pension liability	–	3,199,600	–	–
Total identifiable liabilities assumed	959,244,935	203,969,145	6,889,470	100,888,420
Net identifiable assets acquired	₱1,707,109,445	₱111,498,774	₱276,055,430	₱17,182,844

* *The carrying amount of Mang Inasal and BK Group's property, plant and equipment amounted to ₱171.6 million and ₱119.9 million, respectively, at the date of acquisition.*

Goodwill Arising from Business Combinations

Goodwill acquired in business combinations in 2011 and prior years was determined as follows:

	Mang Inasal	BK Group	Chowking US Operations	Chow Fun
Fair value of consideration transferred:				
Cash	₱2,700,000,000	₱–	₱519,960,000	₱139,644,000
Advances	–	65,454,545	–	–
Liability	276,243,250	–	139,950,677	–
Total	2,976,243,250	65,454,545	659,910,677	139,644,000
Non-controlling interests' share in the net assets acquired	512,132,834	51,289,436	–	3,340,345
Previously held equity interests (13.89%)	–	–	–	29,092,500
Aggregate amount	3,488,376,084	116,743,981	659,910,677	172,076,845
Less acquisition - date fair value of net assets acquired	1,707,109,445	111,498,774	276,055,430	17,182,844
Goodwill (Note 14)	₱1,781,266,639	₱5,245,207	₱383,855,247	154,894,001

The net cash outflows on the acquisitions are as follows:

	2011	2010
Cash paid:		
Mang Inasal	₱–	₱2,700,000,000
BK Group	–	–
Chowking US Operations	519,960,000	–
Chow Fun	139,644,000	–
	659,604,000	2,700,000,000
Less cash acquired from subsidiary:		
Mang Inasal	–	132,213,023
BK Group	17,071,231	–
Chowking US Operations	–	–
Chow Fun	4,870,336	–
	21,941,567	132,213,023
	₱637,662,433	₱2,567,786,977

Acquirees' Contribution to Consolidated Revenues and Consolidated Net Income During the Year of Acquisition

The BK Group, Chowking US Operations, and Chow Fun contributed ₱719.4 million and ₱23.6 million from the date of acquisition to December 31, 2011 to the consolidated revenue and net income for the period, respectively. If the business combinations had taken place at the beginning of 2011, consolidated revenue and net income for the year would have been ₱63,170.9 million and ₱3,262.1 million, respectively.

B. Incorporation of New Subsidiaries

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

As at December 31, 2013, capital contributions of the Jollibee Group to Golden Beeworks amounted to ₱45.1 million.

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

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

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operation	2013	2012
Mang Inasal	Philippines	**30%**	30%
JFPACL	Singapore	**30%**	30%
San Pin Wang	People's Republic of China	**45%**	45%

Summarized Statement of Comprehensive Income for 2013

	Mang Inasal	JFPPL	San Pin Wang
Revenues	**₱5,024,650,246**	**₱922,513,905**	**₱88,524,112**
Net income (loss)	**243,925,820**	**(23,880,385)**	**(22,758,697)**
Net income (loss) attributable to non-controlling interests	**73,177,746**	**(7,164,115)**	**(10,241,414)**
Other comprehensive income (loss)	**(858,376)**	**33,534,645**	**28,127,143**
Other comprehensive income (loss) attributable to non-controlling interests	**(257,513)**	**10,060,393**	**12,657,214**
Total comprehensive income	**243,067,445**	**9,654,260**	**5,368,446**
Dividends paid to non-controlling interests	**30,000,000**	**–**	**–**

Summarized Statement of Comprehensive Income for 2012

	Mang Inasal	JFPPL	San Pin Wang
Revenues	₱4,808,345,023	₱36,365,967	₱1,112,306,669
Net income (loss)	168,479,571	(24,756,569)	10,822,549
Net income (loss) attributable to non-controlling interests	50,543,871	(7,426,971)	4,870,147
Other comprehensive income (loss)	–	1,011	(3,220,775)
Other comprehensive income (loss) attributable to non-controlling interests	–	303	(1,449,349)
Total comprehensive income	168,479,571	(24,755,558)	7,601,774
Dividends paid to non-controlling interests	45,000,000	–	–

Summarized Statement of Financial Position as at December 31, 2013

	Mang Inasal	JFPPL	San Pin Wang
Current assets	**₱1,160,523,661**	**₱401,781,653**	**₱199,066,935**
Noncurrent assets	**336,151,664**	**440,901,558**	**106,677,352**
Current liabilities	**833,984,844**	**313,682,561**	**119,270,638**
Noncurrent liabilities	**129,446,412**	**177,580,000**	**2,684,049**
Total equity	**533,244,069**	**351,420,650**	**183,789,600**
Equity attributable to non-controlling interests	**159,973,221**	**105,426,195**	**82,705,320**

Summarized Statement of Financial Position as at December 31, 2012

	Mang Inasal	JFPPL	San Pin Wang
Current assets	₱889,286,750	₱6,014,729	₱139,346,180
Noncurrent assets	320,748,285	248,255,657	108,871,703
Current liabilities	701,260,666	28,913,277	60,400,592
Noncurrent liabilities	118,729,387	–	–
Total equity	390,044,982	225,357,109	187,817,291
Equity attributable to non-controlling interests	117,013,495	67,607,133	84,517,781

Summarized Cash Flow Information for 2013

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

Summarized Cash Flow Information for 2012

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

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

	2013	2012
Interests in and advances to SuperFoods joint ventures and co-venturers	**₱3,113,802,292**	₱2,891,167,600
Interest in joint venture - Wowprime	**157,675,953**	98,040,000
	3,271,478,245	2,989,207,600
Interest in an associate	**50,915,520**	22,293,981
	₱3,322,393,765	₱3,011,501,581

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

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

The Supplemental Agreement further provides the following formula that might result in additional payment on the part of JWPL in 2016:

(a) The actual EBITDA results of Superfoods Group multiplied by specified multiples reduced by its net debt and multiplied by 30% weight recognized for the First Portion Measurement Period (January 1-December 31, 2012) and the actual EBITDA results of Superfoods Group multiplied by specified multiples reduced by its net debt and multiplied by 20% weight recognized for the Second Portion Measurement Period (for July 1, 2015 to June 30, 2016); the resulting amount of which will be compared with:

(b) The aggregate balance of 'Interests in the joint ventures' and 'Advances to joint ventures and co-venturers' and accrued interests as of June 30, 2016.

If the resulting amount of the above formula is positive (contingent consideration):

(a) The co-venturers shall sell its 1 share in JSF Investments to JWPL for a purchase price equal to the Loan to co-venturers and accrued interests (the Outstanding Balance) and the proceeds shall be used by the co-venturers to repay the Loan; and

(b) The contingent consideration is payable in cash to the co-venturers.

If the result of the above formula is negative (negative earnout):

(a) The co-venturers shall still sell its 1 share in JSF Investments to JWPL at USD1.0;

(b) The co-venturers shall repay the loan if the consolidated EBITDA of the Superfoods Holding Companies for the Second Portion Measurement Period is:

   i. above USD25.0 million, the Outstanding Balance shall be deemed paid;

   ii. USD25.0 million or below, JSF Investments shall have the right to acquire such number of shares in the Superfoods Holding Companies as would satisfy the repayment of the Outstanding Balances;

   iii. Negative as a result of which the Outstanding Balance cannot be fully satisfied even if JSF Investments acquires 100% of the co-venturers' shares in Superfoods Holding Companies, the deficiency shall be paid to JSF Investments in cash. The co-venturers shall have a period of 6 months from the last day of the Second Portion Measurement Period within which to repay the Outstanding Balance in cash, before JSF Investments may exercise its option to be paid with shares of Superfoods Holding Companies. If JSF Investments exercises its option to be paid in shares of Superfoods Holding Companies, the co-venturers shall, within a 6 month period from JSF Investments' exercise of its option, have the right to acquire additional equity in Superfoods Holding Companies to the extent required to restore the ownership interest of the co-venturers and JSF Investments to the proportion prior to exercise of the option; provided that the co-venturers' acquisition of additional equity shall be at the same valuation applied to JSF Investments.

JWPL shall be required to pay the co-venturers an additional amount based upon achieving a positive amount resulting from the above formula. Based on management's assessment using the above earn-out formula, no additional consideration needs to be recognized as of January 20, 2012, December 31, 2012 and December 31, 2013.

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

Loan to Co-venturers
Loan to the owners of the SuperFoods Group amounting to USD35.0 million (₱1,523.9 million), extended on June 30, 2011, is payable in June 2016. The loan bears interest of 5% per annum payable in lump sum also in June 2016. The loan is agreed to be used for general corporate purposes. Total interest from this loan amounted to USD1.4 million ₱(60.1 million), USD 1.8 million (₱75.1 million) and USD 1.0 million (₱43.3 million) for the years ended December 30, 2013, 2012 and 2011, respectively. The USD35.0 million loan is secured by a mortgage by the co-venturers of all their shares in SuperFoods Holding Companies.

On April 30, 2013, an additional loan was extended to SuperFoods Group amounting to USD1.0 million (₱44.4 million) payable in February 2014. The loan bears interest of 5% per annum payable in lump sum also in February 2014. The loan is agreed to be used for general corporate purposes. Total interest from this loan amounted to USD0.04 million (₱1.5 million) in 2013.

On August 22, 2013, an additional loan was extended to SuperFoods Group amounting to USD1.0 million (₱44.4 million) payable in August 2014. The loan bears interest of 5% per annum payable in lump sum also in August 2014. The loan is agreed to be used for general corporate purposes. Total interest from this loan amounted to USD0.02 million (₱0.8 million) in 2013.

Loan to Blue Sky
On June 10, 2011, a loan was extended to Blue Sky Holdings Limited (Blue Sky), the Hong Kong-based joint venture, amounting to USD5.0 million (₱222.0 million) payable in June 2014. The loan bears interest of 5% per annum payable also in June 2014. Total interest from this loan amounted to USD0.25 million (₱10.8 million), USD0.25 million (₱10.7 million) and USD0.14 million (₱6.0 million) for the years ended December 31, 2013, 2012 and 2011, respectively.

On May 7, 2012, an additional loan was extended to Blue Sky amounting to USD2.5 million (₱111.0 million) payable in May 2014. The loan bears interest of 5% per annum payable also in May 2014. Total interest from this loan amounted to USD0.13 million (₱5.4 million) and USD0.08 million (₱3.4 million) for the years ended December 31, 2013 and 2012, respectively.

The details of Jollibee Group's interests in SuperFoods joint venture and advances to co-venturers as at December 31, 2013 and 2012 are as follows:

	2013	2012
Interest in a joint venture–cost	**₱1,086,562,975**	₱1,086,562,975
Equity in net loss:		
Balance at the beginning of year	**(72,463,639)**	–
Equity in net loss for the year	**(100,445,720)**	(72,463,639)
	(172,909,359)	(72,463,639)
Advances to the joint ventures and co-venturer:		
Balance at beginning of year	**1,877,068,264**	2,903,505,390
Additions	**88,790,000**	105,179,193
Accrual of interest	**81,335,640**	84,322,262
Translation adjustments	**152,954,772**	(129,375,606)
Reclassification	**–**	(1,086,562,975)
Balance at end of year	**2,200,148,676**	1,877,068,264
	₱3,113,802,292	₱2,891,167,600

The aggregate amounts as of December 31, 2013 and 2012 of SuperFoods Group are as follows:

	2013	2012
Current assets	**₱402,113,549**	₱307,047,808
Noncurrent assets	**980,914,259**	1,102,444,542
Total assets	**₱1,383,027,808**	₱1,409,492,350
Current liabilities	**₱473,141,806**	₱989,978,288
Noncurrent liabilities	**609,348,409**	(162,086,786)
Total liabilities	**₱1,082,490,215**	₱827,891,503

The amounts of assets and liabilities above include the following:

	2013	2012
Cash and cash equivalents	**₱88,194,498**	₱92,074,877
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	**336,217,760**	853,408,408
Noncurrent financial liabilities (excluding provisions)	**609,348,409**	(162,086,786)

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

	2013	2012
Revenues	**₱1,936,000,491**	₱1,458,754,050
Net income	**(200,891,440)**	(144,927,278)
Other comprehensive income	**–**	–
Total comprehensive income	**(200,891,440)**	(144,927,278)
Dividends received from the joint venture	**–**	–

	2013	2012
Depreciation and amortization	**₱118,111,479**	₱67,310,382
Interest income	**3,395,889**	1,163,122
Interest expense	**53,280,507**	26,607,655
Provision for income tax	**84,749**	–

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

	2013	2012
Net assets	**₱300,537,593**	₱581,600,847
Proportion of the Jollibee Group's ownership	**50%**	50%
	150,268,797	290,800,424
Goodwill	**674,794,753**	674,794,753
Cumulative translation adjustments	**88,590,066**	48,504,159
	₱913,653,616	₱1,014,099,336

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

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

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

The details of Jollibee Group's interest in Wowprime joint venture as at December 31, 2013 and 2012 are as follows:

	2013	2012
Balance at beginning of year	**₱98,040,000**	₱–
Investment during the year	**103,608,000**	98,040,000
Equity in net loss for the year	**(43,972,047)**	–
Balance at end of year	**₱157,675,953**	₱98,040,000

The aggregate amounts as at December 31, 2013 and 2012 pertaining to Wowprime are as follows:

	2013	2012
Current assets	**₱280,636,849**	₱4,085,110
Noncurrent assets	**95,707,772**	200,165,000
Total assets	**₱376,344,621**	₱204,250,110
Current liabilities	**₱23,160,593**	₱–

The amounts of assets and liabilities above include the following:

	2013	2012
Cash and cash equivalents	**₱255,653,861**	₱4,085,110
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	**15,594,727**	4,105,110

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

	2013	2012
Revenues	**₱48,433,607**	₱–
Net income (loss)	**(91,608,431)**	427
Total comprehensive income	**(91,608,431)**	427

	2013	2012
Depreciation and amortization	**₱7,787,242**	₱–
Interest income	**731,355**	427

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

	2013	2012
Net assets	**₱353,184,028**	₱204,250,000
Proportion of the Jollibee Group's ownership	**48%**	48%
	169,528,333	98,040,000
Cumulative translation adjustments	**(11,852,380)**	–
	₱157,675,953	₱98,040,000

Interest in an Associate

Entrek. The Jollibee Group, through JIBL, has 1/3 or 33.33% ownership over Entrek (B) SDN BHD (Entrek), a company that operates Jollibee stores in Brunei. As of December 31, 2011, the Jollibee Group's investment in Entrek is carried at nil due to its equity share in the previous losses of Entrek. As at and for the year ended December 31, 2012, the Jollibee Group recognized its investment in the associate and equity in net earnings amounting to ₱22.3 million coming from Entrek's improved operations.

The details of the Jollibee Group's interest in an associate as at December 31, 2013 and 2012 are as follows:

	2013	2012
Interests in an associate - cost	**₱16,660,000**	₱16,660,000
Cumulative equity in net earnings (loss):		
Balance at beginning of year	**5,633,981**	(16,660,000)
Equity in net earnings during the year	**28,621,539**	22,293,981
Balance at end of year	**34,255,520**	5,633,981
	₱50,915,520	₱22,293,981

The aggregate amounts as at December 31, 2013 and 2012 related to the Jollibee group's interest in Entrek follow:

	2013	2012
Current assets	**₱333,980,312**	₱195,456,140
Noncurrent assets	**83,117,796**	97,210,858
Total assets	**₱417,098,108**	₱292,666,998
Current liabilities	**₱202,049,401**	₱168,895,698

	2013	2012
Revenues	**₱507,409,777**	₱429,912,606
Total comprehensive income	**85,864,160**	66,884,984

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

	2013	2012
Net assets	**₱215,048,707**	₱123,771,299
Proportion of the Jollibee Group's ownership	**33.33%**	33.33%
	71,682,902	41,257,100
Write off of investment in 2011	**(16,660,000)**	(16,660,000)
Cumulative translation adjustments	**(4,107,382)**	(2,303,119)
	₱50,915,520	₱22,293,981

E. Cessation of Operations of Manong Pepe Karinderia

On April 9, 2011, the Jollibee Group, through its wholly-owned subsidiary, Fresh N'Famous, discontinued the operations of its Manong Pepe Karinderia business unit. The move is part of the Jollibee Group's plan to concentrate resources in building larger quick service restaurant businesses. The cessation of operation of Manong Pepe Karinderia did not have a material impact on the Jollibee Group's consolidated financial statements.

12. Property, Plant and Equipment

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

	2013							
	Land and Land Improvements	**Plant, Buildings, Condominium Units and Improvements**	**Leasehold Rights and Improvements**	**Office, Store and Food Processing Equipment**	**Furniture and Fixtures**	**Transportation Equipment**	**Construction in Progress**	**Total**
				(In Thousands)				
Cost								
Balance at beginning of year	**₱661,794**	**₱1,678,661**	**₱11,683,920**	**₱10,190,137**	**₱923,867**	**₱361,975**	**₱292,754**	**₱25,793,108**
Additions	**–**	**5,704**	**1,201,548**	**1,416,123**	**135,420**	**52,518**	**1,096,563**	**3,907,876**
Retirements and disposals	**–**	**–**	**(865,474)**	**(811,874)**	**(187,167)**	**(44,368)**	**(240,946)**	**(2,149,829)**
Reclassifications (Note 13)	**–**	**854**	**526,967**	**79,943**	**3,388**	**1,962**	**(612,260)**	**854**
Translation adjustments	**4,420**	**13,058**	**438,072**	**171,124**	**12,999**	**4,486**	**11,893**	**656,052**
Balance at end of year	**666,214**	**1,698,277**	**12,985,033**	**11,045,453**	**888,507**	**376,573**	**548,004**	**28,208,061**
Accumulated Depreciation and Amortization								
Balance at beginning of year	**7,186**	**668,534**	**6,064,413**	**7,045,793**	**665,546**	**252,672**	**–**	**14,704,144**
Depreciation and amortization (Notes 21 and 22)	**127**	**51,534**	**1,607,616**	**1,229,317**	**124,933**	**46,024**	**–**	**3,059,551**
Retirements and disposals	**–**	**–**	**(678,604)**	**(759,932)**	**(177,943)**	**(35,674)**	**–**	**(1,652,153)**
Reclassifications	**–**	**–**	**(1,106)**	**43**	**(12)**	**1,075**	**–**	**–**
Translation adjustments	**–**	**687**	**204,889**	**93,754**	**5,972**	**2,576**	**–**	**307,878**
Balance at end of year	**7,313**	**720,755**	**7,197,208**	**7,608,975**	**618,496**	**266,673**	**–**	**16,419,420**
Accumulated Impairment Losses								
Balance at beginning of year	**–**	**–**	**–**	**29,500**	**–**	**–**	**–**	**29,500**
Reversal of impairment during the year (Note 22)	**–**	**–**	**–**	**(13,300)**	**–**			**(13,300)**
Balance at end of year	**–**	**–**	**–**	**16,200**	**–**	**–**	**–**	**16,200**
Net Book Value	**₱658,901**	**₱977,522**	**₱5,787,825**	**₱3,420,278**	**₱270,011**	**₱109,900**	**₱548,004**	**₱11,772,441**

	2012							
	Land and Land Improvements	Plant, Buildings, Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
				(In Thousands)				
Cost								
Balance at beginning of year	₱679,254	₱966,833	₱11,203,440	₱9,210,906	₱877,229	₱404,697	₱672,799	₱24,015,158
Additions	2,000	760,670	1,343,646	1,106,655	97,220	38,084	407,632	3,755,907
Business combination (Note 11)	–	2,906	39,122	41,801	5,833	1,742	2,274	93,678
Retirements and disposals	–	(38,316)	(1,069,962)	(445,367)	(43,004)	(38,025)	(12,377)	(1,647,051)
Reclassifications (Note 13)	(15,773)	(7,304)	395,729	360,364	(1,969)	(41,087)	(713,556)	(23,596)
Translation adjustments	(3,687)	(6,128)	(228,055)	(84,222)	(11,442)	(3,436)	(64,018)	(400,988)
Balance at end of year	661,794	1,678,661	11,683,920	10,190,137	923,867	361,975	292,754	25,793,108
Accumulated Depreciation and Amortization								
Balance at beginning of year	7,220	699,836	5,566,671	6,330,640	583,019	247,405	–	13,434,791
Depreciation and amortization (Notes 21 and 22)	143	48,535	1,369,815	1,105,570	123,007	45,344	–	2,692,414
Business combination (Note 11)	–	277	6,960	12,684	1,510	634	–	22,065
Retirements and disposals	–	(10,434)	(864,279)	(347,909)	(36,303)	(29,869)	–	(1,288,794)
Reclassifications	(177)	(65,043)	78,511	(3,767)	(1,222)	(8,302)	–	–
Translation adjustments	–	(4,637)	(93,265)	(51,425)	(4,465)	(2,540)	–	(156,332)
Balance at end of year	7,186	668,534	6,064,413	7,045,793	665,546	252,672	–	14,704,144
Accumulated Impairment Losses								
Balance at beginning of year	–	–	–	–	–	–	–	–
Impairment loss during the year (Note 22)	–	–	–	29,500	–	–	–	29,500
Balance at end of year	–	–	–	29,500	–	–	–	29,500
Net Book Value	₱654,608	₱1,010,127	₱5,619,507	₱3,114,844	₱258,321	₱109,303	₱292,754	₱11,059,464

The cost of fully depreciated property, plant and equipment still in use amounted to ₱7,448.7 million and ₱5,809.3 million as at December 31, 2013 and 2012, respectively.

Loss on disposals and retirements of property, plant and equipment amounted to ₱446.2 million, ₱358.2 million and ₱216.3 million in 2013, 2012, and 2011, respectively.

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

In 2012, the Jollibee Group performed preliminary impairment assessments of its store fixed assets after the typhoon and other calamities given that there is an indication that the carrying value may not be fully recoverable. As a result, the Jollibee Group provided allowance for impairment loss on office, store and food processing equipment amounting to ₱29.5 million. In 2013, the Jollibee Group reassessed the recoverable amount of the office, store and food processing equipment of which reassessment process includes actual inspection of the Jollibee Group's existing assets. Consequently, the Jollibee Group recognized a reversal of impairment loss amounting to ₱13.3 million as a result of the reassessment of impairment previously recognized.

13. **Investment Properties**

The rollforward analysis of this account follows:

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

	2012		
	Land	Buildings and Building Improvements	Total
		(In Thousands)	
Cost			
Balance at beginning of year	₱692,858	₱333,654	₱1,026,512
Retirements and disposals	(1,999)	(4,264)	(6,263)
Translation adjustments	–	(6,304)	(6,304)
Reclassifications (Note 12)	23,596	–	23,596
Balance at end of year	714,455	323,086	1,037,541
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	228,773	228,773
Depreciation (Notes 21 and 22)	–	13,212	13,212
Retirements and disposals	–	(4,121)	(4,121)
Translation adjustments	–	(783)	(783)
Balance at end of year	–	237,081	237,081
Accumulated Impairment Losses			
Balance at beginning of year	25,270	–	25,270
Impairment loss during the year(Note 22)	21,177	–	21,177
Balance at end of year	46,447	–	46,447
Net Book Value	₱668,008	₱86,005	₱754,013

In 2012, the Jollibee Group transferred certain land with carrying amount of ₱23.6 million as at December 31, 2012 from property, plant and equipment to investment property due to end of owner-occupation.

The cost of fully depreciated buildings still being leased out by the Jollibee Group amounted to ₱202.0 million as at December 31, 2013 and 2012.

The Jollibee Group's investment properties have aggregate fair values of ₱1,348.7 million as at December 31, 2013 and 2012 as determined by independent appraisers, Asian Appraisal and Tan - Gatue Appraisal Associates, Inc. in 2011. The management does not expect a significant change in the fair value in 2013 and 2012. The valuations performed by the independent appraisers are in accordance with recognized professional appraisal 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 of replacement of the properties in accordance with prevailing market prices for materials, labor, and contractors' overhead, profit and fees in the locality after adjustments for depreciation due to physical deterioration, functional and economic obsolescence based on personal inspection of the buildings and building improvements and in comparison to similar new properties. Fair value hierarchy disclosures for investment properties have been provided in Note 31.

Rent income derived from income-generating properties amounted to ₱31.1 million, ₱32.0 million and ₱56.8 million in 2013, 2012 and 2011, respectively (see Notes 20 and 29). Direct operating costs relating to the investment properties that generated rent income recognized under "Cost of sales" and "General and administrative expenses" accounts in the consolidated statements of comprehensive income amounted to ₱23.2 million, ₱21.5 million and ₱26.5 million in 2013, 2012 and 2011, respectively.

No investment properties as at December 31, 2013 and 2012 have been pledged as security or collateral for the Company's debts.

14. **Goodwill and Other Intangible Assets**

This account consists of:

	2013	2012 (As restated - see Notes 2 and 11)
Goodwill	**₱6,822,526,341**	₱6,822,526,341
Trademark	**2,004,255,942**	2,004,255,942
Computer software	**267,270,178**	–
Other intangible assets, net of accumulated amortization	**9,584,387**	10,776,862
	₱9,103,636,848	₱8,837,559,145

Goodwill and trademark

Goodwill and trademark are acquired through business combinations related to the following food restaurants:

	2013	2012 (As restated - see Note 2)
Goodwill:		
Hong Zhuang Yuan	**₱2,497,252,906**	₱2,497,252,906
Mang Inasal (Note 11)	**1,781,266,639**	1,781,266,639
Red Ribbon Bakeshop:		
Philippine operations	**737,939,101**	737,939,101
US operations	**434,651,055**	434,651,055
Yong He King:		
Yong He King	**429,016,109**	429,016,109
Hangzhou Yonghe	**106,264,544**	106,264,544
Chowking US operations (Note 11)	**383,855,247**	383,855,247
San Pin Wang (Note 11)	**292,141,532**	292,141,532
Chow Fun (Note 11)	**154,894,001**	154,894,001
Burger King Group (Note 11)	**5,245,207**	5,245,207
Total goodwill	**6,822,526,341**	6,822,526,341
Trademark -		
Mang Inasal (Note 11)	**2,004,255,942**	2,004,255,942
Goodwill and trademark	**₱8,826,782,283**	₱8,826,782,283

The rollforward analysis of goodwill follows:

	2013	2012 (As restated - see Note 2)
Balance at beginning of year	**₱6,882,526,341**	₱6,530,384,809
Additions	**–**	292,141,532
Balance at end of year	**₱6,882,526,341**	₱6,822,526,341

Computer software

The Jollibee Group's computer software pertains to its Enterprise Resource Planning (ERP) System. The Jollibee Group expects the asset to be available for use starting July 1, 2014 and will have an estimated useful life of five years.

Other intangible assets

The rollforward analysis of other intangible assets as of December 31, 2013 and 2012 is as follows:

	2013	2012
Cost:		
Balance at beginning of year	**₱16,034,234**	₱10,486,380
Additions	**2,018,670**	5,547,854
Balance at end of year	**₱18,052,904**	16,034,234

(Forward)

	2013	2012
Accumulated amortization:		
Balance at beginning of year	**₱5,257,372**	₱2,806,074
Amortization	**3,211,145**	2,451,298
Balance at end of year	**₱8,468,517**	₱5,257,372
Net book value:		
At December 31	**₱9,584,387**	₱10,776,862
At January 1	**10,776,862**	7,680,306

Impairment Testing of Goodwill and Trademark

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

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

CGUs	Geographical Location	Pre-tax Discount Rate	Long-term Growth Rate
Hong Zhuang Yuan	PRC	11.83%	7.80%
Mang Inasal	Philippines	9.69%	6.80%
Red Ribbon Bakeshop:			
Philippine operations	Philippines	9.69%	6.80%
US operations	USA	9.12%	3.50%
Yong He King	PRC	11.83%	7.80%
Chowking US Operations	USA	9.12%	3.50%
Chow Fun	USA	9.12%	3.50%
Burger King	Philippines	9.69%	6.80%
San Pin Wang	PRC	11.83%	7.80%

Key assumptions with respect to the calculation of value in use of the groups of CGUs as at December 31, 2013 and 2012 on which management had based its cash flow projection to undertake impairment testing of goodwill are as follows:

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

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

c) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margin - is based on the most recent value achieved in the year preceding the start of the budget period, and adjusted for planned efficiency improvement, if any.

No impairment loss was recognized for goodwill and trademark for the three years ended December 2013, 2012 and 2011.

15. Other Noncurrent Assets

This account consists of:

	2013	2012
Security and other deposits - net of allowance of ₱3.0 million in 2012 (Notes 30 and 31)	**₱1,360,230,842**	₱1,161,089,780
Noncurrent portion of:		
Rent and other long-term prepayments	**239,797,867**	225,658,848
Employee car plan receivables (Notes 30 and 31)	**106,011,234**	93,029,410
Deferred rent expense	**61,261,913**	68,937,730
Deferred compensation	**13,433,144**	13,866,716
Returnable containers	**21,303,019**	19,657,734
Other assets	**91,237,373**	63,619,064
	₱1,893,275,392	₱1,645,859,282

Security and other deposits represent deposits for operating leases entered into by the Jollibee Group as lessee, including returnable containers and other deposits. The security deposits are recoverable from the lessors at the end of the lease term, which ranges from three to twenty years. These are presented at amortized cost. The discount rates used range from 0.23% to 8.65% in 2013 and 2012. The difference between the fair value at initial recognition and the notional amount of the security deposits is charged to "Deferred rent expense" account and amortized on straight-line basis over the lease terms.

Accretion of interest on the liability from acquisition of businesses and customers' deposits amounted to ₱19.1 million, ₱20.2 million and ₱18.7 million in 2013, 2012 and 2011, respectively (see Note 23).

16. Trade Payables and Other Current Liabilities

This account consists of:

	2013	2012
Trade	**₱6,006,639,836**	₱4,717,064,438
Accruals for:		
Local and other taxes	**1,650,647,422**	1,534,231,068
Salaries, wages and employee benefits	**1,516,033,345**	1,304,409,208
Advertising and promotions	**1,022,817,189**	741,335,875
Rent	**534,417,910**	456,127,663
Utilities	**329,764,448**	340,883,386
Freight	**197,069,154**	169,388,956
Operating supplies	**174,724,487**	131,022,870
Repairs and maintenance	**143,883,572**	102,788,156
Professional fees	**114,884,136**	91,207,804
Store operations, corporate events and others	**1,572,317,710**	1,115,089,028
Customers' deposits	**602,100,377**	600,180,289
Unearned revenue from gift certificates	**47,629,038**	75,881,257
Dividends payable	**29,374,422**	26,173,052
Other current liabilities	**307,622,975**	347,283,001
	₱14,249,926,021	₱11,753,066,051

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

Accrued expenses, local and other taxes and customers' deposits are noninterest-bearing and are normally settled within the next financial year.

17. Provisions

The Jollibee Group has outstanding provisions amounting to ₱30.5 million as at December 31, 2013 and 2012, consisting mainly of provisions for legal claims.

Provisions for legal claims,which amounted to ₱29.3 million, include estimates of legal services, settlement amounts and other costs of claims made against the Jollibee Group. Other information on the claims is not disclosed as this may prejudice the Jollibee Group's position on such claims. The Jollibee Group's management, after consultation with its legal counsel, believes that the provisions are sufficient to meet the costs related to the claims.

18. Short-term and Long-term Debts

Short-term Debt

The ₱900.0 million short-term debt in 2011 consists of unsecured short-term bank loan of the Parent Company with an interest rate of 2.63% per annum,was paid in full, including accrued interest, on April 17, 2012.

Interest expense recognized on short-term debt amounted to ₱14.8 million and ₱78.9 million in 2012 and 2011, respectively (see Note 23).

Long-term Debt

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

	2013	2012
Principal	**₱5,176,745,744**	₱5,437,753,211
Unamortized debt issue cost	**(7,500,000)**	(10,296,795)
	₱5,169,245,744	₱5,427,456,416

The details of long-term debt follow:

	2013	2012
USD-denominated:		
Loan 1	**₱1,775,800,000**	₱–
Loan 2	**443,950,000**	1,231,500,000
Loan 3	**329,362,744**	916,998,808
Loan 4	**799,110,000**	–
Loan 5	**177,580,000**	–
Loan 6	**–**	287,350,000
Loan 7	**–**	533,650,000
Loan 8	**–**	821,000,000
Loan 9	**–**	1,058,211
PHP-denominated:		
Loan 10	**–**	1,496,329,397
Loan 11	**1,492,500,000**	–
Loan 12	**150,943,000**	139,570,000
	5,169,245,744	5,427,456,416
Less current portion	**1,106,275,244**	4,572,839,927
	₱4,062,970,500	₱854,616,489

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

Loan 2 consists of a 3-year unsecured loan acquired from a local bank on April 29, 2011 amounting to USD40.0 million (or ₱1,712.0 million) with fixed interest rate of 2.53% per annum. The principal is payable in 4 semi-annual installment commencing on October 29, 2012 up to April 28, 2014, the date of maturity.

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

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

The loan agreements above provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control. As at December 31, 2013 and 2012, the Jollibee Group is in compliance with the terms of its loan covenants.

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

Loans 6, 7 and 8 availed by JWPL amounting to USD7.0 million (or ₱299.6 million), USD13.0 million (or ₱553.7 million), and USD20.0 million (or ₱864.4 million), respectively, consist of three loans obtained from a local bank with a recalibrated fixed interest rate of 2.55% per annum each on March 1, March 9 and May 29, 2012, respectively. The loans have a term of 2 years and will mature on February 28, March 7 and May 28, 2014, respectively. However, the loans were preterminated by Jollibee Group and paid in full, including accrued interest, in February 2013.

USD-denominated loan of RRBI USA. Loan 9 consists of a 5-year unsecured loan acquired from a foreign bank in December 2007 amounting to USD1.9 million with an interest rate of 6.50% per annum. The principal is payable in 60 monthly installments commencing on January 1, 2008 up to January 1, 2013, the date of maturity. The loan was fully paid in January 2013.

PHP-denominated loans of the Parent Company. On December 16, 2011, the Parent Company refinanced its existing loans with MBTC by availing a ₱1,500.0 million term loan (Loan 10). The proceeds from the loan were originally used for working capital purposes. The principal is payable upon maturity on December 16, 2013 with a coupon rate of 3.9% payable on a quarterly basis. The Company incurred debt issue costs of ₱7.5 million, representing documentary stamp tax, in relation to this loan in 2011.

On December 9, 2013, the Parent Company refinanced the loan by availing from MBTC a term loan of the same amount (Loan 11). The new loan is payable over five years and six months from the date of drawdown with annual principal repayments of ₱15.0 million starting on the 30th month from the date of drawdown and ₱1,455.0 million upon maturity. The loan is subject to a variable interest rate based on three-month Philippine Dealing System Treasury Fixing (PDST-F) rate plus spread of 1.25%, which is payable and is reset on a quarterly basis, and to an interest rate floor based on the Bangko Sentral ng Pilipinas (BSP) Overnight Reverse Repurchase Agreement Rate. The loan was drawn on December 16, 2013 and will mature on June 17, 2019. The Parent Company incurred debt issue costs of ₱7.5 million, representing documentary stamp tax, in relation to this loan in 2013.

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

The balance of the Company's long-term debt as at December 31, 2013 and 2012 is as follows:

	2013	2012
Principal	**₱1,500,000,000**	₱1,500,000,000
Less unamortized debt issue cost	**(7,500,000)**	(3,670,604)
	1,492,500,000	1,496,329,396
Less current portion	**–**	1,496,329,396
	₱1,492,500,000	₱–

The movements in unamortized debt issue cost in 2013 and 2012 are as follows:

	2013	2012
Balance at beginning of year	**₱10,296,795**	₱17,957,381
Additions	**7,500,000**	–
Amortization	**(10,296,795)**	(7,660,586)
Balance at end of year	**₱7,500,000**	₱10,296,795

Under the loan agreement, the Parent Company is subject to certain debt covenants which include among others the maintenance of a required Debt-to-Equity ratio and Debt-to-EBITDA ratio not to exceed 3.0. The Parent Company is in compliance with these debt covenants as at December 31, 2013 and 2012.

PHP-denominated loan of Perf Restaurants, Inc.(Perf). Loan 12 was originally a 5-year unsecured USD-denominated loan availed on December 20, 2011 by Perf. On the same day, the loan of USD3.4 million (or ₱149.2 million) bearing fixed interest rate of 5.32% per annum.

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

(a) Maintenance of the following ratios for the duration of the loan agreements: (1) minimum debt service coverage of 1.5:1; and (2) maximum debt to (EBITDA) of 4:1.

(b) Restrictions on changes in ownership structure; incurrence of any additional loans with term of more than one year; repayment of intercompany borrowings from the Parent Company except those agreed upon signing of this Facility Agreement; investing or entering into any business substantially different from the business in which Perf is presently engaged; and enter into merger or consolidation, except where Perf is the surviving corporation, and the Parent Company remains as the majority beneficial owner of the surviving corporation.

As at December 31, 2013 and 2012, Perf is in compliance with the terms of the loan agreement.

Derivative, Hedges and Hedge Effectiveness Testing

In 2012, Loan 12 was converted into a deliverable cross-currency swap transaction to hedge in full the foreign currency risk and interest rate risk on its floating rate. Under the cross-currency swap, Perf received at inception PHP notional amount of ₱149.2 million and paid USD notional amount of USD3.4 million based on the PHP/USD spot reference rate of ₱43.87. At every interest payment date, Perf will receive variable interest based on 3-month US LIBOR plus spread and will pay fix interest rate. At maturity date, Perf will receive USD notional amount of USD3.4 million and pay PHP notional amount of ₱149.2 million. The USD receipts from the cross-currency swap correspond with the expected interest fixed principal amount due on the hedged loan. Similar with the hedged loan, the cross-currency swap is non-amortizing and will mature on December 21, 2016.

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

Since the critical terms of the hedged loan and cross-currency swap matched, the hedge was assessed to be highly effective. As such, there was no ineffectiveness recognized in the profit or loss for the years ended December 31, 2013 and 2012.

The movement in fair value of cash flow hedge presented in equity under other comprehensive loss in 2013 and 2012 follows:

	2013	2012
Balance at beginning of year	**₱13,124,439**	₱–
Changes in fair value of the cash flow hedge	**(20,212,711)**	22,782,820
Foreign exchange revaluation	**13,405,872**	(9,658,381)
Balance at end of year	**6,317,600**	13,124,439
Non-controlling interests' share	**(2,906,096)**	(6,037,242)
	₱3,411,504	₱7,087,197

The foreign exchange revaluation of the hedged loan, amounting to ₱13.4 million and ₱9.7 million, was recognized in other comprehensive loss on derivative liability in 2013 and 2012, respectively.

The net movement in the fair value of the Company's derivative liability for the years ended December 31, 2013 and 2012 follows:

	2013	2012
Balance at beginning of year	**₱22,782,820**	₱–
Net changes in fair value	**(20,212,711)**	22,782,820
Settlements	**1,962,491**	–
Balance at end of year	**₱4,532,600**	₱22,782,820

Interest expense recognized on long-term debt amounted to ₱133.8 million, ₱171.1 million and ₱193.7 million in 2013, 2012 and 2011, respectively (see Note 23).

19. Equity

a. Capital Stock

The movements in the number of shares are as follows:

	2013	2012
Authorized - 1 par value	**₱1,450,000,000**	₱1,450,000,000
Issued and subscribed:		
Balance at beginning of the year	**1,063,859,559**	1,054,953,233
Issuances during the year	**4,749,116**	8,906,326
Balance at end of year	**1,068,608,675**	1,063,859,559
Subscription receivable	**(17,177,884)**	(17,177,884)
	₱1,051,430,791	₱1,046,681,675

The total number of shareholders of the Parent Company is 3,244 and 3,325 as at December 31, 2013 and 2012, respectively.

b. Treasury Shares

The cost of common stock of the Parent Company held in treasury of ₱180.5 million consists of 16,447,340 shares as at December 31, 2013 and 2012.

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

The amount of excess of cost over the carrying value of non-controlling interests acquired as at December 31, 2013 and 2012, recognized as part of "Equity Attributable to Equity Holders of the Parent Company" section in the consolidated statements of financial position, resulted from the following acquisitions of non-controlling interests:

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

d. Retained Earnings

The Jollibee Group has a cash dividend policy of declaring one-third of the Jollibee Group's net income for the year as cash dividends. It uses best estimate of its net income as basis for declaring cash dividends. Actual cash dividends per share declared as a percentage of the EPS are 75.5%, 61.5% and 33.8% in 2013, 2012 and 2011, 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 ₱7,895.7 million and ₱11,617.3 million as at December 31, 2013 and 2012, respectively.

The Parent Company's cash dividend declarations for 2013, 2012 and 2011 follow:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total Cash Dividends Declared
2013				
April 11	May 7	May 30	**₱0.65**	**₱680,017,923**
August 6	September 19	October 14	**2.00**	**2,099,932,206**
November 12	November 29	December 16	**0.71**	**745,597,226**
			₱3.36	**₱3,525,547,355**
2012				
April 12	May 9	May 31	₱0.58	₱602,206,230
November 12	December 3	December 19	1.00	1,044,303,255
November 12	December 3	December 19	0.62	647,468,018
			₱2.20	₱2,293,977,503
2011				
April 13	May 5	May 31	₱0.50	₱513,586,071
November 4	November 22	December 16	0.57	586,430,790
			₱1.07	₱1,100,016,861

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

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

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

Projects	Timeline	**2013**	2012
Acquisition of Businesses	2013 – 2018	**₱7,600,000,000**	₱5,000,000,000
Capital Expenditures	2013 – 2018	**2,600,000,000**	–
		₱10,200,000,000	₱5,000,000,000

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 in both years as well as the undistributed retained earnings of its subsidiaries which amounted to ₱629.2 million and ₱719.3 million as at December 31, 2013 and 2012, respectively.

20. Royalty, Franchise Fees and Others

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

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

This account consists of:

	2013	2012	2011
Royalty fees	**₱3,470,663,663**	₱3,103,707,056	₱2,832,972,317
Franchise fees	**104,671,216**	108,902,005	128,673,840
Rent income (Note 29)	**97,500,225**	93,552,079	88,362,582
Service fees	**86,040,358**	69,925,324	59,261,700
Other revenues	**210,404,152**	188,999,169	179,212,280
	₱3,969,279,614	₱3,565,085,633	₱3,288,482,719

21. Cost of Sales

This account consists of:

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Cost of inventories	**₱38,227,726,820**	₱33,898,232,334	₱29,809,091,674
Personnel costs:			
Salaries, wages and employee benefits	**8,416,655,196**	7,771,959,348	6,896,745,053
Pension expense (Note 25)	**102,196,339**	57,928,961	45,213,324
Rent (Note 29)	**5,962,800,559**	5,499,468,204	4,830,622,917
Electricity and other utilities	**3,443,712,321**	3,245,101,747	2,738,766,887
Depreciation and amortization (Notes 12 and 13)	**2,811,677,195**	2,477,433,446	2,188,138,252
Supplies	**1,809,763,316**	1,712,100,856	1,438,771,466
Contracted services and professional fees	**1,733,982,204**	1,237,433,220	1,034,756,176
Repairs and maintenance	**809,564,647**	666,242,481	605,944,943
Security and janitorial	**325,281,623**	294,667,278	295,104,115
Communication	**135,038,254**	119,488,497	109,814,775
Entertainment, amusement and recreation	**26,748,242**	31,015,693	27,245,491
Others	**1,479,616,348**	1,424,426,678	1,345,856,874
	₱65,284,763,064	₱58,435,498,743	₱51,366,071,947

22. General and Administrative Expenses

This account consists of:

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Personnel costs:			
Salaries, wages and employee benefits	**₱3,731,010,808**	₱3,104,737,878	₱2,828,734,808
Stock options expense (Note 26)	**150,418,741**	76,984,373	73,596,182
Pension expense (Note 25)	**104,094,430**	44,443,247	74,821,548
Taxes and licenses	**885,250,840**	793,134,792	722,967,654
Transportation and travel	**339,949,959**	299,910,571	289,157,362
Rent (Note 29)	**324,481,811**	396,384,343	301,131,941
Professional fees	**290,661,328**	268,376,135	292,142,725
Depreciation and amortization (Notes 12 and 13)	**260,778,625**	228,192,916	213,455,645
Entertainment, amusement and recreation	**105,201,772**	105,401,780	109,224,257
Donations	**92,513,001**	68,199,176	37,125,360
Repairs and maintenance	**88,207,428**	43,774,873	49,141,586
Communication	**80,101,891**	87,824,802	80,021,816
Contracted services	**73,413,676**	49,912,515	37,878,401
Training	**59,429,198**	71,311,451	40,349,256
Provision for impairment losses on:			
Receivables (Note 7)	**34,007,984**	97,559,491	33,643,066
Inventory (Note 8)	**9,367,464**	2,154,527	6,097,571
Contingencies	**1,102,608**	–	–

(Forward)

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Property, plant and equipment (Note 12)	**₱–**	₱29,500,000	₱–
Investment property (Note 13)	**–**	21,177,361	–
Security and other deposits (Note 15)	**–**	3,000,000	–
Supplies	**52,966,197**	59,372,615	60,553,898
Electricity and other utilities	**51,858,492**	58,686,416	57,143,954
Reversals of:			
Inventory (Note 8)	**–**	(13,316,722)	–
Property, plant and equipment (Note 12)	**(13,300,000)**	–	–
Security and janitorial	**18,596,895**	22,168,913	26,209,649
Insurance	**12,275,733**	10,284,642	15,357,507
Corporate events and others	**675,498,315**	979,626,852	590,563,624
	₱7,427,887,196	₱6,908,802,947	₱5,939,317,810

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

	2013	2012	2011
Interest income:			
Cash and cash equivalents (Note 6)	**₱145,624,891**	₱159,897,257	₱101,123,638
Accretion of interest on refundable deposits and employee car plan receivables (Note 15)	**18,909,301**	21,613,453	24,062,575
Loan and advances (Note 18)	**81,039,616**	88,603,447	54,577,023
	₱245,573,808	₱270,114,157	₱179,763,236
Interest expense:			
Long-term debt (Note 18)	**(₱133,771,329)**	(₱171,059,541)	(₱193,702,854)
Short-term debt (Note 18)	**–**	(14,799,129)	(78,916,052)
Accretion of interest on the liability from acquisition of businesses and customers' deposits (Notes 11 and 15)	**(19,148,699)**	(20,154,030)	(18,723,885)
	(₱152,920,028)	(₱206,012,700)	(₱291,342,791)

	2013	2012	2011
Other income (expense):			
Rebates and suppliers' incentives	**₱122,379,003**	₱76,099,289	₱103,475,060
Write-off of other liabilities	**97,044,819**	292,136,540	409,556,985
Foreign exchange gain (loss) - net	**46,628,738**	(25,371,670)	(63,571,440)
Charges to franchisees	**24,360,500**	43,898,382	34,672,903
Penalties and charges	**17,438,114**	16,063,313	16,135,487
Pre-termination of operating leases	**13,058,342**	43,765,252	11,335,719
Other rentals	**6,820,323**	6,977,700	9,881,900
Insurance claims and others	**9,595,192**	49,966,033	45,327,003
	₱337,325,031	₱503,534,839	₱566,813,617

24. Income Taxes

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

	2013	2012	2011
Final tax withheld on:			
Royalty and franchise fee income	**₱753,663,087**	₱691,731,651	₱566,346,862
Interest income	**40,615,554**	28,094,896	17,314,010
RCIT:			
With itemized deduction	**414,800,104**	401,169,566	447,091,709
With optional standard deduction	**175,871,530**	156,164,621	126,619,231
Dividend income	**1,477,233**	–	–
MCIT	**135,539,174**	–	30,192,053
	₱1,521,966,682	₱1,277,160,734	₱1,187,563,865

On December 18, 2008, the BIR issued Revenue Regulations No. 16-2008, which implemented the provisions of Republic Act 9504 (R.A. 9504) on Optional Standard Deduction (OSD). This regulation allowed both individuals and corporate taxpayers to use OSD in computing for taxable income. Corporations may elect a standard deduction equivalent to 40% of gross income, as provided by law, in lieu of the itemized allowed deductions.

For the years ended December 31, 2013 and 2012, Zenith, Grandworth and RRBHI, wholly-owned subsidiaries, elected to use OSD in computing for its taxable income. The total tax benefits from the availment of OSD amounted to ₱60.0 million, ₱47.8 million and ₱43.8 million in 2013, 2012 and 2011, respectively.

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

	December 31, 2013	December 31, 2012 (As restated - see Note 2)
Deferred tax assets:		
Operating lease payables	**₱227,428,655**	₱219,848,606
NOLCO:		
PRC-based entities	**233,568,177**	275,552,028
Philippine-based entities	**77,033,807**	43,966,714
Pension liability and other benefits	**121,663,646**	68,729,092
Accumulated impairment loss in value of property, plant and equipment, investment properties, and other nonfinancial assets	**41,093,608**	5,794,113
Unamortized past service costs	**27,770,876**	33,495,695
Excess of MCIT over RCIT	**20,616,788**	12,127,543
Allowance for impairment loss on receivables	**14,181,539**	30,999,167
Unaccreted discount on security deposits and employee car plan receivables	**9,073,014**	6,877,119
Unrealized foreign exchange loss	**2,599,563**	636,018
Allowance for inventory obsolescence	**–**	2,159,664
Others	**7,513,467**	6,831,799
	782,543,140	707,017,558

(Forward)

	December 31, 2013	December 31, 2012 (As restated - see Note 2)
Deferred tax liabilities:		
Unaccreted discount on product security deposit	**₱8,110,116**	₱–
Pension asset	**5,341,747**	9,182,244
Deferred rent expense	**3,742,190**	7,428,308
Operating lease receivables	**2,407,133**	2,068,542
Unrealized foreign exchange gain	**1,968,063**	16
Others	**4,777,031**	2,516,001
	26,346,280	21,195,111
Deferred tax assets - net	**₱756,196,860**	₱685,822,447

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

	December 31, 2013	December 31, 2012 (As restated - see Note 2)
Deferred tax assets:		
Operating lease payables	**₱184,292,117**	₱181,588,491
Pension liability and other benefits	**171,799,170**	109,190,021
Unrealized foreign exchange loss	**98,883,194**	31,449,913
Allowance for impairment loss on receivables	**22,688,381**	20,967,552
Accumulated impairment loss in value of property, plant and equipment, investment properties, and other nonfinancial assets	**17,165,614**	17,565,477
Unamortized past service costs	**13,948,206**	16,737,848
Unaccreted discount on security deposits and employee car plan receivables	**13,944,952**	16,716,317
Provisions for legal claims	**9,150,192**	9,150,192
Excess of MCIT over RCIT	**2,204,170**	–
Others	**2,310**	152,231
	534,078,306	403,518,042
Deferred tax liabilities:		
Excess of fair value over book value of identifiable assets of acquired businesses	**705,641,848**	718,144,665
Unrealized foreign exchange gain	**111,144,838**	20,969,516
Prepaid rent	**23,436,251**	22,416,209
Deferred rent expense	**9,531,966**	10,457,718
Operating lease receivables	**22,926**	1,081,056
Others	**2,457,595**	5,193,704
	852,235,424	778,262,868
Deferred tax liabilities - net	**₱318,157,118**	₱374,744,826

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

	December 31, 2013	December 31, 2012 (As restated - see Note 2)
Balance at beginning of year	**₱311,077,621**	₱107,962,930
Provisions	**(741,389)**	127,456,683
Application of excess of MCIT over RCIT	**(1,874,880)**	(62,011,755)
Income tax effect of other remeasurements of net defined benefit plan	**103,199,623**	147,573,758
Translation adjustments	**26,378,767**	(9,903,995)
	₱438,039,742	₱311,077,621

OSD

The availment of the OSD method also affected the recognition of several deferred tax assets and liabilities. Deferred tax assets and liabilities, for which the related income and expense are not considered in determining gross income for income tax purposes, are not recognized. This is because the manner by which the Jollibee Group expects to recover or settle the underlying assets and liabilities, for which the deferred tax assets and liabilities were initially recognized, would not result to any future tax consequence under the OSD method. Meanwhile, deferred tax assets and liabilities, for which the related income and expense are considered in determining gross income for income tax purposes, are recognized only to the extent of their future tax consequence under OSD method. Hence, the tax base of these deferred tax assets and liabilities is reduced by the 40% allowable deduction provided for under the OSD method.

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

	December 31, 2013	December 31, 2012 (As restated - see Note 2)
Deferred tax assets:		
Allowance for impairment losses on:		
Investment properties	**₱10,334,189**	₱10,334,189
Receivables	**3,963,705**	3,963,705
Inventory	**25,858**	–
Other noncurrent assets	**3,676,834**	1,641,000
Operating lease payables	**14,185,024**	15,634,527
Pension liability	**8,001,665**	5,447,126
Unamortized past service costs	**627,013**	749,019
Unaccreted discount on financial instruments	**350,016**	426,256
Unrealized foreign exchange loss	**–**	4,735
Others	**118,378**	152,376
	41,282,682	38,352,933
Deferred tax liabilities:		
Operating lease receivables	**8,300,360**	9,403,417
Deferred rent expense	**201,113**	339,514
Others	**247,985**	339,000
	8,749,458	10,081,931
	₱32,533,224	₱28,271,002

As at December 31, 2013, 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 follow:

Year Incurred/Paid	Carry Forward Benefit up to	NOLCO	Excess of MCIT over RCIT
2013	December 31, 2016	₱121,422,688	₱16,383,798
2012	December 31, 2015	135,356,669	6,437,160
		₱256,779,357	₱22,820,958

The PRC enterprise income tax law provides that income tax rates are unified at 25%. As of December 31, 2013, NOLCO of the PRC-based entities that can be claimed as deductions from taxable income are as follows:

Year Incurred	Carry Forward Benefit Up to	Tax Losses	Deferred Tax at 25%
2013	December 31, 2018	₱198,770,320	₱49,692,580
2012	December 31, 2017	461,236,090	115,309,023
2011	December 31, 2016	191,018,116	47,754,529
2010	December 31, 2015	79,438,672	19,859,668
2009	December 31, 2014	3,809,509	952,377
		₱934,272,707	₱233,568,177

The following are the movements in deferred tax assets on NOLCO of the PRC-based entities:

	2013	2012	2011
Balance at beginning of year	**₱275,552,028**	₱178,380,252	₱174,770,129
Additions	**49,692,580**	156,655,557	73,275,766
Write-off	**(85,576,892)**	(13,893,801)	(73,363,383)
Utilized during the year	**(20,017,365)**	–	
Translation adjustments	**13,917,826**	(7,858,032)	4,859,496
Increase in effective tax rate	**–**	–	1,250,624
Expired	**–**	(37,731,948)	(2,412,380)
Balance at end of year	**₱233,568,177**	₱275,552,028	₱178,380,252

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:

	2013	2012 (As restated)	2011 (As restated)
Provision for income tax at statutory income tax rates	**₱1,873,654,379**	₱1,458,509,911	₱1,318,487,154
Income tax effects of:			
Effect of different tax rate for royalty and franchise fees and interest income	**(395,069,768)**	(359,171,819)	(292,576,022)
Expired/written off NOLCO and excess of MCIT over RCIT	**6,384,855**	51,625,749	83,661,073
Difference between OSD and itemized deductions	**(54,787,415)**	(47,781,922)	(43,785,314)
Nondeductible expenses	**52,598,260**	27,788,407	38,688,395
Unrecorded tax losses of BK Group	**4,861,207**	11,323,577	18,125,689
Net movement in unrecognized DTA	**2,540,695**	(4,138,108)	–
Others	**32,525,858**	11,548,256	(12,424,003)
	₱1,522,708,071	₱1,149,704,051	₱1,110,176,972

25. Pension Liability

Defined Benefit Plan

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

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

Under the existing regulatory framework, R.A. 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 employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

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

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

Changes in pension liability of the Jollibee Group in 2012 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At January 1, 2012, as restated	₱1,302,672,393	₱1,293,293,375	₱9,379,018
Pension expense (Notes 21 and 22):			
Current service cost	99,266,478	–	99,266,478
Net interest	108,018,074	104,912,344	3,105,730
	207,284,552	104,912,344	102,372,208
Less benefits paid	178,078,217	133,300,505	44,777,712
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	46,578,825	(46,578,825)
Actuarial changes arising from changes in financial assumptions	180,380,738	–	180,380,738
Actuarial changes due to experience adjustment	367,157,986	–	367,157,986
	547,538,724	46,578,825	500,959,899
Contributions	–	46,354,811	(46,354,811)
At December 31, 2012, as restated	₱1,879,417,452	₱1,357,838,850	₱521,578,602

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

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period which the obligation is to be settled.

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

	December 31, 2013	December 31, 2012
Cash and cash equivalents	**₱152,755,806**	₱58,002,779
Investments in government debt securities	**973,525,894**	993,931,235
Investment in quoted equity securities		
Holding firms	**95,381,636**	76,370,495
Property	**63,636,911**	43,015,008
Food, beverage & tobacco	**58,864,127**	102,421,815
Telecommunications	**48,697,750**	2,418,680
Banks	**30,966,661**	45,773,280
Electricity, energy, power & water	**12,337,971**	46,175,322
Others	**31,985,361**	16,393,271
Interest and dividends receivable	**30,984,022**	17,455,532
Fund liabilities	**(26,056,807)**	(44,121,567)
	₱1,473,079,332	₱1,357,835,850

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

- Investments in equity securities consist of listed equity securities including investment in equity securities of the Parent Company for certain retirement plans of the Jollibee Group (see Note 27).
- Investments in government securities which consist of retail treasury bonds that bear interest ranging from 5.50%-7.38% and have maturities from August 2020 to October 2037 and fixed-rate treasury notes that bear interest ranging from 4.42%-9.91% and have maturities from February 2015 to August 2037.
- Investments in debt securities consist of long-term corporate bonds in the power sector, which bear interest ranging from 6.30%-7.75% maturing on April 2017.
- Other financial assets held by the retirement plan are primarily accrued interest income on cash and cash equivalents, debt instruments and other securities.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate	**5.00% - 6.00%**	5.70% - 6.30%	6.50% - 7.20%
Salary increase rate	**6.50% - 7.11%**	7.00% - 7.50%	5.00% - 7.50%

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

	December 31, 2013	
	Increase (Decrease)	Philippine Plan
Discount rates	+0.50 basis points	(₱757,777,465)
	-0.50 basis points	1,029,419,507
Future salary increases	+0.50%	₱1,015,034,231
	-0.50%	(778,272,017)

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2013:

	December 31, 2013
Less than 1 year	₱223,365,460
More than 1 year to 5 years	921,649,113
More than 5 years to 10 years	930,779,042

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

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

The Jollibee Group expects to contribute ₱237.1 million to the defined benefit pension plans in 2014.

The average duration of the defined benefit obligation is 10 years as at December 31, 2013 and 2012, respectively.

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

The contributions made to the scheme and recognized as part of other employee benefits amounted to ₱156.8 million ₱280.2 million, and ₱121.2 million in 2013, 2012 and 2011, respectively.

26. **Stock Option Plans**

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

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

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

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

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

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

On July 1, 2004, the Compensation Committee of the Jollibee Group granted 2,385,000 options under the 1st MSOP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted from the start of the grant date on each anniversary date which will start after a year from the MSOP grant date. One-third of the options granted, or 795,000 options, vested and may be exercised starting July 1, 2005 and expired on June 30, 2012. On July 1, 2005 to 2013,the Compensation Committee granted series of MSOP grants under the 2nd to 10th MSOP cycle to eligible participants. The options vest similar to the 1st MSOP cycle.

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

	2013		2012		2011	
	Number of Options	**WAEP**	Number of Options	WAEP	Number of Options	WAEP
Total options granted as at end of year	**33,404,194**	**₱62.69**	29,808,694	₱53.07	26,790,664	₱46.89
Outstanding at beginning of year	**16,788,056**	**₱63.90**	17,505,395	₱52.39	15,904,997	₱43.46
Options granted during the year	**3,595,500**	**142.51**	3,018,030	107.90	3,516,970	89.90
Options exercised during the year	**(3,373,561)**	**46.34**	(3,375,915)	41.80	(1,507,813)	43.07
Options forfeited during the year	**(94,058)**	**74.45**	(359,454)	80.52	(408,759)	62.03
Outstanding at end of year	**16,915,937**	**₱83.77**	16,788,056	₱63.90	17,505,395	₱52.39
Exercisable at end of year	**10,216,427**	**₱57.83**	10,367,798	₱45.83	10,424,829	₱40.10

The average share price is ₱143.27, ₱103.41 and ₱85.48 in 2013, 2012 and 2011, respectively. The weighted average remaining contractual life for the stock options outstanding as of December 31, 2013, 2012 and 2011 is 4.83 years, 4.66 years and 4.88 years, respectively.

The weighted average fair value of stock options granted in 2013, 2012 and 2011 is ₱30.55, ₱23.43 and ₱23.67, respectively. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The inputs to the model used for the options granted on the dates of grant for each MSOP cycle are shown below:

MSOP Cycle	Yearof 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

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

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

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

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

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

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

The movements in the number of stock options outstanding for the 2nd and 3rd ELTIP cycles and related WAEP for the years ended December 31, 2013, 2012 and 2011 follow:

	2013		2012		2011	
	Number of Options	**WAEP**	Number of Options	WAEP	Number of Options	WAEP
Total options given as of end of year	**67,499,999**	**₱56.66**	66,749,999	₱56.12	43,149,999	₱29.38
Outstanding at beginning of year	**37,811,665**	**₱80.51**	27,674,569	₱32.52	30,661,735	₱32.72
Options granted during the year	**750,000**	**105.00**	23,600,000	105.00	750,000	39.85
Options exercised during the year	**(1,375,555)**	**39.85**	(12,962,905)	24.19	(787,166)	20.00
Options forfeited during the year	**–**	**–**	(499,999)	39.85	(2,950,000)	39.85
Outstanding at end of year	**37,186,110**	**₱82.51**	37,811,665	₱80.51	27,674,569	₱32.52
Exercisable at end of year	**12,836,110**	**₱39.85**	7,411,665	₱39.85	10,224,570	₱20.00

The weighted average remaining contractual life for the stock options outstanding as of 2013, 2012 and 2011 is 5.30 years, 5.68 years and 3.02 years, respectively.

The fair value of stock options granted is ₱22.96 in 2013 and 2012. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The stock options granted under the 2nd and 3rd ELTIP cycles will expire on April 30, 2017 and 2020, respectively. The inputs to the model used for the options granted on the dates of grant for each ELTIP cycle is shown below:

ELTIP Cycle	Year of Grant	Dividend Yield	Expected Volatility	Risk-free Interest Rate	Expected Life of the Option	Stock Price on Grant Date	Exercise Price
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

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

The cost of the stock options expense charged to operations under "General and administrative expenses" account amounted to ₱150.4 million, ₱77.0 million and ₱73.6 million in 2013, 2012 and 2011, respectively (see Note 22).

27. Related Party Transactions

The Jollibee Group has transactions within and among the consolidated entities and related parties. A related party is an entity that has the ability to control or exercise significant influence, directly or indirectly, over the other party in making financial and operating decisions. Transactions between members of the Jollibee Group and the related balances are eliminated at consolidation and are no longer included in the disclosures.

Compensation of Key Management Personnel of the Jollibee Group

The aggregate compensation and benefits to key management personnel of the Jollibee Group in 2013, 2012 and 2011 are as follows:

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Salaries and short-term benefits	**₱584,663,115**	₱442,497,940	₱391,620,377
Stock options expense (Note 26)	**150,418,741**	76,984,373	73,596,182
Net pension expense	**46,292,773**	41,900,346	28,897,958
Employee car plan and other long-term benefits	**34,443,875**	28,405,255	25,322,690
	₱815,818,504	₱589,787,914	₱519,437,207

Transactions with the Retirement Plans

As at and for the years ended December 31, 2013 and 2012, certain retirement funds of the Jollibee Group include investment in equity securities of the Parent Company with details as follows:

	2013	2012
Number of shares	**179,110**	782,130
Cost	**₱6,503,796**	₱25,598,922
Market value	**31,003,941**	79,777,260
Unrealized gain	**₱24,500,145**	₱54,178,338

28. Earnings Per Share

Basic and diluted EPS are computed as follows:

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
(a) Net income attributable to the equity holders of the Parent Company	**₱4,671,559,394**	₱3,727,084,297	₱3,262,644,224
(b) Weighted average number of shares - basic	**1,049,704,316**	1,041,923,753	1,029,743,055
Weighted average number of shares outstanding under the stock option plan	**54,309,458**	33,470,157	21,979,743
Weighted average number of shares that would have been purchased at fair market value	**(32,513,336)**	(14,521,214)	(7,827,084)
(c) Adjusted weighted average shares - diluted	**1,071,500,438**	1,060,872,696	1,043,895,714
EPS:			
Basic (a/b)	**₱4.450**	₱3.577	₱3.168
Diluted (a/c)	**4.360**	3.513	3.125

There were no anti-dilutive options outstanding as at December 31, 2013 and 2012.

29. Commitments and Contingencies

a. Operating lease commitments - Jollibee Group as lessee

The Jollibee Group has various operating lease commitments for quick service restaurant outlets and offices. The noncancellable periods of the leases range from 3 to 20 years, mostly containing renewal options. Some of the leases contain escalation clauses. The lease contracts on certain sales outlets provide for the payment of additional rentals based on certain percentages of sales of the outlets. Rent payments in accordance with the terms of the lease agreements amounted to ₱6,294.7 million, ₱5,779.0 million and ₱4,955.5 million in 2013, 2012 and 2011, respectively.

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

	2013	2012	2011
Within one year	**₱2,500,831,215**	₱2,391,671,677	₱2,407,191,659
After one year but not more than five years	**8,090,153,478**	7,953,687,706	8,699,820,241
More than five years	**3,911,301,278**	5,965,097,801	5,546,484,166
	₱14,502,285,971	₱16,310,457,184	₱16,653,496,066

Rent expense recognized on a straight-line basis amounted to ₱6,287.3 million, ₱5,895.9 million and ₱5,131.8 million in 2013, 2012 and 2011, respectively (see Notes 21 and 22). The difference of rent expense recognized under the straight-line method and the rent amounts due in accordance with the terms of the lease agreements amounting to ₱7.4 million and ₱116.9 million in 2013 and 2012, respectively, are charged to "Operating lease payables" account in the consolidated statements of financial position.

b. Operating lease commitments - Jollibee Group as lessor

The Jollibee Group entered into commercial property leases for its investment property units and various sublease agreements. Noncancellable periods of the lease range from 3 to 20 years, mostly containing renewal options. All leases include a clause to enable upward revision of the rent charges on an annual basis based on prevailing market conditions. Rent income in accordance with the terms of the lease agreements amounted to ₱98.7 million, ₱97.8 million and ₱94.6 million in 2013, 2012 and 2011, respectively.

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

	2013	2012	2011
Within one year	**₱2,184,390**	₱25,350,190	₱25,856,500
After one year but not more than five years	**5,223,839**	41,607,749	66,466,637
More than five years	**–**	2,314,149	–
	₱7,408,229	₱69,272,088	₱92,323,137

Rent income recognized on a straight-line basis amounted to ₱97.5 million, ₱93.6 million and ₱88.4 million in 2013, 2012 and 2011, respectively (see Note 20). The difference of rent income recognized under the straight-line method and therent amounts in accordance with the terms of the lease agreements amounting to ₱1.2 million and ₱4.2 million in 2013 and 2012, respectively, are included under "Operating lease receivables" account in the consolidated statements of financial position.

c. Contingencies

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

30. Financial Risk Management Objectives and Policies

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

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

Equity Price Risk
The Jollibee Group is not exposed to significant equity price risk on its investment in quoted equity securities consisting of investment in club shares and shares of public utility companies.

Interest Rate Risk

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

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

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

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

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

	Increase/ Decrease in Basis Points	**Effect in Profit or Loss Before Income Tax**	**Effect in Equity Before Income Tax**
2013			
USD	**+100**	**(101,186)**	**(110,395)**
	-100	**109,430**	**115,129**
PHP	**+100**	**(4,522,944)**	**(4,900,986)**
	-100	**4,877,210**	**5,111,152**

	Increase/ Decrease in Basis Points	Effect in Profit or Loss Before Income Tax	Effect in Equity Before Income Tax
2012			
USD	+100	(9,209)	(9,209)
	-100	5,699	5,699
PHP	+100	(378,029)	(378,029)
	-100	233,944	233,944

Foreign Currency Risk

The Jollibee Group's exposure to foreign currency risk arises from the Parent Company's investments outside the Philippines, which are mainly in PRC and USA. While the foreign businesses have been rapidly growing, the net assets of foreign businesses account for only 10.84% and 15.57% of the consolidated net assets of the Jollibee Group as at December 31, 2013 and 2012, respectively. Therefore, the total exposure to foreign exchange risk of the Jollibee Group is still not significant.

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

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

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

	2013			2012		
	USD	**RMB**	**PHP Equivalent**	USD	RMB	PHP Equivalent
Assets						
Cash and cash equivalents	**1,095,583**	**8,074**	**48,697,439**	2,193,789	8,072	90,108,394
Receivables	**388,260**	**–**	**17,236,812**	228,184	–	9,366,953
Long-term debt	**(3,400,000)**	**–**	**(150,943,000)**	(3,400,000)	–	(139,570,000)
Net exposure	**(1,916,157)**	**8,074**	**(85,008,749)**	(978,027)	8,072	(40,094,653)

Foreign Currency Risk Sensitivity Analysis

The Jollibee Group has recognized in its profit or loss, foreign currency exchange gain (loss) included under "Other income" account which amounted to ₱46.6 million, (₱25.4 million) and (₱63.6 million) on its net foreign currency-denominated assets in 2013, 2012 and 2011, respectively (see Note 23). This resulted from the movements of the Philippine peso against the USD and RMB as shown in the following table:

	Peso to	
	USD	RMB
December 31, 2013	**44.40**	**7.31**
December 31, 2012	41.05	6.61

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

	2013		2012	
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
	(In Thousands)			
USD				
1.50	**(2,874)**	**(2,874)**	(1,467)	(1,467)
(1.50)	**2,874**	**2,874**	1,467	1,467
1.00	**(1,916)**	**(1,916)**	(978)	(978)
(1.00)	**1,916**	**1,916**	978	978
RMB				
0.95	**7.7**	**7.7**	(7.7)	(7.7)
(0.95)	**(7.7)**	**(7.7)**	7.7	7.7
0.63	**5.1**	**5.1**	(5.1)	(5.1)
(0.63)	**(5.1)**	**(5.1)**	5.1	5.1

Credit Risk

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

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

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

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

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

	2012						
		Neither Past Due nor	Past Due but not Impaired (Age in Days)				
	Total	Impaired	1-30	31-60	61-120	Over 120	Impaired
				(In Millions)			
Cash and cash equivalents*	₱8,654.5	₱8,654.5	₱–	₱–	₱–	₱–	₱–
Receivables:							
Trade	2,714.8	1,688.1	286.9	64.0	74.8	340.9	260.1
Employee car plan receivables**	143.3	143.3	–	–	–	–	–
Advances to employees	95.5	95.5	–	–	–	–	–
Other receivables***	142.2	142.2	–	–	–	–	–
Other noncurrent assets:							
Security and other deposits	1,161.1	1,158.1	–	–	–	–	3.0
Operating lease receivable	22.6	22.6					
	₱12,934	₱11,904.3	₱286.9	₱64.0	₱74.8	₱340.9	₱263.1

* *Excluding cash on hand amounting to ₱220.0 million and ₱194.1 million in 2013 and 2012, respectively.*
** *Including noncurrent portion of employee car plan receivables.*
*** *Excluding receivables from government agencies amounting to ₱6.6 million and ₱7.7 million in 2013 and 2012, respectively.*

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

	2013		
	Gross Maximum Exposure (a)	**Fair Value and Financial Effect of Collateral or Credit Enhancement (b)**	**Net Exposure* (c) = (a) - (b)**
		(In Millions)	
Financial Assets			
Loans and Receivables			
Cash and cash equivalents*	**₱9,683.9**	**₱129.1**	**₱9,554.8****
Receivables:			
Trade	**3,128.4**	**96.8**	**3,031.6*****
Employee car plan receivables	**139.4**	**–**	**139.4**
Advances to employees	**112.2**	**–**	**112.2**
Other receivables****	**76.8**	**–**	**76.8**
Other noncurrent assets:			
Security and other deposits	**1,360.2**	**–**	**1,360.2**
Operating lease receivable	**21.3**	**–**	**21.3**
	₱14,522.2	**₱225.9**	**₱14,296.3**

	2012		
	Gross Maximum Exposure (a)	Fair Value and Financial Effect of Collateral or Credit Enhancement (b)	Net Exposure* (c) = (a) - (b)
Financial Assets		*(In Millions)*	
Loans and receivables:			
Cash and cash equivalents*	₱8,654.5	₱122.1	₱8,532.4**
Receivables***:			
Trade	2,714.8	212.8	2,502.0***
Employee car plan receivables	143.3	–	143.3
Advances to employees	95.5	–	95.5
Other receivables****	142.2	–	142.2
Other noncurrent assets:			
Security and other deposits	1,161.1	–	1,161.1
Operating lease receivable	22.6	–	22.6
	₱12,934.0	₱334.9	₱12,599.1

* *Excluding cash on hand amounting to ₱220.0 million and ₱194.1 million in 2013 and 2012, respectively.*
** *Gross financial assets after taking into account insurance bank deposits for cash and cash equivalents.*
*** *Gross financial assets after taking into account payables to the same counterparty.*
**** *Excluding receivables from government agencies amounting to ₱6.6 million and ₱7.7 million in 2013 and 2012, respectively.*

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

Credit Quality. The tables below show the credit quality by class of financial assets that are neither past due nor impaired, based on the Jollibee Group's credit rating system as at December 31, 2013 and 2012.

	2013				
		Neither Past Due nor Impaired			Past Due or
	Total	**A**	**B**	**C**	**Impaired**
			(In Millions)		
Loans and Receivables					
Cash and cash equivalents*	**₱9,683.9**	**₱9,683.9**	**₱–**	**₱–**	**₱–**
Receivables:					
Trade	**3,128.4**	**1,171.2**	**539.5**	**71.6**	**1,346.1**
Employee car plan receivables**	**139.4**	**139.4**	**–**	**–**	**–**
Advances to employees	**112.2**	**112.2**	**–**	**–**	**–**
Other receivables***	**76.8**	**76.8**	**–**	**–**	**–**
Other noncurrent assets					
Security and other deposits	**1,360.2**	**1,360.2**	**–**	**–**	**–**
Operating lease receivable	**21.3**	**21.3**	**–**	**–**	**–**
	₱14,522.2	**₱12,565.0**	**₱539.5**	**₱71.6**	**₱1,346.1**

	2012				
		Neither Past Due nor Impaired			Past Due or
	Total	A	B	C	Impaired
			(In Millions)		
Loans and Receivables					
Cash and cash equivalents*	₱8,654.5	₱8,654.5	₱–	₱–	₱–
Receivables:					
Trade	2,714.8	1,280.9	367.7	39.5	1,026.7
Employee car plan receivables**	143.3	143.3	–	–	–
Advances to employees	95.5	95.5	–	–	–
Other receivables***	142.2	142.2	–	–	–
Other noncurrent assets:			–	–	–
Security and other deposits	1,161.1	1,158.1	–	–	3.0
Operating lease receivable	22.6	22.6			
	₱12,934.0	₱11,497.1	₱367.7	₱39.5	₱1,029.7

* *Excluding cash on hand amounting to ₱220.0 million and ₱194.1 million in 2013 and 2012, respectively.*
** *Including noncurrent portion of employee car plan receivables.*
*** *Excluding receivables from government agencies amounting to ₱6.6 million and ₱7.7 million in 2013 and 2012, respectively.*

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

A- For counterparty that is not expected by the Jollibee Group to default in settling its obligations, thus, credit risk exposure is minimal. This counterparty normally includes financial institutions, related parties and customers who pay on or before due date.

B- For counterparty with tolerable delays (normally from 1 to 30 days) in settling its obligations to the Jollibee Group. The delays may be due to cut-off differences and/or clarifications on contracts/billings.

C- For counterparty who consistently defaults in settling its obligation, but with continuing business transactions with the Jollibee Group, and may be or actually referred to legal and/or subjected to cash before delivery (CBD) scheme. Under this scheme, the customer's credit line is suspended and all subsequent orders are paid in cash before delivery. The CBD status will only be lifted upon full settlement of the receivables and approval of management. Thereafter, the regular credit term and normal billing and collection processes will resume.

Liquidity Risk

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

On a weekly basis, the Jollibee Group's Cash and Banking Team monitors its collections, expenditures and any excess/deficiency in the working capital requirements, by preparing cash position reports that present actual and projected cash flows for the subsequent week. Cash outflows resulting from major expenditures are planned so that money market placements are available in time with the planned major expenditure. In addition, the Jollibee Group has short-term cash deposits and has available credit lines with accredited banking institutions, in case there is a sudden deficiency. The Jollibee Group maintains a level of cash and cash equivalents deemed sufficient to finance the operations. No changes were made in the objectives, policies or processes of the Jollibee Group during the years ended December 31, 2013 and 2012.

The Jollibee Group's financial assets, which have maturity of less than 12 months and are used to meet its short-term liquidity needs, are cash and cash equivalents and trade receivables amounting to ₱9,683.9 million and ₱3,076.3 million, respectively, as at December 31, 2013 and ₱8,654.5 million and ₱2,742.6 million, respectively, as at December 31, 2012.

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

	2013				
	Due and Demandable	**Less than 1 Year**	**1 to 5Years**	**Over 5 Years**	**Total**
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	**₱4,533,525,399**	**₱5,370,351,669**	**₱–**	**₱–**	**₱9,903,877,068**
Receivables:					
Trade	**1,071,558,963**	**1,782,338,205**	**–**	**–**	**2,853,897,168**
Employee car plan receivables*	**–**	**139,377,532**	**–**	**–**	**139,377,532**
Advances to employees	**–**	**112,214,103**	**–**	**–**	**112,214,103**
Other receivables**	**–**	**76,835,563**	**–**	**–**	**76,835,563**
Other noncurrent assets:					
Security and other deposits	**–**	**–**	**1,230,748,216**	**129,482,626**	**1,360,230,842**
Operating lease receivable	**–**	**2,260,812**	**5,223,837**	**13,782,602**	**21,267,251**
Total	**5,605,084,362**	**7,483,377,884**	**1,235,972,053**	**143,265,228**	**14,467,699,527**
Financial Liabilities					
Trade payables and other current liabilities***	**–**	**11,035,616,216**	**–**	**–**	**11,035,616,216**
Long-term debt (including current portion)	**–**	**1,106,275,244**	**2,594,907,750**	**1,468,062,750**	**5,169,245,744**
Liability for acquisition of businesses (including current portion)	**–**	**107,666,875**	**129,007,932**	**–**	**236,674,807**
Operating lease payable	**–**	**144,730,977**	**494,650,869**	**929,689,615**	**1,569,071,461**
	–	**12,394,289,312**	**3,218,566,551**	**2,397,752,365**	**18,010,608,228**
Net Financial Assets (Liabilities)	**₱5,605,084,362**	**(₱4,910,911,428)**	**(₱1,982,594,498)**	**(₱2,254,487,137)**	**(₱3,542,908,701)**

	2012				
	Due and Demandable	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱3,483,663,099	₱5,364,928,485	₱–	₱–	₱8,848,591,584
Receivables:					
Trade	506,367,595	1,948,258,908	–	–	2,454,626,503
Employee car plan receivables*	–	143,329,998	–	–	143,329,998
Advances to employees	95,502,388	–	–	–	95,502,388
Other receivables**	130,494,012	11,669,873	–	–	142,163,885
Other noncurrent assets:					
Security and other deposits	–	–	1,161,089,780	–	1,161,089,780
Operating lease receivable	–	1,453,888	7,276,424	13,829,777	22,560,089
	₱4,216,027,094	₱7,469,641,152	₱1,168,366,204	₱13,829,777	₱12,867,864,227
Financial Liabilities					
Trade payables and other current liabilities***	₱–	₱8,838,544,518	₱–	₱–	₱8,838,544,518
Long-term debt (including current portion)	–	4,572,839,927	854,616,489	–	5,427,456,416
Liability for acquisition of businesses (including current portion)	–	216,368,476	151,203,664	–	367,572,140
Operating lease payable	–	113,122,706	514,089,887	832,955,406	1,460,167,999
	–	13,740,875,627	1,519,910,040	832,955,406	16,093,741,073
Net Financial Assets (Liabilities)	₱4,216,027,094	(₱6,271,234,475)	(₱351,543,836)	(₱819,125,629)	(₱3,225,876,846)

* *Including noncurrent portion of employee car plan receivables*
** *Excluding receivables from government agencies amounting to ₱6.6 million and ₱7.7 million in 2013 and 2012, respectively.*
*** *Excluding other "Accrued salaries, wages and employee benefits", "Output VAT ad other local taxes" and "Unearned revenue from gift certificates".*

Capital Management

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

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

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

As at December 31, 2013 and 2012, the Jollibee Group's debt ratio and net debt ratio are as follows:

Debt Ratio

	2013	2012
Total debt (a)	**₱22,665,694,036**	₱20,036,827,682
Total equity attributable to equity holders of the Parent Company	**22,548,878,780**	20,998,202,046
Total debt and equity attributable to equity holders of the Parent Company (b)	**₱45,214,572,816**	₱41,035,029,728
Debt ratio (a/b)	**50%**	49%

Net Debt Ratio

	2013	2012
Total debt	**₱22,665,694,036**	₱20,036,827,682
Less cash and cash equivalents	**9,903,877,068**	8,848,591,584
Net debt (a)	**12,761,816,968**	11,188,236,098
Total equity attributable to equity holders of the Parent Company	**22,548,878,780**	20,998,202,046
Total net debt and equity attributable to equity holders of the Parent Company (b)	**₱35,310,695,748**	₱32,186,438,144
Net debt ratio (a/b)	**36%**	35%

31. Fair Value of Financial Assets and Liabilities

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Financial Instruments whose Carrying Amounts Approximate Fair Value. Management has determined that the carrying amounts of the following financial assets and financial liabilities based on their notional amounts reasonably approximate their fair values because of their short-term maturities.

	2013	2012
Financial Assets		
Cash and cash equivalents	**₱9,903,877,068**	₱8,848,591,584
Receivables:		
Trade	**2,853,897,168**	2,454,625,503
Current portion of employee car plan receivable	**33,366,298**	50,300,588
Advances to employees	**112,214,103**	95,502,388
Other receivables*	**76,835,513**	142,163,885
Operating lease receivable	**21,267,251**	22,560,089
	13,001,457,401	11,613,744,037
Other Financial Liabilities		
Trade payables and other current liabilities**	**11,035,616,216**	8,838,544,518
Operating lease payable	**1,569,071,461**	1,460,167,999
	₱12,604,687,677	₱10,298,712,517

* *Excluding receivables from government agencies amounting to ₱6.6 million and ₱7.7 million in 2013 and 2012, respectively.*
** *Excluding "Accrued salaries, wages and employee benefits", "Output VAT and other local taxes" and "Unearned revenue from gift certificates.*

Cash and Cash Equivalents, Receivables, and Trade Payables and Other Current Liabilities

The management assessed that cash and cash equivalents, receivables, employee car plan receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial Instruments Carried at Amounts Other than Fair Value.

	2013	2012
Financial Assets		
Security deposits and other noncurrent assets:		
Security deposits	**₱1,414,161,439**	₱1,206,391,545
Noncurrent portion of employee car plan receivables	**116,155,190**	98,986,724
AFS Financial Assets		
Investments in club shares and shares of public utility companies	**21,479,461**	128,149,438
	₱1,551,796,090	₱1,433,527,707

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.

AFS Financial Assets
The fair value of investments that are traded in organized financial markets are determined by reference to quoted market bid prices at the close of business at reporting date.

The Jollibee Group does not have the intention to dispose these financial assets in the near term.

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

	2013	2012
Security and other deposits	**0.23%–8.65%**	2.01%–5.50%
Employee car plan receivables	**0.36%–8.84%**	1.95%–4.11%

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

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

			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)**
Assets measured at fair value:					
Available-for-sale financial assets					
Quoted equity shares - club shares	**December 31, 2013**	**₱21,479,461**	**₱21,479,461**	**₱–**	**₱–**
Assets for which fair values are disclosed:					
Investment properties:					
Land	**December 31, 2013**	**714,455,447**	**–**	**–**	**714,455,447**
Building	**December 31, 2013**	**336,029,815**	**–**	**–**	**336,029,815**
Other noncurrent assets:					
Security and other deposits	**December 31, 2013**	**1,414,161,439**	**–**	**–**	**1,414,161,439**
Employee car plan receivables	**December 31, 2013**	**116,155,190**	**–**	**–**	**116,155,190**

Quantitative fair value measurement hierarchy for assets as at December 31, 2012:

			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)
Assets measured at fair value:					
Available-for-sale financial assets					
Quoted equity shares - club shares	December 31, 2012	₱128,149,438	₱128,149,438	₱–	₱–
Assets for which fair values are disclosed:					
Investment properties:					
Land	December 31, 2012	714,455,447	–	–	714,455,447
Building	December 31, 2012	323,085,398	–	–	323,085,398
Other noncurrent assets:					
Security and other deposits					
Employee car plan receivables	December 31, 2012	1,206,391,545	–	–	1,206,391,545
Employee car plan receivables	December 31, 2012	98,986,724	–	–	98,986,724

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

			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	**December 31, 2013**	**₱4,532,600**	**₱–**	**₱4,532,600**	**₱–**
Contingent consideration	**December 31, 2013**	**121,743,395**	**–**	**–**	**121,743,395**

Quantitative disclosure fair value measurement hierarchy for liabilities as at December 31, 2012:

			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	December 31, 2012	₱22,782,820	₱–	₱22,782,820	₱–
Contingent consideration	December 31, 2013	121,743,395	–	–	121,743,395

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

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

32. Events after the Reporting Period

Capital Infusions to Subsidiaries
On January 7, 2014, the BOD approved the Parent Company's additional investments in JWPL in the total amount of USD52.5 million and to Honeybee in the total amount of USD0.8 million. The Parent Company subscribes to approximately to 66,468,928 shares of JWPL.

Signing of Joint Venture Agreement
On February 25, 2014, the Jollibee 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 Jollibee Group shall own 49% of the joint venture entity while GCFL will own 51%. GPPL and GCFL will share control and management of the joint venture entity equally. The initial funding for the formation of the joint venture entity is approximately USD0.08 million.

Dividend Declaration
On April, 7, 2014, the BOD approved a regular cash dividend of ₱0.75 a share of common stock to all stockholders of record as of May 8, 2014. Consequently, the cash dividend is expected to be paid out by May 30, 2014. The cash dividend is 15.4% higher than the ₱0.65 regular dividend a share declared in April 2013.

Loan from Bank of Philippine Islands (BPI)
On April 7, 2014, the BOD authorized the Company to apply for and secure from BPI loans or other financial accommodations or credit facilities in the aggregate principal amount of ₱800.0 million.

33. Non-cash Transactions

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

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

The Jollibee Group's principal non-cash transaction under financing activities in 2012 pertains to the extension of the terms of two short-term loans that have both matured in 2011 totaling ₱1,500.0 million, combined to form a new loan which are now due to be paid in 2013, under a new loan agreement.

The Jollibee Group's non-cash transaction under investing activities in 2012 pertains to the formation of joint ventures with 50% equity interest in SuperFoods Group and 54% equity interest in BK Group through advances given prior to 2012.

Investors Information

COMPANY HEADQUARTERS

10/F Jollibee Plaza Building
No. 10 F. Ortigas Jr. Avenue
Ortigas Center, Pasig City, Philipines 1605
Telephone: (632) 634-1111
Facsimile: (632) 633-9504
Website: www.jollibee.com.ph

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 which comprise the PSE Composite Index.

ANNUAL STOCKHOLDERS' MEETING

The Annual Stockholders' Meeting will be held on June 27, 2014 at 2:00 P.M., (registration starts at 1:00 P.M.) at the Philippine Stock Exchange Auditorium, Ground Floor, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

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) 892-4156

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.

Investors Information

COMPANY HEADQUARTERS
10/F Jollibee Plaza Building
No. 10 F. Ortigas Jr. Avenue
Ortigas Center, Pasig City, Philipines 1605
Telephone: (632) 634-1111
Facsimile: (632) 633-9504
Website: www.jollibee.com.ph

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 which comprise the PSE Composite Index.

ANNUAL STOCKHOLDERS' MEETING
The Annual Stockholders' Meeting will be held on June 27, 2014 at 2:00 P.M., (registration starts at 1:00 P.M.) at the Philippine Stock Exchange Auditorium, Ground Floor, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

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) 892-4156

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Jollibee Foods
CORPORATION

10/F JOLLIBEE PLAZA BUILDING
#10 F. ORTIGAS JR. AVE., ORTIGAS CENTER
PASIG CITY, PHILIPPINES 1605