PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

a.	**Consolidated Statements of Financial Position as at June 30, 2019 (Unaudited) and December 31, 2018 (Audited)**
b.	**Unaudited Consolidated Statements of Comprehensive Income for the Quarters Ended June 30, 2019 and 2018**
c.	**Unaudited Consolidated Statements of Comprehensive Income for the Six Months Ended June 30, 2019 and 2018**
d.	**Unaudited Consolidated Statements of Changes in Equity for the Six Months Ended June 30, 2019 and 2018**
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g.	**Notes to Unaudited Consolidated Financial Statements**

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JOLLIBEE FOODS CORPORATION
Doing business under the name and style of Jollibee
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousand Pesos)

			Change	
	June 2019 (Unaudited)	December 2018 (Audited)	Amount	Pct
ASSETS				
Current Assets				
Cash and cash equivalents (Notes 6, 30 and 31)	**19,786,789**	23,285,915	(3,499,126)	(15.0)
Short-term investments (Notes 6, 30 and 31)	**552,780**	883,200	(330,420)	(37.4)
Receivables and contract assets (Notes 7, 30 and 31)	**4,198,660**	4,862,744	(664,084)	(13.7)
Inventories (Note 8)	**7,638,716**	8,812,174	(1,173,458)	(13.3)
Other current assets (Note 9)	**5,527,194**	4,894,168	633,026	12.9
Total Current Assets	**37,704,139**	42,738,201	(5,034,062)	(11.8)
Noncurrent Assets				
Financial assets at fair value through profit or loss (Notes 10, 30 and 31)	**39,842**	39,842	-	-
Interests in and advances to joint ventures, co-venturers and associates (Note 11)	**4,621,986**	3,512,230	1,109,756	31.6
Property, plant and equipment (Note 12)	**27,306,433**	26,693,991	612,442	2.3
Investment properties (Note 13)	**848,974**	848,974	-	-
Trademarks, goodwill and other intangible assets (Notes 14)	**31,811,812**	31,830,057	(18,245)	(0.1)
Operating lease receivables (Notes 29, 30 and 31)	**32,099**	31,635	464	1.5
Derivative asset (Note 18)	**-**	82,852	(82,852)	(100.0)
Deferred tax assets - net (Note 24)	**4,768,878**	4,322,996	445,882	10.3
Other noncurrent assets (Notes 15, 30 and 31)	**3,736,441**	3,751,044	(14,603)	(0.4)
Total Noncurrent Assets	**73,166,465**	71,113,621	2,052,844	2.9
	110,870,604	113,851,822	(2,981,218)	(2.6)
LIABILITIES AND EQUITY				
Current Liabilities				
Trade payables and other current liabilities and contract liabilities (Notes 16, 30 and 31)	**26,174,396**	28,716,769	(2,542,373)	(8.9)
Income tax payable	**160,967**	263,473	(102,506)	(38.9)
Short-term debt (Notes 18)	**768,600**	-	768,600	100.0
Current portion of:				
Long-term debt (Notes 18, 30 and 31)	**2,489,331**	4,892,102	(2,402,771)	(49.1)
Operating lease payables (Note 29, 30 and 31)	**300,945**	300,945	-	-
Liability for acquisition of a business (Notes 11, 30 and 31)	**8,383**	11,238	(2,855)	(25.4)
Total Current Liabilities	**29,902,622**	34,184,527	(4,281,905)	(12.5)
Noncurrent Liabilities				
Noncurrent portion of:				
Long-term debt (Notes 18, 30 and 31)	**21,092,193**	21,372,251	(280,058)	(1.3)
Liability for acquisition of a business (Notes 11, 30 and 31)	**-**	2,907	(2,907)	(100.0)
Pension liability (Note 25)	**1,489,782**	1,320,646	169,136	12.8
Operating lease payables - net of current portion (Note 29, 30 and 31)	**2,747,143**	2,715,978	31,165	1.1
Derivative liability (Note 18)	**41,138**	-	41,138	100.0
Provisions (Note 17)	**825,109**	825,109	-	-
Deferred tax liabilities - net (Note 24)	**3,473,421**	3,512,253	(38,832)	(1.1)
Total Noncurrent Liabilities	**29,668,786**	29,749,144	(80,358)	(0.3)
Total Liabilities	**59,571,408**	63,933,671	(4,362,263)	(6.8)
Equity Attributable to Equity Holders of the Parent Company (Note 30)				
Capital stock - net of subscriptions receivable (Note 19)	**1,092,438**	1,088,036	4,402	0.4
Additional paid-in capital (Note 19)	**9,272,685**	8,638,438	634,247	7.3
Cumulative translation adjustments of foreign subsidiaries and interests in joint ventures and associates (Note 11)	**390,533**	589,501	(198,968)	(33.8)
Remeasurement loss on net defined benefit plan - net of tax (Note 25)	**(307,995)**	(307,995)	-	-
Comprehensive income (loss) on derivative asset (liability) (Note 18)	**(41,138)**	82,852	(123,990)	(149.7)
Excess of cost over the carrying value of non-controlling interests acquired (Notes 11 and 19)	**(1,804,766)**	(1,804,766)	-	-
Retained earnings (Note 19):				
Appropriated for future expansion	**20,000,000**	20,000,000	-	-
Unappropriated	**21,573,943**	20,257,995	1,315,948	6.5
	50,175,700	48,544,061	1,631,639	3.4
Less cost of common stock held in treasury (Note 19)	**180,511**	180,511	-	-
	49,995,189	48,363,550	1,631,639	3.4
Non-controlling Interests (Note 11)	**1,304,007**	1,554,601	(250,594)	(16.1)
Total Equity	**51,299,196**	49,918,151	1,381,045	2.8
	110,870,604	113,851,822	(2,981,218)	(2.6)

See accompanying Notes to Unaudited Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION
Doing business under the name and style of Jollibee
AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousand Pesos, Except Per Share Data)

	Quarters Ended June 30				Change	
	2019		2018		Amount	Pct
	Pesos	**Pct**	Pesos	Pct		
REVENUES						
Gross sales	**41,235,787**	**94.4%**	38,922,868	95.1%	2,312,919	5.9%
Sales discount	**(700,617)**	**-1.6%**	(728,662)	-1.8%	28,045	3.8%
Net sales	**40,535,170**	**92.8%**	38,194,206	93.3%	2,340,964	6.1%
Royalty, set-up fees and others	**2,376,130**	**5.4%**	2,101,830	5.1%	274,300	13.1%
	42,911,300	**98.3%**	40,296,036	98.5%	2,615,264	6.5%
PFRS 15 impact on system-wide advertising fees	**761,780**	**1.7%**	625,646	1.5%	136,134	21.8%
	43,673,080	**100.0%**	40,921,682	100.0%	2,751,398	6.7%
DIRECT COSTS						
Cost of inventories	**20,993,363**	**48.1%**	18,866,251	46.1%	2,127,112	11.3%
Store and manufacturing costs	**15,837,516**	**36.3%**	14,739,422	36.0%	1,098,094	7.5%
	36,830,879	**84.3%**	33,605,673	82.1%	3,225,206	9.6%
GROSS PROFIT	**6,842,201**	**15.7%**	7,316,009	17.9%	(473,808)	-6.5%
EXPENSES						
General and administrative expenses	**4,729,524**	**10.8%**	3,924,716	9.6%	804,808	20.5%
Advertising and promotions	**971,035**	**2.2%**	999,367	2.4%	(28,332)	-2.8%
	5,700,559	**13.1%**	4,924,083	12.0%	776,476	15.8%
OPERATING INCOME	**1,141,642**	**2.6%**	2,391,926	5.8%	(1,250,284)	-52.3%
INTEREST INCOME (EXPENSE)						
Interest income	**87,887**	**0.2%**	85,777	0.2%	2,110	2.5%
Interest expense	**(331,507)**	**-0.8%**	(232,779)	-0.6%	(98,728)	-42.4%
	(243,620)	**-0.6%**	(147,002)	-0.4%	(96,618)	-65.7%
EQUITY IN NET EARNINGS (LOSSES) OF JOINT VENTURES AND ASSOCIATES - Net	**21,216**	**0.0%**	(104,268)	-0.3%	125,484	120.3%
OTHER INCOME	**528,021**	**1.2%**	585,386	1.4%	(57,365)	-9.8%
INCOME BEFORE INCOME TAX	**1,447,259**	**3.3%**	2,726,042	6.7%	(1,278,783)	-46.9%
PROVISION FOR INCOME TAX						
Current	**713,979**	**1.6%**	722,003	1.8%	(8,024)	-1.1%
Deferred	**(252,201)**	**-0.6%**	(97,362)	-0.2%	(154,839)	-159.0%
	461,778	**1.1%**	624,641	1.5%	(162,863)	-26.1%
NET INCOME	**985,481**	**2.3%**	2,101,401	5.1%	(1,115,920)	-53.1%
OTHER COMPREHENSIVE INCOME (LOSS)						
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:						
Translation adjustments of foreign subsidiaries	**(271,333)**	**-0.6%**	(104,551)	-0.3%	(166,782)	-159.5%
Comprehensive income (loss) on derivative asset (liability)	**(67,815)**	**-0.2%**	33,611	0.1%	(101,426)	-301.8%
Translation adjustments of foreign joint ventures and associates	**(30,917)**	**-0.1%**	(37,765)	-0.1%	6,848	-18.1%
	(370,065)	**-0.8%**	(108,705)	-0.3%	(261,360)	-240.4%
TOTAL COMPREHENSIVE INCOME	**615,416**	**1.4%**	1,992,696	4.9%	(1,377,280)	-69.1%
Net Income Attributable to:						
Equity holders of the Parent Company	**1,122,029**	**2.6%**	2,251,098	5.5%	(1,129,069)	-50.2%
Non-controlling interests	**(136,548)**	**-0.3%**	(149,697)	-0.4%	13,149	8.8%
	985,481	**2.3%**	2,101,401	5.1%	(1,115,920)	-53.1%
Total Comprehensive Income Attributable to:						
Equity holders of the Parent Company	**755,690**	**1.7%**	2,133,145	5.2%	(1,377,455)	-64.6%
Non-controlling interests	**(140,274)**	**-0.3%**	(140,449)	-0.3%	175	0.1%
	615,416	**1.4%**	1,992,696	4.9%	(1,377,280)	-69.1%
Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company						
Basic	**1.027**		2.071		(1.044)	-50.4%
Diluted	**1.013**		2.043		(1.030)	-50.4%

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UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousand Pesos, Except Per Share Data)

	Six Months Ended June 30				Change	
	2019		2018		Amount	Pct
	Pesos	**Pct**	Pesos	Pct		
REVENUES						
Gross sales	**79,516,408**	**94.6%**	72,422,410	94.9%	7,093,998	9.8%
Sales discount	**(1,438,850)**	**-1.7%**	(1,213,148)	-1.6%	(225,702)	-18.6%
Net sales	**78,077,558**	**92.9%**	71,209,262	93.3%	6,868,296	9.6%
Royalty, set-up fees and others (Note 20)	**4,515,446**	**5.4%**	3,886,735	5.1%	628,711	16.2%
	82,593,004	**98.3%**	75,095,997	98.4%	7,497,007	10.0%
PFRS 15 impact on system-wide advertising fees	**1,434,236**	**1.7%**	1,188,731	1.6%	245,505	20.7%
	84,027,240	**100.0%**	76,284,728	100.0%	7,742,512	10.1%
DIRECT COSTS (Note 21)						
Cost of inventories	**39,921,688**	**47.5%**	35,378,647	46.4%	4,543,041	12.8%
Store and manufacturing costs	**30,936,751**	**36.8%**	27,443,102	36.0%	3,493,649	12.7%
	70,858,439	**84.3%**	62,821,749	82.4%	8,036,690	12.8%
GROSS PROFIT	**13,168,801**	**15.7%**	13,462,979	17.6%	(294,178)	-2.2%
EXPENSES						
General and administrative expenses (Note 22)	**8,817,536**	**10.5%**	7,381,975	9.7%	1,435,561	19.4%
Advertising and promotions	**1,441,178**	**1.7%**	1,720,058	2.3%	(278,880)	-16.2%
	10,258,714	**12.2%**	9,102,033	11.9%	1,156,681	12.7%
OPERATING INCOME	**2,910,087**	**3.5%**	4,360,946	5.7%	(1,450,859)	-33.3%
INTEREST INCOME (EXPENSE) (Note 23)						
Interest income	**183,936**	**0.2%**	143,408	0.2%	40,528	28.3%
Interest expense	**(651,345)**	**-0.8%**	(375,674)	-0.5%	(275,671)	-73.4%
	(467,409)	**-0.6%**	(232,266)	-0.3%	(235,143)	-101.2%
EQUITY IN NET EARNINGS (LOSSES) OF JOINT VENTURES AND ASSOCIATES - Net (Note 11)	**27,194**	**0.0%**	(101,338)	-0.1%	128,532	126.8%
OTHER INCOME (Note 23)	**791,947**	**0.9%**	837,243	1.1%	(45,296)	-5.4%
INCOME BEFORE INCOME TAX	**3,261,819**	**3.9%**	4,864,585	6.4%	(1,602,766)	-32.9%
PROVISION FOR INCOME TAX (Note 24)						
Current	**1,364,367**	**1.6%**	1,312,619	1.7%	51,748	3.9%
Deferred	**(521,226)**	**-0.6%**	(217,053)	-0.3%	(304,173)	-140.1%
	843,141	**1.0%**	1,095,566	1.4%	(252,425)	-23.0%
NET INCOME	**2,418,678**	**2.9%**	3,769,019	4.9%	(1,350,341)	-35.8%
OTHER COMPREHENSIVE INCOME (LOSS)						
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:						
Comprehensive income (loss) on derivative asset (liability) (Note 18)	**(123,990)**	**-0.1%**	109,979	0.1%	(233,969)	-212.7%
Translation adjustments of foreign joint ventures and associates (Note 11)	**(115,502)**	**-0.1%**	(170,746)	-0.2%	55,244	32.4%
Translation adjustments of foreign subsidiaries	**(95,612)**	**-0.1%**	744,205	1.0%	(839,817)	-112.8%
	(335,104)	**-0.4%**	683,438	0.9%	(1,018,542)	-149.0%
TOTAL COMPREHENSIVE INCOME	**2,083,574**	**2.5%**	4,452,457	5.8%	(2,368,883)	-53.2%
Net Income Attributable to:						
Equity holders of the Parent Company (Note 28)	**2,657,126**	**3.2%**	4,050,278	5.3%	(1,393,152)	-34.4%
Non-controlling interests	**(238,448)**	**-0.3%**	(281,259)	-0.4%	42,811	15.2%
	2,418,678	**2.9%**	3,769,019	4.9%	(1,350,341)	-35.8%
Total Comprehensive Income Attributable to:						
Equity holders of the Parent Company	**2,334,168**	**2.8%**	4,700,891	6.2%	(2,366,723)	-50.3%
Non-controlling interests	**(250,594)**	**-0.3%**	(248,434)	-0.3%	(2,160)	-0.9%
	2,083,574	**2.5%**	4,452,457	5.8%	(2,368,883)	-53.2%
Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company (Note 28)						
Basic	**2.434**		3.728		(1.294)	-34.7%
Diluted	**2.400**		3.676		(1.276)	-34.7%

See accompanying Notes to Unaudited Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION
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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2019 and 2018
(Amounts in Thousand Pesos)

	Equity Attributable to Equity Holders of the Parent Company (Note 30)												
	Capital Stock - Net of Subsccriptions Receivable (Note 19)	Additional Paid-in Capital (Note 19)	Cumulative Translation Adjustments of Foreign Subsidiaries and Interests in Joint Ventures and Associates (Note 11)	Remeasurement Loss on Net Defined Benefit Plan - Net of tax (Note 25)	Unrealized Gain on Change in Fair Value of Available-for-Sale Financial Assets (Note 10)	Comprehensive Income (Loss) on Derivative Asset (Liability) (Note 18)	Excess of Cost Over the Carrying Value of Non-controlling Interests Acquired (Notes 11 and 19)	Retained Earnings (Note 19)		Cost of Common Stock Held in Treasury (Note 19)	Total	Non-controlling Interests (Note 11)	Total Equity
								Appropriated for Future Expansion	Unappropriated				
Balance at January 1, 2019	**1,088,036**	**8,638,438**	**589,501**	**(307,995)**	**-**	**82,852**	**(1,804,766)**	**20,000,000**	**20,257,995**	**(180,511)**	**48,363,550**	**1,554,601**	**49,918,151**
Net income (loss)	-	-	-	-	-	-	-	-	**2,657,126**	-	**2,657,126**	**(238,448)**	**2,418,678**
Other comprehensive loss	-	-	**(198,968)**	-	-	**(123,990)**	-	-	-	-	**(322,958)**	**(12,146)**	**(335,104)**
Total comprehensive income (loss)	-	-	**(198,968)**	-	-	**(123,990)**	-	-	**2,657,126**	-	**2,334,168**	**(250,594)**	**2,083,574**
Movements in other equity accounts:													
Issuances of and subscriptions to capital stock (Note 19)	**4,402**	**504,024**	-	-	-	-	-	-	-	-	**508,426**	-	**508,426**
Cost of stock options granted (Note 26)	-	**130,223**	-	-	-	-	-	-	-	-	**130,223**	-	**130,223**
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	**(1,341,178)**	-	**(1,341,178)**	-	**(1,341,178)**
	4,402	**634,247**	-	-	-	-	-	-	**(1,341,178)**	-	**(702,529)**	-	**(702,529)**
Balance at June 30, 2019	**1,092,438**	**9,272,685**	**390,533**	**(307,995)**	**-**	**(41,138)**	**(1,804,766)**	**20,000,000**	**21,573,943**	**(180,511)**	**49,995,189**	**1,304,007**	**51,299,196**
	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at January 1, 2018	1,084,478	7,520,383	340,368	(461,769)	6,758	11,949	(2,152,161)	18,200,000	16,413,140	(180,511)	40,782,635	1,799,344	42,581,979
Net income (loss)	-	-	-	-	-	-	-	-	4,050,278	-	4,050,278	(281,259)	3,769,019
Other comprehensive income	-	-	540,634	-	-	109,979	-	-	-	-	650,613	32,825	683,438
Total comprehensive income (loss)	-	-	540,634	-	-	109,979	-	-	4,050,278	-	4,700,891	(248,434)	4,452,457
Movements in other equity accounts:													
Issuances of and subscriptions to capital stock (Note 19)	1,984	231,772	-	-	-	-	-	-	-	-	233,756	-	233,756
Cost of stock options granted (Note 26)	-	132,091	-	-	-	-	-	-	-	-	132,091	-	132,091
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	(1,236,518)	-	(1,236,518)	-	(1,236,518)
Acquisition of minority interests (Note 11)	-	-	-	-	-	-	-	-	-	-	-	1,082,548	1,082,548
Additional investments during the period	-	-	-	-	-	-	-	-	-	-	-	11,417	11,417
	1,984	363,863	-	-	-	-	-	-	(1,236,518)	-	(870,671)	1,093,965	223,294
Balance at June 30, 2018	1,086,462	7,884,246	881,002	(461,769)	6,758	121,928	(2,152,161)	18,200,000	19,226,900	(180,511)	44,612,855	2,644,875	47,257,730
	-	-	1	-	-	1	-	-	-	-	2	-	2

See accompanying Notes to Unaudited Consolidated Financial Statements.

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JOLLIBEE FOODS CORPORATION
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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousand Pesos)

	Six Months Ended June 30		Change	
	2019	2018	Amount	Pct
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**3,261,819**	4,864,585	(1,602,766)	(32.9)
Adjustments for:				
Depreciation and amortization (Notes 12, 14, 15, 21 and 22)	**2,943,260**	2,727,460	215,800	7.9
Interest expense (Note 23)	**651,345**	375,674	275,671	73.4
Loss (gain) on retirements and disposals of property, plant and equipment (Notes 12 and 22)	**185,865**	(27,702)	213,567	770.9
Interest income (Note 23)	**(183,936)**	(143,408)	40,528	28.3
Movement in pension liability (Notes 21 and 22)	**169,136**	148,953	20,183	13.5
Net unrealized foreign exchange loss (gain)	**142,679**	(109,796)	252,475	229.9
Stock options expense (Notes 22 and 26)	**130,223**	132,091	(1,868)	(1.4)
Deferred rent amortization - net (Note 29)	**30,702**	709,232	(678,530)	(95.7)
Equity in net losses (earnings) of joint ventures and associates (Note 11)	**(27,194)**	101,338	(128,532)	(126.8)
Reversals of impairment losses on:				
Property, plant and equipment (Notes 12 and 22)	**(5,617)**	(6,553)	(936)	(14.3)
Receivables (Notes 7 and 22)	**(2,747)**	(252)	2,495	990.1
Inventories (Notes 8 and 22)	**(2,220)**	(1,185)	1,035	87.3
Accretion of debt issue cost	**10,071**	5,580	4,491	80.5
Impairment losses on:				
Receivables (Notes 7 and 22)	**2,689**	813	1,876	230.8
Inventories (Notes 8 and 22)	**1,637**	4,499	(2,862)	(63.6)
Gain from the re-measurement of previously held interest (Notes 11 and 23)	-	(745,982)	(745,982)	(100.0)
Provisions (Notes 17 and 23)	-	500,000	(500,000)	(100.0)
Income before working capital changes	**7,307,712**	8,535,347	(1,227,635)	(14.4)
Decreases (increases) in:				
Receivables	**649,717**	943,438	(293,721)	(31.1)
Inventories	**1,174,041**	(398,220)	1,572,261	394.8
Other current assets	**(633,026)**	(587,766)	45,260	7.7
Decreases in trade payables and other current liabilities	**(2,688,823)**	(630,028)	2,058,795	326.8
Net cash generated from operations	**5,809,621**	7,862,771	(2,053,150)	(26.1)
Income taxes paid	**(1,466,872)**	(1,283,808)	183,064	14.3
Interest received	**180,693**	133,950	46,743	34.9
Net cash provided by operating activities	**4,523,442**	6,712,913	(2,189,471)	(32.6)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment (Note 12)	**(4,087,607)**	(4,476,068)	(388,461)	(8.7)
Interest in joint ventures (Note 11)	**(168,749)**	(706,932)	(538,183)	(76.1)
Intangible assets (Note 14)	**(72,102)**	(5,432)	66,670	1,227.4
Cash from acquired business - net of cash paid (Note 11)	-	(3,800,283)	(3,800,283)	(100.0)
Advances to a joint venture (Note 11)	**(930,000)**	-	930,000	100.0
Decreases in:				
Short-term investments	**330,420**	468,040	(137,620)	(29.4)
Other noncurrent assets	**37,647**	279,179	(241,532)	(86.5)
Proceeds from disposals of property, plant and equipment	**260,850**	339,859	(79,009)	(23.2)
Dividends received from non-controlling interests (Note 11)	-	34,637	(34,637)	(100.0)
Net cash used in investing activities	**(4,629,541)**	(7,867,000)	(3,237,459)	(41.2)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Long-term debt (Note 18)	**(3,708,332)**	(4,979,716)	(1,271,384)	(25.5)
Cash dividends (Note 19)	**(1,345,406)**	(1,231,251)	114,155	9.3
Interest	**(736,055)**	(305,826)	430,229	140.7
Proceeds from:				
Long-term debt (Note 18)	**1,208,425**	7,285,901	(6,077,476)	(83.4)
Short-term debt (Note 18)	**768,600**	-	768,600	100.0
Issuances of and subscriptions to capital stock (Note 19)	**508,426**	233,757	274,669	117.5
Contributions from non-controlling interests (Note 11)	-	11,417	(11,417)	(100.0)
Net cash provided by (used in) financing activities	**(3,304,342)**	1,014,282	(4,318,624)	(425.8)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(3,410,441)**	(139,805)	3,270,636	2,339.4
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(88,685)**	1,760	(90,445)	(5,138.9)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**23,285,915**	21,107,474	2,178,441	10.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	**19,786,789**	20,969,429	(1,182,640)	(5.6)

See accompanying Notes to Unaudited Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION
Doing business under the name and style of Jollibee
AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

The consolidated financial statements as at June 30, 2019 and December 31, 2018 and for the periods ended June 30, 2019 and 2018, 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 August 2, 2019.

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

Basis of Preparation

The consolidated financial statements of the Jollibee Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and derivative financial instruments which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. All values are rounded to the nearest thousand pesos, except par values, per share amounts, number of shares and when otherwise indicated.

Statement of Compliance

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

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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 accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the consolidated statement of financial position and performance unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as at January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

  The Jollibee Group's accounting policy for cash-settled share-based payments is consistent with the approach clarified in the amendments. In addition, the Jollibee Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Jollibee Group's consolidated financial statements.

- PFRS 9, *Financial Instruments*

  PFRS 9, replaces Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement*, for annual periods beginning on or January 1, 2018, bringing together all these aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Jollibee Group applied PFRS 9 using modified retrospective approach, with an initial application date of January 1, 2018. The Jollibee Group has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and net unrealized gain on AFS financial assets.

  The effect of adopting PFRS 9 follows:

  (a) Classification and Measurement

  Under PFRS 9, debt instruments are subsequently measured at FVTPL, amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Jollibee Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Jollibee Group's business model was made as of the date of initial application, January 1, 2018, and then applied prospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact on Jollibee Group. The Jollibee Group continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Jollibee Group's financial assets:

- Cash in banks, short-term deposits, short-term investments, receivables (excluding receivables from government agencies), receivable from sale of business, security and other deposits and operating lease receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortized cost beginning January 1, 2018.

- Investments in golf and leisure club shares previously classified as AFS financial assets are now classified and measured as financial assets at FVTPL beginning January 1, 2018. As a result of the change in classification of Jollibee Group's investments in golf and leisure club shares, the net unrealized gain on AFS financial assets related to those investments that were previously presented under other comprehensive income (OCI), was reclassified to retained earnings as at January 1, 2018, resulting in a decrease in other components of equity and an increase in retained earnings of ₱6.8 million.

There are no changes in classification and measurement for the Jollibee Group's financial liabilities.

In summary, upon adoption of PFRS 9, the Jollibee Group had the following required or elected reclassifications as at January 1, 2018:

	Original Measurement Category under PAS 39	New Measurement Category under PFRS 9	Original Carrying Amount under PAS 39	New Carrying Amount under PFRS 9
			(In Millions)	
Financial Assets				
Cash in banks and short-term deposits	Loans and receivables	Financial assets at amortized cost	₱20,762.5	₱20,762.5
Short-term investments	Loans and receivables	Financial assets at amortized cost	1,413.4	1,413.4
Receivables*	Loans and receivables	Financial assets at amortized cost	4,028.8	4,028.8
Security and other deposits*	Loans and receivables	Financial assets at amortized cost	2,465.0	2,465.0
Other noncurrent assets - Operating lease receivables	Loans and receivables	Financial assets at amortized cost	28.0	28.0
Investments in golf and leisure club shares	AFS financial assets	Financial assets at FVTPL	29.9	29.9
			₱28,727.6	₱28,727.6

**Including noncurrent portion.*

(b) Impairment

The adoption of PFRS 9 has fundamentally changed the Jollibee Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Jollibee Group to record ECL for all debt instruments not held at FVTPL and contract assets.

Incurred Loss versus Expected Credit Loss Methodology. The application of ECL significantly changes the Jollibee Group's credit loss methodology and models. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The objective is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events over the expected life of a financial instrument. In comparison, the previous incurred loss model recognizes lifetime credit losses only when there is objective evidence of impairment while ECL model eliminated the threshold or trigger event required under incurred loss model, and lifetime ECL are recognized earlier.

Staging Assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Jollibee Group recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Jollibee Group recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires a lifetime ECL for impaired financial instruments.

For cash in banks, short-term deposits, short-term investments, and security and other deposits, the Jollibee Group has applied the General Approach and has calculated ECL based on 12-month ECL. For receivables and contract assets, and operating lease receivables, the Jollibee Group applied the simplified approach permitted by PFRS 9, which requires lifetime ECL to be recognized from initial recognition of the receivables. As at January 1, 2018, the Jollibee Group assessed that there was no SICR related to its financial assets at amortized cost.

The adoption of ECL approach has no significant impact on the allowance for impairment losses recognized in the consolidated financial statements.

- Amendments to PFRS 4, *Applying PFRS 9 with PFRS 4, Insurance Contracts*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard.
The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Jollibee Group since none of the entities within the Jollibee Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The Jollibee Group adopted PFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Jollibee Group did not apply any of the other available optional practical expedients.

  The adoption of PFRS 15 did not have a material impact to the consolidated statement of financial position, consolidated statement of changes in equity, on OCI or the Jollibee Group's operating, investing and financing cash flows.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required. The Jollibee Group elected to retain the fair value measurement applied by the investment entity joint venture in accounting for its investment.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

Since the Jollibee Group's current practice is in line with the clarifications issued, the Jollibee Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC)-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  Since the Jollibee Group's current practice is in line with the clarifications issued, the Jollibee Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

Future Changes in Accounting Policies

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

Effective beginning on or after January 1, 2019

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

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  The Jollibee Group has assessed that the adoption of these amendments will not have any impact on the consolidated financial statements.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

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

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

The Jollibee Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

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

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Jollibee Group.

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

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

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

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Jollibee Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

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

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

  The interpretation specifically addresses the following:

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

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Jollibee Group is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

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

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

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

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Jollibee Group but may apply to future transactions.

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

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

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not expected to have significant impact to the Jollibee Group.

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

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

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

  Since the Jollibee Group's current practice is in line with these amendments, the Jollibee Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. The Jollibee Group is currently assessing the impact of these amendments.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

  - A specific adaptation for contracts with direct participation features (the variable fee approach)

  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

Deferred Effectivity

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

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

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2019 and December 31, 2018 and for each of the periods ended June 30, 2019 and 2018.

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;
- The ability to use its power over the investee to affect its returns.

There is a general presumption that a majority of voting rights results in control. To support this presumption when the 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.
- 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 in line with the Jollibee Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Jollibee Group are eliminated in full on consolidation.

The reporting dates of the Parent Company and the associates or joint ventures are identical and the latter's accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances.

If the 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 other comprehensive income 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 comprehensive income and consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company.

A change in ownership interest in a subsidiary that does not result in a loss of control is accounted for as an equity transaction. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in the Jollibee Group's relative interests in the subsidiary. The Jollibee Group recognizes directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the equity holders of the Parent Company. These include acquisitions of non-controlling interests of Greenwich, Yong He King, Mang Inasal, Happy Bee Foods Processing Pte. Ltd. and Smashburger. In particular cases where the Jollibee Group acquires non-controlling interest in a subsidiary at a consideration in excess of its carrying amount, the excess is charged to the "Excess of cost over the carrying value of non-controlling interests acquired" account under equity. These changes in the ownership interest in a subsidiary do not result in the recognition of a gain or loss in profit or loss.

The consolidated financial statements include the accounts of the Parent Company and the following wholly-owned and majority-owned subsidiaries as at June 30, 2019 and December 31, 2018:

			June 2019 (Unaudited)		December 2018 (Audited)	
	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. (RRBH):	Philippines	Holding company	**100**	**–**	100	–
Red Ribbon Bakeshop, Inc. (RRBI)	Philippines	Food service	**–**	**100**	–	100
Red Ribbon Bakeshop, Inc. USA (RRBI USA)	USA	Food service	**–**	**100**	–	100
Mang Inasal Philippines Inc. (Mang Inasal)	Philippines	Food service	**100**	**–**	100	–
Grandworth Resources Corporation (Grandworth):	Philippines	Leasing	**100**	**–**	100	–
Adgraphix, Inc. (Adgraphix)	Philippines	Digital printing	**–**	**100**	–	100
IConnect Multi Media Network, Inc. (IConnect)	Philippines	Advertising	**–**	**60**	–	60
JC Properties & Ventures Co.	Philippines	Dormant	**–**	**50**	–	50
Honeybee Foods Corporation (HFC):	USA	Food service	**100**	**–**	100	–
Tokyo Teriyaki Corporation (TTC)	USA	Food service	**–**	**100**	–	100
Honeybee Foods (Canada) Corporation (HFCC)	Canada	Food service	**–**	**100**	–	100
Jollibee Worldwide Pte. Ltd. (JWPL):	Singapore	Holding company	**100**	**–**	100	–
Regional Operating Headquarters of JWPL (JWS)	Philippines	Financial accounting, human resources and logistics services	**–**	**100**	–	100
Golden Plate Pte., Ltd. (GPPL):	Singapore	Holding company	**–**	**100**	–	100
- Golden Beeworks Pte. Ltd.	Singapore	Food service	**–**	**60**	–	60
- Golden Piatto Pte. Ltd. [e]	Singapore	Holding company	**–**	**75**	–	75
• Cibo Felice S.R.L. [c]	Italy	Food service	**–**	**100**	–	100
Golden Cup Pte.Ltd.	Singapore	Holding company	**–**	**60**	–	60
- Beijing Golden Coffee Cup Food & Beverage Management Co., Ltd.	People's Republic of China (PRC)	Food service	**–**	**100**	–	100
Beijing New Hongzhuangyuan Food and Beverage Management Co., Ltd. (Hong Zhuang Yuan)	PRC	Food service	**–**	**100**	–	100
Southsea Binaries Ltd. (Southsea)	British Virgin Island (BVI)	Holding company	**–**	**100**	–	100
Beijing Yong He King Food and Beverage Co., Ltd.	PRC	Food service	**–**	**100**	–	100
Shenzhen Yong He King Food and Beverage Co., Ltd.	PRC	Food service	**–**	**100**	–	100
Hangzhou Yongtong Food and Beverage Co., Ltd.	PRC	Food service	**–**	**100**	–	100
Hangzhou Yong He King Food and Beverage Co., Ltd.	PRC	Food service	**–**	**100**	–	100
Wuhan Yong He King Food and Beverage Co., Ltd.	PRC	Food service	**–**	**100**	–	100
Tianjin Yong He King Food and Beverage Co., Ltd.	PRC	Food service	**–**	**100**	–	100
Happy Bee Foods Processing Pte. Ltd. (HBFPPL)	Singapore	Holding company	**–**	**100**	–	100
- Happy Bee Foods Processing (Anhui) Co. Ltd.	PRC	Food service	**–**	**100**	–	100
JSF Investments Pte. Ltd. (JSF):	Singapore	Holding company	**–**	**99**	–	99
- SF Vung Tau Joint Stock Company [d]	Vietnam	Holding company	**–**	**60**	–	60
• Highland Coffee Service Joint-stock Company	Vietnam	Food service	**–**	**100**	–	100
• Quantum Corporation	Vietnam	Food service	**–**	**100**	–	100
▪ Pho Viet Joint Stock Company	Vietnam	Food service	**–**	**100**	–	100
▪ Pho 24 Service Trade Manufacture Corporation	Vietnam	Food service	**–**	**100**	–	100
- Blue Sky Holdings Limited [d]	Hong Kong	Holding company	**–**	**60**	–	60
• Sino Ocean Limited	Hong Kong	Food service	**–**	**100**	–	100
• Blue Sky Holdings (Macau) Limited	Macau	Food service	**–**	**100**	–	100
Jollibee (China) Food & Beverage Management Co. Ltd.	PRC	Management company	**–**	**100**	–	100
Jollibee International (BVI) Ltd. (JIBL):	BVI	Holding company	**–**	**100**	–	100
- Jollibee Vietnam Corporation Ltd.	Vietnam	Food service	**–**	**100**	–	100
• Goldstar Food Trade and Service Company Ltd (GSC)	Vietnam	Food service	**–**	**100**	–	100
- PT Chowking Indonesia	Indonesia	Food service	**–**	**100**	–	100
- PT Jollibee Indonesia	Indonesia	Dormant	**–**	**100**	–	100
- Jollibee (Hong Kong) Limited and Subsidiaries	Hong Kong	Dormant	**–**	**85**	–	85

(Forward)

	Country of Incorporation	Principal Activities	**June 2019 (Unaudited)** **Direct Ownership**	**Indirect Ownership**	December 2018 (Audited) Direct Ownership	Indirect Ownership
- Belmont Enterprises Ventures Limited (Belmont):	BVI	Holding company	–	**100**	–	100
• Shanghai Belmont Enterprises Management and Adviser Co., Ltd. (SBEMAC)	PRC	Business management service	–	**100**	–	100
• Yong He Holdings Co., Ltd.	BVI	Holding company	–	**100**	–	100
▪ Centenary Ventures Ltd.	BVI	Holding company	–	**100**	–	100
Bee Good! Inc. (BGI)	USA	Holding company	–	**100**	–	100
- SJBF LLC (SJBF)[a]	USA	Food service	–	**100**	–	40
Bee World UK Limited (UK) [b]	UK	Holding company	–	**100**	–	–
Chanceux, Inc.	Philippines	Holding company	**100**	–	100	–
BKTitans Inc. (BKTitans)	Philippines	Holding company	–	**54**	–	54
- PFN Holdings Corporation	Philippines	Holding company	–	**99**	–	99
• PERF Restaurants, Inc.	Philippines	Food service	–	**100**	–	100
▪ PERF Trinoma	Philippines	Food service	–	**100**	–	100
▪ PERF MOA	Philippines	Food service	–	**100**	–	100
Jollibee Foods Corporation (USA)	USA	Holding company	**100**	–	100	–
Donut Magic Phils., Inc. (Donut Magic)[f]	Philippines	Dormant	**100**	–	100	–
Ice Cream Copenhagen Phils., Inc. (ICCP)[f]	Philippines	Dormant	**100**	–	100	–
Mary's Foods Corporation (Mary's)[f]	Philippines	Dormant	**100**	–	100	–
QSR Builders, Inc.	Philippines	Dormant	**100**	–	100	–

(a) On April 17, 2018, the Jollibee Group, through BGI completed the acquisition of additional 45% share of SJBF, increasing its ownership from 40% to 85%. Subsequently, on December 14, 2018, the Jollibee Group, through BGI acquired the remaining 15% share resulting to 100% share in SJBF.
(b) On April 16, 2018, Bee World UK Limited (UK) was incorporated.
(c) On July 31, 2017, the Jollibee Group, through Golden Piatto Pte. Ltd. incorporated Cibo Felice in Italy.
(d) On May 10, 2017, the Jollibee Group, through JSF increased its shareholding in SF Yung Tau Joint Stock Company (SFVT) and Blue Sky Holdings Limited (Blue Sky) to 60%.
(e) On April 12, 2017, the Jollibee Group, through GPPL, incorporated Golden Piatto Pte. Ltd. to own and operate Jollibee restaurants in Italy.
(f) On June 18, 2004, the stockholders of the Jollibee Group approved the Plan of Merger of the three (3) dormant companies. The application is pending approval from the SEC as at December 31, 2018.

3. Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Jollibee Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is classified as current when it is:

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

A liability is classified as current when:

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

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

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible by the 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 prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities), the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible) and the cost approach (i.e., based on the amount required to replace the service capacity of an asset).

The Jollibee Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

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

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

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

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

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

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

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

Date of Recognition. The Jollibee Group recognizes a financial asset or a financial liability in the consolidated statement of financial position, when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Jollibee Group commits to purchase or sell the asset.

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial Assets

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

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

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

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

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

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

The Jollibee Group has no financial assets at FVOCI as at June 30, 2019 and December 31, 2018.

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

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

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

The Jollibee Group's cash in banks, short-term deposits, short-term investments, receivables (excluding receivables from government agencies), security and other deposits and operating lease receivables are classified under this category as at June 30, 2019 and December 31, 2018.

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

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

The Jollibee Group elected to classify irrevocably its investments in golf and leisure club shares under this category as at June 30, 2019 and December 31, 2018.

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

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

For receivables and contract assets, and operating lease receivables, the Jollibee Group applies a simplified approach in calculating ECLs. Therefore, the Jollibee Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting

date. The Jollibee Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For security and other deposits, the Jollibee Group applies the general approach and calculates ECL based on the 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instruments since initial recognition.

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

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

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

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

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

Financial Liabilities

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

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

The Jollibee Group's financial liabilities include loans and borrowings, payables and derivative financial liabilities as at June 30, 2019 and December 31, 2018.

Subsequent Measurement

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

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

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

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

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

  This category includes the Jollibee Group's trade payables and other current liabilities (excluding local and other taxes payable and unearned revenue from gift certificates), long-term debts and operating lease payables as at June 30, 2019 and December 31, 2018.

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

Derecognition of Financial Assets and Liabilities

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

- The rights to receive cash flows from the asset have expired, or,

- The Jollibee Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Jollibee Group has transferred substantially all the risks and rewards of the asset, or (b) the Jollibee Group 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 an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and

rewards of the asset, nor transferred control of the asset, the Jollibee Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Jollibee Group also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the 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 consideration that the Jollibee Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

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

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

Derivative Financial Instruments and Hedge Accounting

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

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

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

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

The Jollibee Group's interest rate swap is cash flow hedge. The Jollibee Group has no fair value hedge and hedge of a net investment in a foreign operation as at June 30, 2019 and December 31, 2018.

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

Before January 1, 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

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

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

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

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

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

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

Contract Balances

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

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

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

Inventories

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

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

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

Net realizable value of food supplies, packaging, store and other supplies is the current replacement cost. Food and other supplies are held for use in the production of processed inventories.

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

Other Current Assets
Other current assets include prepaid expenses which are paid in advance and recorded as asset before these are utilized, deposits which pertain to advance payments to suppliers to be applied for future purchases, and creditable withholding taxes, which will be applied in the following year against corporate income tax or be claimed for refund with the Bureau of Internal Revenue. Prepaid expenses are amortized over time and recognized as expense as the benefit is derived from the asset.

Interests in and Advances to Joint Ventures, Co-venturers and Associates
An associate is an entity over which the Jollibee Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not in control or joint control over those policies.

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

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

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

When the Jollibee Group's share of losses in the joint ventures or associates 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 associates or joint ventures. Where there has been a change recognized directly in the equity of the associate or joint venture, the Jollibee Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

Unrealized gains arising from transactions with the associates 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 the associates, or when the interest becomes held for sale.

Upon loss of significant influence over the associate or joint control over the joint ventures, the Jollibee Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former associate or former jointly controlled entities upon loss of significant influence or joint control, and the fair value of the remaining investment and proceeds

from disposal is recognized in profit or loss. When the remaining interest in the former jointly controlled entity constitutes significant influence, it is accounted for as interest in an associate.

Property, Plant and Equipment

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

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

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

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

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

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

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

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

Investment Properties

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

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

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

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

Borrowing Costs

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

Business Combinations

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

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

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

Initial Measurement of Non-controlling Interest. For each business combination, the Jollibee Group measures the non-controlling interest in the acquiree using the proportionate share of the acquiree's fair value of 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 business combination occurs, the Jollibee Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The measurement period ends as soon as the Jollibee Group receives the information it was seeking about facts and circumstances that existed as at the acquisition date or learns that more information is not obtainable. The measurement period does not exceed one year from the acquisition date.

Contingent Consideration or Earn-out. Any contingent consideration or earn-out in relation to a business combination is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognized in profit or loss.

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

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

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

Each unit or group of units to which the goodwill is allocated:

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

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

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

other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units. In allocating the impairment loss, the Jollibee Group cannot reduce the carrying amount of an asset below the highest of its fair value less costs of disposal if measurable, its value in use if determinable and zero.

Intangible Assets

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

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

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

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

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

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

Impairment of Nonfinancial Assets

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

For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or

may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value on a systematic basis over its remaining useful life.

Equity

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

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

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

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

Dividends. The 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 Jollibee Group. A corresponding amount is recognized directly in the equity. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the reporting period.

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

Treasury Shares. Acquisitions of treasury shares are recorded at cost. The total cost of treasury shares is shown in the consolidated statement of financial position as a deduction from the total equity. Upon re-issuance or resale of the treasury shares, cost of common stock held in treasury account is credited for the cost of the treasury shares determined using the simple average method. Gain on sale is credited to additional paid-in capital. Losses are charged against additional paid-in capital but only to the extent of previous gain from original issuance, sale or retirement for the same class of stock. Otherwise, losses are charged to retained earnings.

Revenue from Contracts with Customers

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

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

Sale of Goods. Revenue from sale of goods is recognized at the point in time when control is transferred to the customer, which is normally upon delivery. Sales returns and discounts are deducted from sales to arrive at net sales shown in the consolidated statement of comprehensive income.

Royalty Fees. Revenue from royalty fees is recognized as the royalty accrues based on certain percentages of the franchisees' net sales.

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

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

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

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

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

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

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

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

Cost and Expenses
Cost and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized as incurred.

Advertising and promotions expenses include costs incurred for advertising schemes and promotional activities for new products.

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

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

Pension expense comprises the following:
- Service cost
- Net interest on the net defined benefit liability or asset

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

Net interest on the pension liability or asset is the change during the period in the liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the pension liability or asset. Net interest on the pension liability or asset is recognized under "Direct costs" and "General and administrative expenses" in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan liability or assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Jollibee Group, nor can they be paid directly to the Jollibee Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Employee Leave Entitlement

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

Share-based Payments

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

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

The fair value is determined using the Black-Scholes Option Pricing Model. The cumulative expense recognized for the share-based transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Jollibee Group's best estimate of the number of

equity instruments that will ultimately vest. The charge or credit in profit or loss or the investment account for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest.

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

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

Leases

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

Jollibee Group as Lessee. Leases which do not transfer to the Jollibee Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. Contingent rent is recognized as expense in the period in which they are 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 operating lease receivable 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.

Foreign Currency Transactions and Translations

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

The functional currencies of the Jollibee Group's foreign operations are US dollar (USD), PRC, Renminbi (RMB), Indonesia rupiah, Vietnam dong, Singapore dollar, Hong Kong dollar, Canadian dollar, Macau pataca and Euro. As of the reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the reporting date while the income and expense accounts are translated at the

weighted average exchange rates for the year. The resulting translation differences are included in equity under the account "Cumulative translation adjustments of foreign subsidiaries and interests in joint ventures and associates". On disposal of a foreign subsidiary, the accumulated exchange differences are recognized in profit or loss.

Taxes

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

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

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

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

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

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

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

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in another equity account.

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

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

Value Added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, if applicable.

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

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

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

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

Provisions
Provisions are recognized when the 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.

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements and related notes at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

The 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.

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

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

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

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

Rent expense amounted to ₱6,553.6 million and ₱5,926.7 million for the periods ended June 30, 2019 and 2018, 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 ₱28.5 million and ₱28.2 million for the periods ended June 30, 2019 and 2018, respectively (see Notes 13, 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 entities and the shareholders have right to their net assets (see Note 11).

Material Partly-Owned Subsidiaries
The consolidated financial statements include additional information about subsidiaries that have non-controlling interests that are material to the Jollibee Group (see Note 11). Management determined material partly-owned subsidiaries as those with balance of non-controlling interest greater than 5% of total non-controlling interests and those subsidiaries with activities that are important to the Jollibee Group as at end of the period.

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

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Jollibee Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to changes on market circumstances arising beyond the control of the Jollibee Group. Such changes are reflected in the assumptions when they occur.

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

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

Recoverability of Trademarks, Goodwill and Other Intangible Assets. The Jollibee Group determines whether trademarks, goodwill and other intangible assets with indefinite useful life is impaired at least on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use requires the Jollibee Group to make an estimate of the expected long-term growth rates and earnings before interest, taxes, depreciation and amortization (EBITDA) from the CGU and also consider market data in determining discount rate in order to calculate the present value of those cash flows.

Management has determined that trademarks, goodwill and other intangible assets are not impaired. The carrying amount of trademarks, goodwill and other intangible assets amounted to ₱31,811.8 million and ₱31,830.1 million as at June 30, 2019 and December 31, 2018, respectively (see Note 14).

Recoverability of Interests in and Advances to Joint Ventures, Co-venturers and Associates. The Jollibee Group performs impairment test of its interests in and advances to joint ventures, co-venturers and associates when there are facts and circumstances indicating that their carrying amounts exceed their recoverable amounts. Determining the recoverable amount of assets, which requires the determination of future cash flows expected to be generated from the continued operations of joint ventures and associates, requires the Jollibee Group to make significant assumptions that can materially affect the consolidated financial statements. These assumptions include long-term growth rates, EBITDA and discount rate. Future events could cause the 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 on interest in an associate was recognized in 2018 amounting to ₱16.7 million (see Notes 11 and 23).

The carrying amounts of interests in and advances to joint ventures, co-venturers and associates as at June 30, 2019 and December 31, 2018 are as follows (see Note 11):

	June 2019 (Unaudited)	December 2018 (Audited)
Interests in joint ventures	**₱1,144.7**	₱969.8
Interests in associates	**890.6**	869.6
Advances to co-venturers	**2,586.7**	1,672.8

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

The carrying amount of the recognized deferred tax assets amounted to ₱5,335.8 million and ₱4,842.8 million as at June 30, 2019 and December 31, 2018, respectively. Unrecognized deferred tax assets amounted to ₱10.5 million and ₱10.3 million as at June 30, 2019 and December 31, 2018, respectively (see Note 24).

Recoverability 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 ₱5.6 million and ₱6.6 million for the periods ended June 30, 2019 and 2018, respectively (see Notes 12 and 22). No provision for impairment loss was recognized for the periods ended June 30, 2019 and 2018.

The aggregate carrying values of property, plant and equipment and investment properties are as follows:

	June 2019 (Unaudited)	December 2018 (Audited)
Property, plant and equipment (see Note 12)	**₱27,306.4**	₱26,694.0
Investment properties (see Note 13)	**849.0**	849.0

Impairment of Receivables. The Jollibee Group uses a provision matrix to calculate ECLs for its receivables. The provision rates are based on days past due.

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

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

Provision for impairment loss on receivables amounted to ₱2.7 million and ₱0.8 million for the periods ended June 30, 2019 and 2018. Reversal of previously recognized provision for impairment loss amounted to ₱2.7 million and ₱0.3 million for the periods ended June 30, 2019 and 2018 (see Note 22). The carrying amount of receivables and contract assets amounted to ₱4,198.7 million and ₱4,862.7 million as at June 30, 2019 and December 31, 2018 (see Note 7).

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 ₱1.6 million and ₱4.5 million for the periods ended June 30, 2019 and 2018, respectively (see Note 22). Reversal of previously recognized provisions amounting to ₱2.2 million and ₱1.2 million were recognized for the periods ended June 30, 2019 and 2018, respectively (see Note 22). The carrying amount of inventories amounted to ₱7,638.7 million and ₱8,812.2 million as at June 30, 2019 and December 31, 2018, respectively (see Note 8).

Present Value of Defined Benefit Obligation. The pension expense as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and the future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

Future salary increases are based on budgetary salary increases.

The carrying amount of pension liability amounted to ₱1,489.8 million and ₱1,320.6 million as at June 30, 2019 and December 31, 2018, respectively (see Note 25).

Share-based Payments. The Parent Company measures the cost of its equity-settled transactions with management and employees by reference to the fair value of the equity instruments at the grant date. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about these inputs. The fair value of the

share option is being determined using the Black-Scholes Option Pricing Model. The expected life of the stock options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of the Parent Company.

Total expense arising from share-based payment recognized by the Jollibee Group amounted to ₱130.2 million and ₱132.1 million for the periods ended June 30, 2019 and 2018, respectively (see Notes 19, 22 and 26).

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

There was no change in the estimated useful lives of property, plant and equipment, investment properties and intangible assets in 2019 and 2018.

Fair Value of Financial Assets and Liabilities. When the fair values of financial assets and financial liabilities recorded or disclosed in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but when this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

Provisions and Contingencies. The Jollibee Group is involved in litigations, claims and disputes which are normal to its business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with the Jollibee Group's legal counsels and based upon an analysis of potential results (see Note 17). The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and application of laws and rulings. Management believes that the ultimate liability, if any, with respect to the litigations, claims and disputes will not materially affect the financial position and performance of the Jollibee Group.

Total outstanding provisions amounted to ₱825.1 million as at June 30, 2019 and December 31, 2018 (see Notes 17 and 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 QSRs and the manufacture of food products to be sold to Jollibee Group-owned and franchised QSR outlets.
- The franchising segment is involved in the franchising of the Jollibee Group's QSR store concepts.
- The leasing segment leases store sites mainly to the Jollibee Group's independent franchisees.

The following tables present certain information on revenues, expenses, assets and liabilities and other segment information of the different business segments as at and for the periods ended June 30, 2019 and 2018:

	June 2019 (Unaudited)				
	Food Service	**Franchising**	**Leasing**	**Eliminations**	**Consolidated**
Revenues from external customers	**₱78,219,466**	**₱5,612,657**	**₱195,117**	**₱–**	**₱84,027,240**
Inter-segment revenues	**21,203,688**	**1,832,731**	**3,561,877**	**(26,598,296)**	**–**
Segment revenues	**99,423,154**	**7,445,388**	**3,756,994**	**(26,598,296)**	**84,027,240**
Segment expenses	**(100,892,087)**	**(3,266,967)**	**(3,562,653)**	**26,598,296**	**(81,123,411)**
Reversal of impairment losses on receivables, inventories and property, plant and equipment - net of provisions	**6,258**	**–**	**–**	**–**	**6,258**
Equity in net earnings of joint ventures and associates – net	**27,194**	**–**	**–**	**–**	**27,194**
Other segment income	**791,605**	**–**	**342**	**–**	**791,947**
Segment result	**(₱643,876)**	**₱4,178,421**	**₱194,683**	**₱–**	**3,729,228**
Interest income					**183,936**
Interest expense					**(651,345)**
Income before income tax					**3,261,819**
Provision for income tax					**(843,141)**
Net income					**₱2,418,678**

	June 2019 (Unaudited)				
	Food Service	**Franchising**	**Leasing**	**Eliminations**	**Consolidated**
Assets and Liabilities					
Segment assets	**₱105,761,416**	**₱–**	**₱340,310**	**₱–**	**₱106,101,726**
Deferred tax assets - net	**4,768,878**	**–**	**–**	**–**	**4,768,878**
Consolidated assets	**₱110,530,294**	**₱–**	**₱340,310**	**₱–**	**₱110,870,604**
Segment liabilities	**₱32,296,251**	**₱–**	**₱59,245**	**₱–**	**₱32,355,496**
Deferred tax liabilities - net	**3,473,421**	**–**	**–**	**–**	**3,473,421**
Long-term debt - including current portion	**23,581,524**	**–**	**–**	**–**	**23,581,524**
Income tax payable	**155,111**	**–**	**5,856**	**–**	**160,967**
Consolidated liabilities	**₱59,506,307**	**₱–**	**₱65,101**	**₱–**	**₱59,571,408**
Other Segment Information					
Capital expenditures	**₱4,159,709**	**₱–**	**₱–**	**₱–**	**₱4,159,709**
Depreciation and amortization	**2,940,182**	**–**	**3,078**	**–**	**2,943,260**

	June 2018 (Unaudited)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
Revenues from external customers	₱71,357,106	₱4,705,952	₱221,670	₱–	₱76,284,728
Inter-segment revenues	21,201,075	1,889,129	3,988,037	(27,078,241)	–
Segment revenues	92,558,181	6,595,081	4,209,707	(27,078,241)	76,284,728
Segment expenses	(91,866,742)	(3,077,860)	(4,060,099)	27,078,241	(71,926,460)
Reversal of impairment losses on receivables, inventories and property, plant and equipment - net of provisions	2,678	–	–	–	2,678
Equity in net losses of joint ventures and associates - net	(101,338)	–	–	–	(101,338)
Other segment income	836,534	–	709	–	837,243
Segment result	₱1,429,313	₱3,517,221	₱150,317	₱–	5,096,851
Interest income					143,408
Interest expense					(375,674)
Income before income tax					4,864,585
Provision for income tax					(1,095,566)
Net income					₱3,769,019

	June 2018 (Unaudited)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
Assets and Liabilities					
Segment assets	₱101,120,097	₱–	₱387,006	₱–	₱101,507,103
Deferred tax assets - net	4,269,656	–	403	–	4,270,059
Consolidated assets	₱105,389,753	₱–	₱387,409	₱–	₱105,777,162
Segment liabilities	₱31,641,491	₱–	₱85,824	₱–	₱31,727,315
Deferred tax liabilities - net	3,468,416	–	–	–	3,468,416
Long-term debt - including current portion	23,071,117	–	–	–	23,071,117
Income tax payable	250,906	–	1,678	–	252,584
Consolidated liabilities	₱58,431,930	₱–	₱87,502	₱–	₱58,519,432
Other Segment Information					
Capital expenditures	₱4,481,500	₱–	₱–	₱–	₱4,481,500
Depreciation and amortization	2,725,140	–	2,320	–	2,727,460

Geographical Segments

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

Majority of the Jollibee Group's revenues were generated from the Philippines, which is the Parent Company'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 tables present segment revenues, segment assets and capital expenditures of the Jollibee Group's geographical segments:

	June 2019 (Unaudited)			
	Philippines	**International**	**Eliminations**	**Consolidated**
Segment revenues	**₱62,080,464**	**₱22,281,398**	**(₱334,622)**	**₱84,027,240**
Segment assets	**56,385,175**	**49,716,551**	**–**	**106,101,726**
Capital expenditures	**2,737,309**	**1,422,400**	**–**	**4,159,709**

	June 2018 (Unaudited)			
	Philippines	International	Eliminations	Consolidated
Segment revenues	₱57,904,511	₱18,675,676	(₱295,459)	₱76,284,728
Segment assets	53,216,880	48,290,223	–	101,507,103
Capital expenditures	3,337,374	1,144,126	–	4,481,500

Revenue from Contracts with Customers

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

	June 2019 (Unaudited)		
Revenue Source	**Food Service**	**Franchising**	**Total**
Sale of goods	**₱78,077,558**	**₱–**	**₱78,077,558**
Royalty fees	**–**	**3,959,933**	**3,959,933**
Set-up fees	**–**	**218,488**	**218,488**
System-wide advertising fees	**–**	**1,434,236**	**1,434,236**
Other revenues	**141,908**	**–**	**141,908**
Total revenue from contracts with customers	**₱78,219,466**	**₱5,612,657**	**₱83,832,123**

	June 2018 (Unaudited)		
Revenue Source	Food Service	Franchising	Total
Sale of goods	₱71,209,263	₱–	₱71,209,263
Royalty fees	–	3,270,801	3,270,801
Set-up fees	–	246,420	246,420
System-wide advertising fees	–	1,188,731	1,188,731
Other revenues	147,843	–	147,843
Total revenue from contracts with customers	₱71,357,106	₱4,705,952	₱76,063,058

6. Cash and Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

This account consists of:

	June 2019 (Unaudited)	December 2018 (Audited)
Cash on hand	**₱439,730**	₱480,889
Cash in banks	**11,057,207**	12,097,440
Short-term deposits	**8,289,852**	10,707,586
	₱19,786,789	₱23,285,915

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

Short-term Investments

The Jollibee Group also has short-term investments amounting to ₱552.8 million and ₱883.2 million as at June 30, 2019 and December 31, 2018, respectively. These pertain to deposits with maturities of more than three months but less than a year.

Interest income earned from cash and cash equivalents and short-term investments amounted to ₱146.9 million and ₱107.4 million for the periods ended June 30, 2019 and 2018, respectively (see Note 23).

7. **Receivables and Contract Assets**

This account consists of:

	June 2019 (Unaudited)	December 2018 (Audited)
Trade	**₱3,479,108**	₱4,680,553
Less allowance for impairment loss	**672,259**	676,906
	2,806,849	4,003,647
Advances to employees	**211,626**	167,352
Current portion of employee car plan receivables (see Note 15)	**83,464**	91,172
Interest receivable	**12,855**	19,314
Others	**329,863**	173,887
	3,444,657	4,455,372
Contract assets	**754,003**	407,372
	₱4,198,660	₱4,862,744

The terms and conditions of the receivables are as follows:

- Trade receivables are noninterest-bearing and are generally settled on a 14-day term. Upon adoption of PFRS 15, the Jollibee Group classified accrued receivables as contract assets.
- Advances to employees, current portion of employee car plan receivables and other receivables are normally collectible within the next financial year. Other receivables consist of receivables from the retirement plan, the Social Security System (SSS) and insurance claims.

The movements in the allowance for impairment loss on trade receivables as at June 30, 2019 and December 31, 2018 are as follows:

	June 2019 (Unaudited)	December 2018 (Audited)
Balance at beginning of period	**₱676,906**	₱690,119
Write-offs	**(3,211)**	(1,201)
Reversals (see Note 22)	**(2,747)**	(23,675)
Provisions (see Note 22)	**2,689**	10,188
Translation adjustments	**(1,378)**	1,475
Balance at end of period	**₱672,259**	₱676,906

8. Inventories

This account consists of:

	June 2019 (Unaudited)	December 2018 (Audited)
At cost:		
Food supplies and processed inventories	**₱6,884,410**	₱8,289,323
Packaging, store and other supplies	**385,814**	406,186
	7,270,224	8,695,509
At net realizable value -		
Novelty items	**368,492**	116,665
Total inventories at lower of cost and net realizable value	**₱7,638,716**	₱8,812,174

The cost of novelty items carried at net realizable value amounted to ₱399.2 million and ₱151.4 million as at June 30, 2019 and December 31, 2018, respectively.

The movements in the allowance for inventory obsolescence for novelty items as at June 30, 2019 and December 31, 2018 are as follows:

	June 2019 (Unaudited)	December 2018 (Audited)
Balance at beginning of period	**₱34,694**	₱32,565
Write-offs	**(3,417)**	–
Reversals (see Note 22)	**(2,220)**	(6,148)
Provisions (see Note 22)	**1,637**	8,278
Translation adjustments	**(34)**	(1)
Balance at end of period	**₱30,660**	₱34,694

9. Other Current Assets

This account consists of:

	June 2019 (Unaudited)	December 2018 (Audited)
Prepaid expenses:		
Taxes	**₱2,171,256**	₱1,963,937
Rent	**817,254**	567,599
Supplies	**118,770**	78,604
Insurance and others	**364,910**	490,748
Current portion of security and other deposits (see Note 15)	**239,096**	239,096
Deposits to suppliers and other third parties	**1,815,908**	1,554,184
	₱5,527,194	₱4,894,168

Terms and conditions of other current assets are as follows:

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

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

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

10. Financial Assets at FVTPL

This account consists of investment in shares of stocks of Manila Polo Club, Tagaytay Highlands and other golf and leisure clubs amounting to ₱39.8 million as at June 30, 2019 and December 31, 2018.

Due to the adoption of PFRS 9, the Jollibee Group classified its investments in golf and leisure club shares as financial assets at FVTPL as at January 1, 2018.

Financial Assets at FVTPL
The movements in financial assets at FVTPL in 2018 are as follows:

Balance at beginning of year, as previously reported	₱–
Reclassification from AFS financial assets	29,862
Balance at beginning of year, as adjusted	29,862
Market-to-market gain on financial assets at FVTPL	9,980
Balance at end of year	₱39,842

The fair value of financial assets at FVTPL has been determined directly by reference to quoted prices in active market or inputs other than quoted prices that are directly or indirectly observable (see Note 31).

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

A. Business Combinations

Business Combination Achieved in Stages

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

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

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

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

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

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

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

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

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

As a result of the first and second Put/Call Rights in the agreement between BGI and Master, the Jollibee Group allocated ₱75.0 million of the purchase price to a derivative asset in 2015, representing the fair value of the First and Second Put/Call Rights on transaction date. The Jollibee Group recognized a derivative liability amounting to nil and ₱51.0 million as at December 31, 2018 and 2017, respectively, to the Put/Call Rights. The marked-to-market loss amounted to ₱49.8 million and ₱129.3 million in 2018 and 2017, respectively.

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

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

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

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

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

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

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

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

The net cash outflow from the acquisition is as follows:

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

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

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

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

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

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

SJBF has outstanding liabilities for the purchase of non-controlling interest in a joint venture and acquisition of franchise markets amounting to USD0.2 million (₱8.4 million) and USD0.3 million (₱14.1 million) as at June 30, 2019 and December 31, 2018, respectively. The last installment is expected to be settled in 2020.

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

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

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

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

Pursuant to the Framework Agreement, the preliminary consideration for the 50% share in SuperFoods Group amounted to a cash payment of USD25.0 million (₱1,079.6 million) in 2011.

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

The Supplemental Agreement further provides that JWPL shall be required to pay the co-venturers an additional amount in 2016 based upon achieving a positive amount determined in accordance with a formula contained in the agreement (earn-out formula). No additional consideration was recognized as at January 20, 2012, date of acquisition, and as at December 31, 2012 to 2016.

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

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

- *Advances to SFVT.* On April 30, 2013, an additional loan was extended to the co-venturers in the SuperFoods Group amounting to USD1.0 million (₱41.2 million) payable in February 2014 but was extended to September 30, 2017. The loan bears interest of 5% per annum. With the extension to September 30, 2017, the sum of principal and the accumulated interest as at

April 2015, were subjected to 4.99% interest per annum. The loan was agreed to be used for general corporate purposes. Total interest from this loan recognized as interest income amounted to USD0.003 million (₱0.1 million) for the period ended May 10, 2017.

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

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

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

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

  With the Third Supplement to the Loan Agreement signed on December 29, 2016 and upon the completion of the Settlement Transaction Documents, the loans to Blue Sky including accrued interests as at May 10, 2017 were converted into equity except for the balance of USD2.9 million (₱157.7 million). The carrying value of the remaining loan of Blue Sky to the Parent Company amounting to ₱149.6 million and ₱153.5 million were eliminated in the consolidation process as at June 30, 2019 and December 31, 2018, respectively.

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

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

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

On July 24, 2019, the Jollibee Group disclosed that the initial public offering of Superfoods Group, particularly Highlands Coffee, which was planned for July 2019 is being delayed and re-studied in the light of the acquisition of The Coffee Bean and Tea Leaf.

The analysis of the Jollibee Group's interests in the SuperFoods Group as at December 31, 2017 are as follows:

Interest in a joint venture – cost	₱1,120,659
Cumulative equity in net losses:	
Balance at beginning of year	(367,155)
Equity in net earnings for the year	17,484
Balance at transfer date	(349,671)
Transferred to investment in a subsidiary	(770,988)
	–
Advances to SuperFoods Group:	
Balance at beginning of year	604,638
Converted to equity during the year	(458,871)
Transferred to advances to a subsidiary	(145,767)
Balance at end of year	–
	₱–

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

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

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

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

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

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

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

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

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

The amounts of the income and expense accounts of SuperFoods Group for the period ended May 10, 2017 include the following:

Revenues	₱1,467,717
Depreciation and amortization	67,865
Interest income	1,456
Interest expense	24,284
Provision for income tax	27,406
Net income	34,968
Total comprehensive income	34,968

B. Incorporation of New Subsidiaries

Bee World UK Limited (Bee World). On April 16, 2018 the Jollibee Group, through its wholly owned subsidiary, JWPL, incorporated Bee World UK Limited in UK. As at June 30, 2019, no capital investment has been made other than the investment to incorporate the new entity. The first store started its commercial operations on October 20, 2018.

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

Golden Piatto incorporated on April 12, 2017, is 75% owned by GPPL and 25% owned by Blackbird. GPPL and Blackbird have committed to invest up to EUR1 million (₱60.2 million) to Golden Piatto, of which EUR0.8 million (₱48.2 million) will be contributed by GPPL in proportion to its ownership in the business. As at June 30, 2019, capital contribution of GPPL to Golden Piatto amounted to USD1.5 million (₱77.0 million).

C. Material Non-Controlling Interests

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

Proportion of equity interest held by non-controlling interest:

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

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

Summarized Unaudited Statements of Comprehensive Income for the period ended June 30

	GCPL	
	2019	2018
Revenues	**₱75,992**	₱146,210
Net loss	**(190,112)**	(256,569)
Other comprehensive income (loss)	**(13,316)**	86,526
Total comprehensive loss	**(203,428)**	(170,042)
Total comprehensive loss attributable to non-controlling interests	**(81,371)**	(68,017)

	SuperFoods Group	
	2019	2018
Revenues	**₱2,795,136**	₱2,191,077
Net loss	**(85,283)**	(57,264)
Other comprehensive income (loss)	**(11,311)**	8,989
Total comprehensive loss	**(96,594)**	(48,275)
Total comprehensive loss attributable to non-controlling interests	**(38,638)**	(19,310)

Summarized Statements of Financial Position as at June 30, 2019 (Unaudited) and December 31, 2018 (Audited)

	GCPL	
	2019	2018
Current assets	**₱1,481,479**	₱1,532,013
Noncurrent assets	**195,597**	271,262
Current liabilities	**1,080,028**	1,002,821
Total equity	**597,048**	800,454
Equity attributable to non-controlling interests	**238,819**	320,182

	SuperFoods Group	
	2019	2018
Current assets	**₱763,860**	₱640,186
Noncurrent assets	**1,985,387**	1,941,206
Current liabilities	**1,094,815**	1,053,309
Noncurrent liabilities	**749,790**	597,851
Total equity	**904,642**	930,232
Equity attributable to non-controlling interests	**361,857**	372,093

Summarized Unaudited Cash Flow Information for the period ended June 30

	GCPL	
	2019	2018
Net cash provided by (used in) operating activities	**(₱87,062)**	₱21,115
Net cash provided by investing activities	**50,216**	26,730
Net cash provided by financing activities	**–**	–
Net increase (decrease) in cash and cash equivalents	**(36,846)**	47,845

	SuperFoods Group	
	2019	2018
Net cash provided by (used in) operating activities	**(₱100,450)**	₱175,582
Net cash used in investing activities	**(25,272)**	(266,596)
Net cash provided by (used in) financing activities	**143,441**	(30,160)
Net increase (decrease) in cash and cash equivalents	**17,719**	(121,174)

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

	June 2019 (Audited)	December 2018 (Audited)
Interests in joint ventures:		
Titan Dining LP	**₱822,378**	₱742,206
Golden Bee Foods Restaurant LLC	**256,340**	227,585
JBPX Foods Inc.	**66,023**	–
C-Joy Poultry Meats Production, Inc.	–	–
	1,144,741	969,791
Interests in associates:		
Tortas Frontera	**678,343**	668,679
Entrek (B) SDN BHD	**203,463**	191,744
C-Joy Poultry Realty, Inc.	**8,766**	9,155
	890,572	869,578
Advances to a joint venture and co-venturer:		
VTI Group	**1,656,673**	1,672,861
C-Joy Poultry Meats Production, Inc.	**930,000**	–
	2,586,673	1,672,861
	₱4,621,986	₱3,512,230

Interests in Joint Ventures

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

On August 29, 2018, JWPL made an additional investment to Titan amounting to SGD0.9 million (₱35.3 million). Subsequently, on May 31, 2019, JWPL made an additional investment for the 3rd capital call amounting to SGD2.7 million (₱102.7 million). JWPL shall invest up to SGD45.0 million or 45% of the total maximum fund of SGD100.0 million in Titan.

The details of the Jollibee Group's interest in Titan as at June 30, 2019 and December 31, 2018 are as follows:

	June 2019 (Unaudited)	December 2018 (Audited)
Interest in a joint venture – cost:		
Balance at beginning of period	**₱742,206**	₱742,206
Addition during the period	**102,726**	–
	844,932	742,206
Equity in net loss during the period	**(22,554)**	–
	₱822,378	₱742,206

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

	June 2019 (Unaudited)	December 2018 (Audited)
Current assets	**₱255,528**	₱28,141
Noncurrent assets	**1,532,433**	1,553,022
Total assets	**₱1,787,961**	₱1,581,163
Current liabilities	**₱14,604**	₱14,800

The amounts of assets and liabilities above include -

	June 2019 (Unaudited)	December 2018 (Audited)
Cash and cash equivalents	**₱255,083**	₱27,690

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

	June 2019 (Unaudited)
Net loss	**(50,120)**
Total comprehensive loss	**(50,120)**

	June 2019 (Unaudited)	December 2018 (Audited)
Net assets	**₱1,773,357**	₱1,566,363
Proportion of the Jollibee Group's ownership	**45%**	45%
	798,011	704,863
Cumulative translation adjustments	**24,367**	37,343
	₱822,378	₱742,206

Golden Bee Foods Restaurants LLC (Golden Bee). 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.

GPPL has invested USD0.8 million (₱33.9 million) in Golden Bee. The first store started commercial operations on May 4, 2015.

The joint venture entity, incorporated as Golden Bee on January 28, 2015, is 49% owned by GPPL and 51% owned by GCFL. GPPL and GCFL will share joint control and management of Golden Bee.

The details of the Jollibee Group's interest in the Golden Bee joint venture as at June 30, 2019 and December 31, 2018 are as follows:

	June 2019 (Unaudited)	December 2018 (Audited)
Interest in a joint venture - cost	**₱33,926**	₱33,926
Cumulative equity in net earnings:		
Balance at beginning of period	**193,659**	164,841
Equity in net earnings during the period	**28,755**	63,455
Dividends received during the period	**–**	(34,637)
Balance at end of period	**222,414**	193,659
	₱256,340	₱227,585

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

	June 2019 (Unaudited)	December 2018 (Audited)
Current assets	**₱674,085**	₱523,053
Noncurrent assets	**300,879**	346,422
Total assets	**₱974,964**	₱869,475
Current liabilities	**₱444,127**	₱383,523

The amounts of assets and liabilities above include -

	June 2019 (Unaudited)	December 2018 (Audited)
Cash and cash equivalents	**₱345,140**	₱193,920

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

	June 2019 (Unaudited)	June 2018 (Unaudited)
Revenues	**₱828,242**	₱741,150
Depreciation and amortization	**46,903**	35,610
Net income	**58,684**	68,017
Total comprehensive income	**58,684**	68,017

	June 2019 (Unaudited)	December 2018 (Audited)
Net assets	**₱530,837**	₱485,952
Proportion of the Jollibee Group's ownership	**49%**	49%
	260,110	238,116
Cumulative translation adjustments	**(3,770)**	(10,531)
	₱256,340	₱227,585

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

On July 3, 2019, the joint venture was incorporated as JBPX Foods Inc., which is 50% owned by the Parent Company and 50% owned by Panda Restaurant Group, Inc. As at June 30, 2019, capital contribution of the Parent Company to Panda Express amounted to ₱66.0 million.

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

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

The details of Jollibee Group's interest in C-Joy Poultry as at June 30, 2019 and December 31, 2018 are as follows:

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

The Jollibee Group's equity share in net losses amounting to ₱527.1 million in 2018 exceeded the carrying value of its interest in C-Joy Poultry amounting to ₱151.5 million as at December 31, 2017.

Consequently, the Jollibee Group's unrecognized equity share in net losses amounted to ₱383.8 million for the period ended June 30, 2019 and ₱375.6 million for the year ended December 31, 2018.

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

	June 2019 (Unaudited)	December 2018 (Audited)
Current assets	**₱1,255,348**	₱1,523,852
Noncurrent assets	**1,981,517**	1,843,050
Total Assets	**₱3,236,865**	₱3,366,902
Current liabilities	**₱5,736,459**	₱4,591,583
Noncurrent liabilities	**31,735**	27,430
Total liabilities	**₱5,768,194**	₱4,619,013

The amounts of assets and liabilities above include the following:

	June 2019 (Unaudited)	December 2018 (Audited)
Cash and cash equivalents	**₱543,376**	₱192,876
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	**351,782**	399,134
Noncurrent financial liabilities (excluding provisions)	**38,100**	26,635

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

	June 2019 (Unaudited)	June 2018 (Unaudited)
Revenues	**₱1,857,005**	₱1,721,419
Depreciation and amortization	**56,248**	58,460
Taxes and licenses	**70,618**	18,745
Interest income	**729**	294
Interest expense	**130,474**	22,146
Net loss	**(1,279,218)**	(406,303)
Total comprehensive loss	**(1,279,218)**	(406,303)

	June 2019 (Unaudited)	December 2018 (Audited)
Net liabilities	**(₱2,531,329)**	(₱1,252,111)
Proportion of the Jollibee Group's ownership	**30%**	30%
	(₱759,399)	(₱375,633)

Interest in Associates

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

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

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

The details of the Jollibee Group's interest in Tortas as at June 30, 2019 and December 31, 2018 are as follows:

	June 2019 (Unaudited)	December 2018 (Audited)
Interest in a joint venture - cost	**₱668,679**	₱668,679
Equity in net earnings during the period	**9,664**	–
	₱678,343	₱668,679

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

	June 2019 (Unaudited)	December 2018 (Audited)
Total Assets	**₱593,991**	₱548,001
Total liabilities	**₱5,044**	₱4,893

The amounts of assets and liabilities above include -

	June 2019 (Unaudited)	December 2018 (Audited)
Cash and cash equivalents	**₱532,480**	₱544,410

The amounts of the income and expense accounts for the period ended June 30, 2019 include the following:

Revenues	**₱51,979**
Net income	**18,507**
Total comprehensive income	**18,507**

	June 2019 (Unaudited)	December 2018 (Audited)
Net assets	**₱588,947**	₱543,108
Proportion of the Jollibee Group's ownership	**52.22%**	52.22%
	307,548	283,611
Provisional goodwill	**381,532**	381,532
Cumulative translation adjustments	**(10,737)**	3,536
	₱678,343	₱668,679

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

The details of the Jollibee Group's interest in Entrek as at June 30, 2019 and December 31, 2018 are as follows:

	June 2019 (Unaudited)	December 2018 (Audited)
Interest in an associate - cost	**₱16,660**	₱16,660
Cumulative equity in net earnings:		
Balance at beginning of period	**175,085**	120,577
Equity in net earnings during the period	**11,718**	37,847
Reversal of impairment loss (see Note 23)	**–**	16,660
Balance at end of period	**186,803**	175,084
	₱203,463	₱191,744

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

	June 2019 (Unaudited)	December 2018 (Audited)
Current assets	**₱734,385**	₱743,134
Noncurrent assets	**303,464**	270,932
Total assets	**₱1,037,849**	₱1,014,066
Current liabilities	**₱380,985**	₱385,870
Noncurrent liabilities	**8,014**	5,594
Total liabilities	**₱388,999**	₱391,464

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

	June 2019 (Unaudited)	June 2018 (Unaudited)
Revenues	**₱631,914**	₱419,666
Depreciation	**26,046**	24,329
Net income	**35,155**	44,620
Total comprehensive income	**35,155**	44,620

	June 2019 (Unaudited)	December 2018 (Audited)
Net assets	**₱648,850**	₱622,602
Proportion of the Jollibee Group's ownership	**33.33%**	33.33%
	216,283	207,534
Cumulative translation adjustments	**(12,820)**	(15,790)
	₱203,463	₱191,744

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

The details of the Jollibee Group's interest in C-Joy Realty as at June 30, 2019 and December 31, 2018 are as follows:

	June 2019 (Unaudited)	December 2018 (Audited)
Interest in an associate - cost	**₱10,586**	₱10,586
Cumulative equity in net losses:		
Balance at beginning of period	**(1,431)**	(922)
Equity in net loss during the period	**(389)**	(509)
Balance at end of period	**(1,820)**	(1,431)
	₱8,766	₱9,155

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

	June 2019 (Unaudited)	December 2018 (Audited)
Current assets	**₱722**	₱2,597
Noncurrent assets	**62,152**	62,152
Total assets	**₱62,874**	₱64,749
Current liabilities	**₱2,522**	₱1,025
Noncurrent liabilities	**31,133**	33,209
Total liabilities	**₱33,655**	₱34,234

The amounts of assets and liabilities above include the following:

	June 2019 (Unaudited)	December 2018 (Audited)
Cash and cash equivalents	**₱277**	₱1,380
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	**57**	164
Noncurrent financial liabilities	**31,134**	33,209

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

	June 2019 (Unaudited)	June 2018 (Unaudited)
Revenues	**₱1,200**	₱1,200
Taxes and licenses	**209**	730
Interest expense	**1,308**	1,084
Net loss	**(1,296)**	(1,284)
Total comprehensive loss	**(1,296)**	(1,284)

	June 2019 (Unaudited)	December 2018 (Audited)
Net assets	**₱29,219**	₱30,515
Proportion of the Jollibee Group's ownership	**30%**	30%
	₱8,766	₱9,155

Advances to Co-venturers

Advances to VTI Group. The details of the Jollibee Group's advances to VTI Group as at June 30, 2019 and December 31, 2018 are as follows:

	June 2019 (Unaudited)	December 2018 (Audited)
Balance at beginning of period	**₱1,672,861**	₱1,535,590
Accrual of interest (see Note 23)	**27,298**	55,523
Translation adjustments and others	**(43,486)**	81,748
Balance at end of period	**₱1,656,673**	₱1,672,861

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

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

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

On December 14, 2016, a loan of USD9.0 million (₱447.5 million) was extended to the VTI Group with an interest rate of 3.5% per annum. The loan was agreed to be used for SuperFoods Group's capital needs. The loan is part of the total agreed loan of USD30.0 million payable in eight (8) years from the first utilization date. On June 2, 2017, the additional loan of USD21.0 million (₱1,060.0 million) was granted to the VTI Group. The loan is secured by pledged shares in SFVT and Blue Sky which will be released in proportion to the amount of the principal paid. Total interest from this loan recognized as interest income, amounted to USD0.5 million (₱27.3 million) and USD0.5 million (₱27.2 million) for the periods ended June 30, 2019 and 2018, respectively (see Note 23).

Advances to a Joint Venture

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

On June 28, 2019, additional loan was extended amounting to ₱315.0 million due on June 26, 2020. The loan was subject to 6-month BVAL interest rate plus spread of 0.50%. As at June 30, 2019, the carrying value of the loans amounted to ₱930.0 million.

E. Cessation of Operations

WJ Investments Limited (WJ). 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 hotpot dishes.

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

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

The details of Jollibee Group's interest in WJ as at December 31, 2017 are as follows:

Interest in a joint venture - cost	₱414,872
Cumulative equity in net losses:	
Balance at beginning of year	(263,243)
Equity in net loss during the year	(35,422)
Balance at end of year	(298,665)
Loss on cessation of operations	(116,207)
	₱–

Summarized financial information of WJ based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements as at December 31, 2017 are set out below:

Current assets	₱245,850
Noncurrent assets	77,700
Total assets	₱323,550
Current liabilities	₱43,060
Noncurrent liabilities	548
	₱43,608

The amounts of assets and liabilities above included cash and cash equivalents amounting to ₱235.0 million as at December 31, 2017.

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

Revenues	₱328,479
Depreciation and amortization	30,380
Interest income - net	357
Net loss	(73,796)
Total comprehensive loss	(73,796)
Net assets	₱279,942
Proportion of the Jollibee Group's ownership	48%
	134,372
Cumulative translation adjustments	(18,165)
	116,207
Loss on cessation of operations	(116,207)
	₱–

12. Property, Plant and Equipment

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

	June 2019 (Unaudited)							
	Land and Land Improvements	Plant, Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
Cost								
Balance at beginning of period	**₱677,030**	**₱4,078,145**	**₱22,691,183**	**₱21,602,616**	**₱2,325,794**	**₱710,293**	**₱5,306,609**	**₱57,391,670**
Additions	–	**261,659**	**380,170**	**747,408**	**49,028**	**11,665**	**2,637,677**	**4,087,607**
Retirements and disposals	–	**(8,335)**	**(647,722)**	**(810,350)**	**(27,677)**	**(65,889)**	**(99,508)**	**(1,659,481)**
Reclassifications	–	**2,114,000**	**1,694,872**	**1,992,931**	**372,395**	**5,116**	**(3,954,851)**	**2,224,463**
Translation adjustments	**(1,771)**	**(63,297)**	**(237,511)**	**(120,155)**	**(19,682)**	**(1,224)**	**(10,341)**	**(453,981)**
Balance at end of period	**675,259**	**6,382,172**	**23,880,992**	**23,412,450**	**2,699,858**	**659,961**	**3,879,586**	**61,590,278**
Accumulated Depreciation and Amortization								
Balance at beginning of period	**7,564**	**1,887,219**	**12,790,556**	**14,143,755**	**1,301,456**	**532,563**	–	**30,663,113**
Depreciation and amortization (see Notes 21 and 22)	–	**177,794**	**1,039,262**	**1,395,673**	**198,522**	**40,811**	–	**2,852,062**
Retirements and disposals	–	**(8,056)**	**(441,420)**	**(674,157)**	**(24,016)**	**(65,117)**	–	**(1,212,766)**
Reclassifications	–	–	**1,010,530**	**886,401**	**327,352**	**180**	–	**2,224,463**
Translation adjustments	–	**(11,435)**	**(172,475)**	**(71,322)**	**(15,342)**	**(1,106)**	–	**(271,680)**
Balance at end of period	**₱7,564**	**₱2,045,522**	**₱14,226,453**	**₱15,680,350**	**₱1,787,972**	**₱507,331**	**₱–**	**₱34,255,192**

(Forward)

	June 2019 (Unaudited)							
	Land and Land Improvements	**Plant, Buildings, Commercial Condominium Units and Improvements**	**Leasehold Rights and Improvements**	**Office, Store and Food Processing Equipment**	**Furniture and Fixtures**	**Transportation Equipment**	**Construction in Progress**	**Total**
Accumulated Impairment Losses								
Balance at beginning of period	**₱–**	**₱–**	**₱–**	**₱34,566**	**₱–**	**₱–**	**₱–**	**₱34,566**
Reversals (see Note 22)	–	–	–	**(5,617)**	–	–	–	**(5,617)**
Translation adjustments	–	–	–	**(296)**	–	–	–	**(296)**
Balance at end of period	–	–	–	**28,653**	–	–	–	**28,653**
Net Book Value	**₱667,695**	**₱4,336,650**	**₱9,654,539**	**₱7,703,447**	**₱911,886**	**₱152,630**	**₱3,879,586**	**₱27,306,433**

	December 2018 (Audited)							
	Land and Land Improvements	Plant, Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
Cost								
Balance at beginning of year	₱673,514	₱3,345,527	₱20,461,846	₱18,177,531	₱1,441,786	₱672,266	₱2,370,853	₱47,143,323
Additions	–	402,275	1,085,299	1,314,825	138,374	51,950	6,527,958	9,520,681
Acquisition of a business (see Note 11)	–	–	625,204	1,250,499	677,733	676	11,876	2,565,988
Retirements and disposals	–	(15,538)	(1,367,825)	(946,935)	(66,916)	(17,557)	(197,580)	(2,612,351)
Reclassifications	–	335,133	1,768,001	1,708,279	118,208	2,171	(3,411,360)	520,432
Translation adjustments	3,516	10,748	118,658	98,417	16,609	787	4,862	253,597
Balance at end of year	677,030	4,078,145	22,691,183	21,602,616	2,325,794	710,293	5,306,609	57,391,670
Accumulated Depreciation and Amortization								
Balance at beginning of year	7,564	1,409,213	11,246,146	11,699,317	978,883	465,693	–	25,806,816
Depreciation and amortization (see (see Notes 21 and 22)	–	291,598	2,134,454	2,882,908	362,787	80,666	–	5,752,413
Retirements and disposals	–	(11,619)	(857,636)	(696,510)	(52,035)	(16,728)	–	(1,634,528)
Reclassifications	–	189,732	154,058	174,575	(272)	2,340	–	520,433
Translation adjustments	–	8,295	113,534	83,465	12,093	592	–	217,979
Balance at end of year	7,564	1,887,219	12,790,556	14,143,755	1,301,456	532,563	–	30,663,113
Accumulated Impairment Losses								
Balance at beginning of year	–	–	–	442,693	–	–	–	442,693
Reversals (see Note 22)	–	–	–	(408,184)	–	–	–	(408,184)
Translation adjustments	–	–	–	57	–	–	–	57
Balance at end of year	–	–	–	34,566	–	–	–	34,566
Net Book Value	₱669,466	₱2,190,926	₱9,900,627	₱7,424,295	₱1,024,338	₱177,730	₱5,306,609	₱26,693,991

Construction in progress account mainly pertains to costs incurred for ongoing construction of properties, including soon-to-open stores and commissaries. The borrowing cost that has been capitalized for the construction of commissaries amounted to ₱39.3 million and ₱19.6 million as at June 30, 2019 and December 31, 2018, respectively.

Loss on retirements and disposals of property, plant and equipment amounted to ₱185.9 million and gain amounted to ₱27.7 million for the periods ended June 30, 2019 and 2018, respectively (see Note 22).

The Jollibee Group performed impairment assessments of fixed assets considering that there are observable indications that the assets' values have significantly declined resulting to recognition of provision for impairment amounting to ₱431.9 million in 2017.

Management reassessed the recoverable amount of the Jollibee Group's office, store and food processing equipment and recognized reversal of provision amounting to ₱5.6 million and ₱408.2 million in 2019 and 2018, respectively. Consequently, allowance for impairment loss on office, store and food processing equipment amounted to ₱28.7 million and ₱34.6 million as at June 30, 2019 and December 31, 2018, respectively.

No property, plant and equipment as at June 30, 2019 and December 31, 2018 have been pledged as security or collateral.

13. **Investment Properties**

The rollforward analysis of this account as at June 30, 2019 and December 31, 2018 follows:

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

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

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

Rent income derived from income-generating properties amounted to ₱13.1 million and ₱12.8 million for the periods ended June 30, 2019 and 2018, respectively (see Notes 20 and 29).

Direct operating costs relating to the investment properties which include maintenance expenses totaled to ₱7.8 million and ₱5.8 million for the periods ended June 30, 2019 and 2018, respectively.

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

In 2015, the Parent Company entered into an agreement to develop a commercial and office condominium building (the "Project") in a parcel of its land in consideration for cash and assigned units in the Project. The completion of the transaction is conditional upon fifty percent (50%) completion of the Project, as certified by the general contractor of the Project, and when all of the assigned units are fully constructed. As at June 30, 2019 and December 31, 2018, the Project is still under development.

No investment properties as at June 30, 2019 and December 31, 2018 have been pledged as security or collateral for the Jollibee Group's debts.

14. **Trademarks, Goodwill and Other Intangible Assets**

This account consists of:

	June 2019 (Unaudited)	December 2018 (Audited)
Trademarks (Note 11)	**₱16,563,269**	₱16,563,269
Goodwill (Note 11)	**14,395,717**	14,395,717
Computer software, net of accumulated amortization	**475,421**	516,975
Other intangible assets, net of accumulated amortization	**377,405**	354,096
	₱31,811,812	₱31,830,057

Trademarks and Goodwill
Trademarks and goodwill acquired through business combinations are attributable to the following group of CGUs as at June 30, 2019 and December 31, 2018:

Trademarks:	
Smashburger (see Note 11)	₱10,414,000
SuperFoods Group (see Note 11):	
Highlands Coffee	3,681,912
Pho 24	463,101
Mang Inasal	2,004,256
	16,563,269
Goodwill:	
Smashburger (see Note 11)	5,345,494
SuperFoods Group (see Note 11)	2,507,801
Hong Zhuang Yuan	2,497,253
Mang Inasal	1,781,267
Red Ribbon Bakeshop:	
Philippine operations	737,939
US operations	434,651
Yong He King	535,281
Chowking US operations	383,855
GSC	166,931
Burger King	5,245
	14,395,717
Trademarks and goodwill	₱30,958,986

Computer Software
The Jollibee Group's computer software pertains to the Enterprise Resource Planning (ERP) system which the Jollibee Group started to use on August 1, 2014.

The rollforward analysis of the Jollibee Group's computer software as at June 30, 2019 and December 31, 2018 are as follows:

	June 2019 (Unaudited)	December 2018 (Audited)
Cost		
Balance at beginning of period	**₱823,506**	₱740,260
Additions	**–**	83,246
Balance at end of period	**823,506**	823,506
Accumulated Amortization		
Balance at beginning of period	**306,531**	227,671
Amortizations (see Note 22)	**41,554**	78,860
Balance at end of period	**348,085**	306,531
Net Book Value	**₱475,421**	₱516,975

Other Intangible Assets
The Jollibee Group's other intangible assets include other trademarks and patents, favourable leases, liquor licenses and customer list amortized over a useful life of five years.

The rollforward analysis of other intangible assets as at June 30, 2019 and December 31, 2018 are as follows:

	June 2019 (Unaudited)	December 2018 (Audited)
Cost		
Balance at beginning of period	**₱453,507**	₱57,119
Additions	**72,102**	27,970
Acquisition of a subsidiary (see Note 11)	**–**	368,418
Balance at end of period	**525,609**	453,507
Accumulated Amortization		
Balance at beginning of period	**99,490**	38,961
Amortizations (see Note 22)	**40,623**	60,529
Balance at end of period	**140,113**	99,490
Translation adjustment	**(8,091)**	79
Net Book Value	**₱377,405**	₱354,096

Impairment Testing of Trademarks and Goodwill
Goodwill acquired through business combinations have been allocated to ten (10) groups of CGUs, which are subsidiaries of the Parent Company, owned directly or indirectly. The recoverable amounts of the groups of CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by the BOD covering a five-year period. Furthermore, the trademarks of Smashburger, SuperFoods Group and Mang Inasal are allocated to the CGU of Smashburger, SuperFoods Group and Mang Inasal, respectively.

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

CGUs	Geographical Location	Pre-tax Discount Rate	Long-term Revenue Growth Rate
Hong Zhuang Yuan	PRC	9.4%	6.1%
Mang Inasal	Philippines	12.0%	6.8%
Red Ribbon Bakeshop:			
Philippine operations	Philippines	12.0%	6.8%
US operations	USA	9.0%	2.0%
Yong He King	PRC	9.4%	6.1%
Chowking US operations	USA	9.0%	2.0%
Burger King	Philippines	12.0%	6.8%
GSC	Vietnam	12.4%	6.7%
SuperFoods Group	Vietnam	12.4%	6.7%
Smashburger	USA	9.0%	2.0%

Key assumptions with respect to the calculation of value in use of the groups of CGUs as at December 31, 2018 used by management in its cash flow projections to undertake impairment testing of goodwill are as follows:

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

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

c) EBITDA - is based on the most recent value achieved in the year preceding the start of the budget period, and adjusted for planned efficiency improvement, if any.

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

No impairment losses were recognized for trademarks and goodwill for the period ended June 30, 2019 and the year ended December 31, 2018.

15. **Other Noncurrent Assets**

This account consists of:

	June 2019 (Unaudited)	December 2018 (Audited)
Security and other deposits (see Notes 9, 30 and 31)	**₱2,555,451**	₱2,474,748
Noncurrent portion of:		
Rent and other long-term prepayments	**482,542**	505,797
Employee car plan receivables (see Notes 7, 30 and 31)	**150,302**	169,109
Prepaid market entry fee - net of accumulated amortization of ₱18.1 million and ₱15.4 million in 2019 and 2018, respectively	**89,222**	94,315
Franchise rights - net of accumulated amortization of ₱55.7 million and ₱49.4 million in 2019 and 2018, respectively	**87,478**	80,903
Deferred rent expense	**77,847**	78,652
Deferred compensation	**27,367**	27,367
Returnable containers and others	**17,211**	38,644
Tools and other assets	**249,021**	281,509
	₱3,736,441	₱3,751,044

Terms and conditions of other noncurrent assets are as follows:

- Security and other deposits generally represent deposits for operating leases entered into by the Jollibee Group as lessee. The security deposits are recoverable from the lessors at the end of the lease terms, which range from three to twenty years. These are carried at amortized cost. The discount rates used range from 2.36%-7.51% and 2.44%-5.71% in 2018 and 2017, respectively. The difference between the fair value at initial recognition and the notional amount of the security deposits is charged to "Deferred rent expense" account and amortized on straight-line basis over the lease terms.

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

  Accretion of interest on security and other deposits and employee car plan receivables amounted to ₱9.7 million and ₱8.9 million for the periods ended June 30, 2019 and 2018, respectively (see Note 23).

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

The rollforward analysis of prepaid market entry fee as at June 30, 2019 and December 31, 2018 are as follows:

	June 2019 (Unaudited)	December 2018 (Audited)
Market Entry Fee		
Balance at beginning and end of period	**₱93,870**	₱93,870
Accumulated Amortization		
Balance at beginning of period	**15,392**	9,863
Amortizations (see Note 22)	**2,741**	5,529
Balance at end of period	**18,133**	15,392
Translation adjustment	**13,485**	15,837
	₱89,222	₱94,315

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

  The rollforward analysis of franchise rights as at June 30, 2019 and December 31, 2018 are as follows:

	June 2019 (Unaudited)	December 2018 (Audited)
Franchise Rights		
Balance at beginning of period	**₱130,317**	₱105,386
Additions	**12,855**	24,931
Balance at end of period	**143,172**	130,317
Accumulated Amortization		
Balance at beginning of period	**49,414**	36,985
Amortizations (see Note 22)	**6,280**	12,429
Balance at end of period	**55,694**	49,414
	₱87,478	₱80,903

- Tools and other assets represent tools for repairs and maintenance of office and store equipment which were still unused as at June 30, 2019 and December 31, 2018.

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

This account consists of:

	June 2019 (Unaudited)	December 2018 (Audited)
Trade	**₱11,831,561**	₱13,094,676
Accruals for:		
Salaries, wages and employee benefits	**2,427,659**	2,127,743
Advertising and promotions	**1,563,929**	1,585,517
Store operations	**1,551,487**	1,699,887
Rent	**1,102,422**	1,156,140
Local taxes	**903,677**	2,005,187
Freight	**807,381**	795,271
Utilities	**494,804**	484,693
Repairs and maintenance	**379,510**	393,278
Operating supplies	**265,905**	255,229
Security	**198,833**	169,245
Interest (Note 18)	**154,837**	239,663
Professional fees	**131,505**	195,681
Transportation and travel	**88,008**	101,363
Communication	**86,505**	78,974
Trainings and seminars	**32,902**	29,531
Insurance	**21,218**	18,267
Service fees and others	**1,277,729**	1,320,665
Customers' deposits	**835,488**	898,248
Unearned revenue from gift certificates	**489,042**	628,070
Dividends payable	**76,552**	80,780
Other current liabilities	**1,354,037**	1,208,583
	26,074,991	28,566,691
Contract liabilities	**99,406**	150,078
	₱26,174,396	₱28,716,769

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

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

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

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

  Accretion of interest on customer's deposits amounted to ₱0.1 million and ₱0.3 million for the periods ended June 30, 2019 and 2018, respectively (see Note 23).

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

- Contract liabilities pertains to deferred revenue and unearned revenue from gift certificates from international operations.

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

	June 2019 (Unaudited)	December 2018 (Audited)
Balance beginning of period	**₱150,078**	₱–
Utilized gift certificates	**(49,763)**	(2,650)
Additions	**2,050**	36,506
Effect of adoption of PFRS 15	**–**	2,650
Acquisition of a subsidiary	**–**	113,572
Translation adjustments	**(2,959)**	–
Balance at end of year	**₱99,406**	₱150,078

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

17. Provisions

The Jollibee Group has outstanding provisions amounting to ₱825.1 million as at June 30, 2019 and December 31, 2018, consisting mainly of provisions for asserted claims which are normal to its business.

These include estimates of legal services, settlement amounts and other costs of claims made against the Jollibee Group. Other information on the claims is not disclosed as this may prejudice the Jollibee Group's position on such claims (see Note 29).

18. Short and Long-term Debts

Short-term Debt

On March 22, 2019, Smashburger Finance LLC signed a short-term uncommitted line of credit agreement with a local bank up to an aggregate amount of USD20.0 million (₱1,046.4 million) until April 5, 2020. The loan is subject to variable interest rate based on three-month London Interbank Offered Rate (LIBOR) plus spread of 0.95% which is payable monthly and subject to quarterly repricing. The initial drawdown was availed on April 5, 2019 amounting to USD5.0 million (₱260.5 million). Subsequently, 2nd and 3rd drawdowns amounting to USD5.0 million (₱262.2 million) and USD5.0 million (₱257.9 million) were availed on May 14, 2019 and June 21, 2019, respectively. The loans will mature on March 5, 2020, Mach 16, 2020 and March 21, 2020, respectively. As at June 30, 2019, the carrying value of the loan amounted to USD15.0 million (₱768.8 million).

Interest expense recognized on short-term debt amounted to ₱4.1 million for the period ended June 30, 2019 (see Note 23).

Long-term Debt
The long-term debt consists of the following:

	June 2019 (Unaudited)	December 2018 (Audited)
Principal	**₱23,678,227**	₱26,363,627
Unamortized debt issue cost	**(96,703)**	(99,274)
	₱23,581,524	₱26,264,353

The details of long-term debt follow:

	June 2019 (Unaudited)	December 2018 (Audited)
USD-denominated:		
Loan 1	**₱4,070,734**	₱4,498,511
Loan 2	**1,506,456**	1,545,852
Loan 3	**401,722**	412,227
Loan 4	**–**	310,222
VND-denominated:		
Loan 5 (see Note 11)	**43,679**	79,296
Loan 6 (see Note 11)	**66,074**	88,128
Loan 7 (see Note 11)	**113,271**	137,088
Loan 8	**250,973**	260,352
Loan 9	**252,817**	41,951
PHP-denominated:		
Loan 10	**–**	1,454,318
Loan 11	**–**	799,733
Loan 12	**498,083**	622,583
Loan 13	**1,394,400**	1,593,600
Loan 14	**1,830,150**	2,091,600
Loan 15	**697,200**	796,800
Loan 16	**522,900**	597,600
Loan 17	**4,174,125**	4,171,875
Loan 18	**2,980,982**	2,979,376
Loan 19	**2,682,161**	2,680,714
Loan 20	**109,725**	109,670
Loan 21	**993,393**	992,857
Loan 22	**992,679**	–
	23,581,524	26,264,353
Less current portion - net of debt issue costs of ₱10.6 million and ₱7.0 million in 2019 and 2018, respectively	**2,489,331**	4,892,102
	₱21,092,193	₱21,372,251

USD-denominated loans of JWPL. Loan 1 consists of a 10-year unsecured loan acquired from a local bank on October 21, 2015 amounting to USD110.0 million (₱5,111.7 million) subject to a variable interest rate based on three-month LIBOR plus spread of 1.20% which is payable and is reset on a quarterly basis. The spread applies provided the Republic of the Philippines' 5-year credit default swap remains under 1.10%. The principal is payable in quarterly installments commencing on January 23, 2017 up to October 21, 2025, the maturity date. As at June 30, 2019 and December 31, 2018, the carrying value of the loan amounted to ₱4,070.7 million and ₱4,498.5 million, respectively.

Under the loan agreement, the Parent Company as the guarantor is subject to certain debt covenants which include among others, maintaining a Debt-to-Equity ratio and Debt-to-EBITDA ratio of 3.0 or below. As at June 30, 2019 and December 31, 2018, the Parent Company is in compliance with the terms of the loan covenants.

Loan 2 consists of an 8-year unsecured loan acquired on November 29, 2016 amounting to USD30.0 million (₱1,491.9 million) with an interest rate of 3.0% per annum. The principal is payable in six (6) yearly installments commencing on November 29, 2017 up to November 29, 2022 amounting to USD0.3 million, and the remaining balance on November 29, 2024, the maturity date. As at June 30, 2019 and December 31, 2018, the carrying value of the loan amounted to ₱1,506.5 million and ₱1,545.9 million, respectively.

The loan agreement provides certain restrictions and requirements to the Parent Company as the guarantor with respect to maintaining financial ratios, which include maintaining a Debt-to-Equity ratio of 3.0 or below and Debt Service Coverage ratio of at least 1.3. As at June 30, 2019 and December 31, 2018, the Parent Company as the guarantor is in compliance with the terms of its loan covenants.

Loan 3 consists of a 6-year unsecured loan acquired on November 29, 2016 amounting to USD8.0 million (₱397.8 million) with an interest rate based on interpolated ROP 2021 and ROP 2024 plus spread of 0.5%. The principal is payable in five (5) yearly installments commencing on November 29, 2017 up to November 29, 2021 amounting to USD0.08 million, and the remaining balance on November 29, 2022, the maturity date. As at June 30, 2019 and December 31, 2018, the carrying value of the loan amounted to ₱401.7 million and ₱412.2 million, respectively.

USD-denominated loans of HBFPPL. Loan 4 consists of a 5-year unsecured loan acquired on April 25, 2014 amounting to USD5.9 million (₱257.5 million) with an interest rate of 1.48% subject to repricing every quarter. The loan was paid in full on April 25, 2019, the maturity date. As at June 30, 2019 and December 31, 2018, the carrying value of the loan amounted to nil and ₱310.2 million, respectively.

Under the loan agreement, the Parent Company as the guarantor is subject to certain restrictions and requirements with respect to maintaining financial ratios, which include Debt-to-Equity ratio and Debt-to-EBITDA ratio not to exceed 3.0. As at December 31, 2018, the Parent Company as the guarantor is in compliance with the terms of its loan covenants.

VND-denominated loans of SuperFoods Group. Loan 5 consists of a 5-year loan acquired from a local bank in Vietnam on February 19, 2015 amounting to VND118.0 billion (₱250.2 million). The loan is subject to a variable interest rate based on thirty (30) day Vietnam Interbank Offered Rates plus spread of 1.5%. The principal is payable in monthly installments commencing on the 13th month after the first utilization date until February 2020, the maturity date. As at June 30, 2019 and December 31, 2018, the carrying value of the loan amounted to ₱43.7 million and ₱79.3 million, respectively.

Loan 6 consists of a 5-year loan acquired on December 30, 2015 from a local bank in Vietnam amounting to VND68.0 billion (₱146.7 million). The loan is subject to a variable interest rate based on three-month VND COF plus spread of 1.5%. The principal is payable in sixteen (16) quarterly installments commencing on the 15th month after the first utilization until December 20, 2020, the maturity date. As at June 30, 2019 and December 31, 2018, the carrying value of the loan amounted to ₱66.1 million and ₱88.1 million, respectively.

Loan 7 consists of a 5-year loan acquired on April 3, 2017 from a local bank in Vietnam amounting to VND68.0 billion (₱151.2 million) with variable interest rate based on three-month VND COF plus spread of 1.5%. The principal is payable in sixteen (16) quarterly installments commencing on the 15th month from the first drawdown date until April 1, 2022, the maturity date. As at June 30, 2019 and December 31, 2018, the carrying value of the loan amounted to ₱113.3 million and ₱137.1 million, respectively.

Loan 8 consists of a 5-year loan acquired from a local bank in Vietnam amounting to VND113.0 billion (₱262.7 million) available in tranches within eighteen (18) months from February 13, 2018, the date of loan agreement. The loan is subject to a variable interest rate based on three-month VND COF plus spread of 1.3%. The principal is payable in fourteen (14) quarterly installments commencing on the 21st month from the initial drawdown date on March 20, 2018 amounting to VND7.5 billion (₱17.4 million). The loan will mature on March 20, 2023. As at June 30, 2019 and December 31, 2018, the carrying value of the loan amounted to ₱251.0 million and ₱260.4 million, respectively.

Loan 9 consists of a 5-year loan acquired from a local bank in Vietnam amounting to VND185.0 billion (₱426.2 million) available in tranches within twenty-four (24) months from November 15, 2018, the date of loan agreement. The loan is subject to a variable interest rate based on the Bank's three-month COF plus spread of 1.35%. The principal is payable in twelve (12) quarterly installments commencing on the 27th month from the initial drawdown date on December 25, 2018 amounting to VND18.2 billion (₱42.0 million). Subsequent tranches totaling to VND95.6 billion (₱215.9 million) were availed in 2019. The loan will mature on December 24, 2023. As at June 30, 2019 and December 31, 2018, the carrying value of the loan amounted to ₱252.8 million and ₱42.0 million, respectively.

PHP-denominated loans of the Parent Company. On December 9, 2013, the Parent Company refinanced its ₱1,500.0 million term loan from a local bank due on December 16, 2013 by availing a term loan of the same amount (Loan 10). The 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. The loan was paid in full on June 17, 2019, the maturity date.

Under the loan agreement, the Parent Company is subject to certain debt covenants which include among others, the maintenance of a required Debt-to-Equity ratio and Debt-to-EBITDA ratio of 3.0 or below. As at December 31, 2018, the Parent Company is in compliance with these debt covenants.

Loan 11 consists of a 5-year unsecured loan acquired from a local bank on April 21, 2014 amounting to ₱800.0 million. The loan is subject to a variable interest rate based on three-month PDST-F rate plus spread of 1.0%, which is payable and is reset on a quarterly basis, and to an interest rate floor based on the BSP Special Deposit Account (SDA) Rate plus spread of 1.0% or BSP Overnight

Borrowing Rate plus spread of 1.0%. The Parent Company incurred debt issue cost of ₱4.0 million, representing documentary stamp tax, in relation to this loan in 2014. The loan was fully settled on April 22, 2019, the maturity date.

Under the loan agreement, the Parent Company is subject to certain debt covenants which include, among others, maintaining a Debt-to-Equity ratio of 3.0 or below and Debt-to-Service Coverage ratio of at least 1.3. The Parent Company is in compliance with these debt covenants as at December 31, 2018.

Loan 12 consists of 5-year unsecured loan acquired from a local bank on April 22, 2016 amounting to ₱1,000.0 million. The loan is subject to a variable interest rate based on three-month Philippine Dealing System Treasury - Reference Rate Two (PDST-R2) plus spread of 0.55%, subject to repricing every quarter, and to an interest rate floor of BSP SDA. Provided, however that on any Interest Payment Date, in lieu of a floating interest rate, the Parent Company shall have a one-time option to convert into a fixed-interest rate loan not later than 730 days from drawdown date. The conversion to fixed interest rate is based on the applicable PDST-R2 rate plus spread of 2% if the option is exercised from day 1 to day 365 from drawdown date and based on the applicable PDST-R2 rate plus spread of 2.75% if the option is exercised from day 366 to day 730 from drawdown date. The principal is payable in sixteen (16) quarterly installments commencing on the 15th month from drawdown date amounting to ₱62.5 million. The Parent Company incurred debt issue cost of ₱5.0 million, representing documentary stamp tax, for this loan. The Parent Company has an option to prepay the loan in part or in full on any interest payment date.

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 of 3.0 and below. The Parent Company is in compliance with these debt covenants as at June 30, 2019 and December 31, 2018.

Loan 13 consists of 5-year unsecured loan acquired from a local bank on December 22, 2017 amounting to ₱1,600.0 million. The loan is subject to a variable interest based on the simple average of the preceding five (5) days of the three-month PDST-R2 plus spread of 0.50%, which is payable and repriced on a quarterly basis, and to an interest rate floor of 2.70%. Provided, however that on any interest payment date, but in no case later than 365 days from the initial drawdown date, in lieu of a floating interest rate, the Parent Company shall have a one-time option to convert into a fixed-interest rate loan based on the applicable three-month PDST-R2 rate plus spread of 0.60%. The principal is payable in sixteen (16) quarterly installments commencing on the 15th month from drawdown date amounting to ₱100.0 million. The Parent Company incurred debt issue cost of ₱8.0 million, representing documentary stamp tax, for this loan. The Parent Company also has an option to prepay the loan in part or in full on any interest payment date subject to certain conditions.

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 of 3.0 or below. The Parent Company is in compliance with these debt covenants as at June 30, 2019 and December 31, 2018.

Loan 14 consists of 5-year unsecured loan acquired from a local bank on December 22, 2017 amounting to ₱2,100.0 million. The loan is subject to a variable interest rate based on the simple average of the five (5) trading days of the three-month Treasury Securities Benchmark Yield, as published in the PDST-R2 page of the PDEX preceding and inclusive of the Interest Rate Setting Date plus spread of 0.50%. The principal is payable on December 22, 2022, the date of maturity with an option to prepay the loan, wholly or partially, without penalty at any time during the term of the loan subject to certain conditions. On July 16, 2018, the loan agreement was amended to pay the

principal in sixteen (16) quarterly installments commencing on the end of the 4th quarter from the drawdown date. The Parent Company incurred debt issue cost of ₱10.5 million, representing documentary stamp tax, for this loan.

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 of 3.0 or below and Debt-to-Service Coverage ratio of at least 1.3. The Parent Company is in compliance with these debt covenants as at June 30, 2019 and December 31, 2018.

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

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 of 3.0 or below. The Parent Company is in compliance with these debt covenants as at June 30, 2019 and December 31, 2018.

Loan 16 consists of 5-year unsecured loan acquired from a local bank on December 27, 2017 amounting to ₱600.0 million. The loan is subject to a variable interest equal to the three-month PDST-R2 rate plus spread of 0.50%, which is payable and is reset on a quarterly basis, and to an interest rate floor based on BSP Overnight Deposit Facility Rate plus 0.50%. The principal is payable in sixteen (16) quarterly installments commencing on the 15th month from drawdown date amounting to ₱37.5 million. The Parent Company incurred debt issue cost of ₱3.0 million, representing documentary stamp tax, for this loan. The Parent Company has an option to convert the variable interest rate into a fixed interest rate on any interest payment date but in no case later than 365 days from the drawdown date. The conversion to fixed interest rate is based on a five year PDST-R2 rate plus spread of 0.75%. The Parent Company also has an option to prepay the loan in part of in full on any interest payment date subject to certain conditions.

Under the loan agreement, the Parent Company is subject to certain debt covenants which include among others, the maintenance of a required Debt-to-Equity ratio and Debt-to-EBITDA ratio of 3.0 or below and Debt-to-Service Coverage ratio of at least 1.3. The Parent Company is in compliance with these debt covenants as at June 30, 2019 and December 31, 2018.

Loan 17 consists of 7-year unsecured loan acquired from a local bank on March 27, 2018 amounting to ₱4,200.0 million. The loan is subject to a variable interest equal to the simple average of the preceding five (5) days of the three-month PDST-R2 rate plus spread of 0.40% and to an interest rate floor of 3.0%. The principal is payable in equal quarterly installments commencing on the 27th month from drawdown date amounting to ₱210.0 million. The Parent Company incurred debt issue cost of ₱31.5 million, representing documentary stamp tax, for this loan. The Parent Company has an option to convert the variable interest rate into a fixed interest rate but in no case later than 365 days from the drawdown date. The conversion to fixed interest rate is based on simple average of the applicable/interpolated "Done" PDST-R2 rates within the preceding five (5) consecutive business days plus spread of 0.60%. In the event that there is no "Done" PDST-R2 rates, it shall be determined by interpolating the "Done" PDST-R2 of other tenors or mutually agreed computation based on the

available bids/interpolation. The Parent Company also has an option to prepay the loan in part or in full on any interest payment date subject to certain conditions.

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 of 3.0 or below. The Parent Company is in compliance with these debt covenants as at June 30, 2019 and December 31, 2018.

Loan 18 consists of 7-year unsecured loan acquired from a local bank on May 11, 2018 amounting to ₱3,000.0 million. The loan is subject to a variable interest rate equal to simple average of the five (5) trading days of the three-month Treasury Securities Benchmark Yield, as published in the PDST-R2 page of the PDEX preceding and inclusive of the Interest Rate Setting Date plus spread of 0.50%. The Parent Company has a one-time option to convert the variable interest rate into a fixed interest rate until the 4th interest rate setting date subject to certain conditions. The conversion to fixed interest rate is equal to the interpolated Treasury Securities Benchmark Yield based on the remaining tenor of the Loan, as published in the PDST-R2 on the interest setting date plus spread of 0.50%. The principal is payable in twenty (20) quarterly installments commencing on the end of the 8th quarter from the drawdown date. The Parent Company incurred debt issue cost of ₱22.5 million, representing documentary stamp tax, for this loan.

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 of 3.0 or below and Debt-to-Service Coverage ratio of at least 1.3. The Parent Company is in compliance with these debt covenants as at June 30, 2019 and December 31, 2018.

Loan 19 consists of 7-year unsecured loan acquired from a local bank on August 15, 2018 amounting to ₱2,700.0 million. The loan is subject to a variable interest rate equal to simple average of the five (5) trading days of the three-month Treasury Securities Benchmark Yield, as published in the PDST-R2 page of the PDEX preceding and inclusive of the Interest Rate Setting Date plus spread of 0.50%. The Parent Company has a one-time option to convert the variable interest rate into a fixed interest rate until the 4th interest rate setting date subject to certain conditions. The conversion to fixed interest rate is equal to the interpolated Treasury Securities Benchmark Yield based on the remaining tenor of the Loan, as published in the PDST-R2 on the interest setting date plus spread of 0.50%. The principal is payable in twenty (20) quarterly installments commencing on the end of the 8th quarter from the drawdown date. The Parent Company incurred debt issue cost of ₱20.3 million, representing documentary stamp tax, for this loan.

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 of 3.0 or below and Debt-to-Service Coverage ratio of at least 1.3. The Parent Company is in compliance with these debt covenants as at June 30, 2019 and December 31, 2018.

The Parent Company's PHP denominated long-term debt (Loans 10 to 19) amounts to ₱14,780.0 million and ₱17,788.2 million, net of unamortized debt issue cost of ₱82.5 million and ₱91.8 million as at June 30, 2019 and December 31, 2018, respectively. The current portion amounted to ₱1,724.4 million and ₱3,773.0 million, net of debt issue cost of ₱10.6 million and ₱7.0 million as at June 30, 2019 and December 31, 2018, respectively.

PHP-denominated loan of PERF Restaurants, Inc. (PERF). Loan 20 is a 5-year unsecured loan acquired from local a bank on December 21, 2016 amounting to ₱110.0 million with an interest rate based on three-month PDST-R2 plus spread of 1.0% and with an interest rate floor computed at BSP Overnight Deposit Facility Rate plus spread of 0.5%. The loan is payable on December 21, 2021, the

maturity date. PERF incurred debt issue cost of ₱0.6 million, representing documentary stamp tax, in relation to this loan in 2016. The carrying amount of the loan is ₱109.7 million, net of unamortized debt issue cost of ₱0.3 million, as at June 30, 2019 and December 31, 2018.

The loan is guaranteed by the Parent Company. Consequently, the Parent Company is subject to certain debt covenants which include, among others, maintaining a Debt-to-Equity ratio of 3.0 or below and Debt-to-Service Coverage ratio of at least 1.3. The Parent Company is in compliance with these debt covenants as at June 30, 2019 and December 31, 2018.

PHP-denominated loan of Zenith. Loan 21 is a 7-year unsecured loan acquired from a local bank on August 24, 2018 amounting to ₱1,000.0 million. The loan is subject to a variable interest equal to the simple average of the preceding five (5) days of the three-month PDST-R2 on the interest setting date plus spread of 0.48% and to an interest rate floor equal to the BSP Overnight Reverse Repurchase Rate. Zenith has an option to convert the variable interest rate into a fixed interest rate but in no case later than 365 days from the drawdown date. The conversion to fixed interest rate is based on simple average of the applicable/interpolated "Done" PDST-R2 rates within the preceding five (5) consecutive business days plus spread of 0.60%. Zenith incurred debt issue cost of ₱7.5 million, representing documentary stamp tax, in relation to this loan. The principal is payable in equal quarterly installments commencing on the 27th month from the drawdown date and every quarter thereafter until maturity. The carrying amount of the loan is ₱993.4 million and ₱992.9 million, net of unamortized debt issue cost of ₱6.9 million and ₱7.1 million, as at June 30, 2019 and December 31, 2018, respectively.

The loan is guaranteed by the Parent Company. Consequently, the Parent Company is subject to certain debt covenants which include, among others, maintaining a Debt-to-Equity ratio and Debt-to-EBITDA ratio of 3.0 or below. The Parent Company is in compliance with these debt covenants as at June 30, 2019 and December 31, 2018.

Loan 22 consist of 7-year unsecured loan acquired from a local bank on May 8, 2019 amounting to ₱1,000.0 million. The loan is subject to a variable interest the equal to the simple average of the preceding five (5) banking days PHP BVAL Reference rate for three (3) months tenor plus spread of 0.66% or to an interest rate floor equal to the BSP Overnight Reverse Repurchase Rate plus spread of 0.50%. Zenith has an option to convert the variable interest rate into a fixed interest within one (1) year from the drawdown date. The conversion to fixed interest rate is based on simple average of the applicable/interpolated PHP BVAL Reference rate for the remaining tenor of the loan plus spread of 1.0%. Zenith incurred debt issue cost of ₱7.5 million, representing documentary stamp tax, in relation to this loan. The principal is payable in equal quarterly installments commencing on the 9th quarter from the drawdown date and every quarter thereafter until maturity. The carrying amount of the loan is ₱992.7 million, net of unamortized debt issue cost of ₱7.3 million, as at June 30, 2019.

The loan is guaranteed by the Parent Company. Consequently, the Parent Company is subject to certain debt covenants which include, among others, maintaining a Debt-to-Equity ratio of 3.0 or below and Debt-to-EBITDA ratio of 4.0 or below. The Parent Company is in compliance with these debt covenants as at June 30, 2019.

Interest expense recognized on long-term debt including amortization of debt issue cost, amounted to ₱647.1 million and ₱375.4 million for the periods ended June 30, 2019 and 2018, respectively (see Note 23).

The future expected principal settlements of the Jollibee Group's loans follow:

	June 2019 (Unaudited)	December 2018 (Audited)
2019	**₱1,130,363**	₱4,899,151
2020	**3,485,870**	3,510,235
2021	**4,514,529**	4,391,793
2022	**4,764,854**	4,552,194
2023 to 2026	**9,782,611**	9,010,254
	23,678,227	26,363,627
Less debt issue costs	**(96,703)**	(99,274)
	₱23,581,524	₱26,264,353

Embedded Derivatives

Certain long-term loans of the Jollibee Group include provisions for an option to convert the variable interest rate into a fixed interest rate. Certain long-term loans are also subject to an interest rate floor. In addition, the Jollibee Group's long-term loans generally provide an option to pre-pay the loan in full before the maturity date.

The Jollibee Group assessed that the derivatives embedded in the loan contracts need not be bifurcated since they are clearly and closely related to the economic characteristics and risks of the host loan contract and do not qualify for separate accounting as at June 30, 2019 and December 31, 2018.

Freestanding Derivatives, Hedges and Hedge Effectiveness Testing

On November 20, 2015, the Jollibee Group entered into an Interest Rate Swap (IRS) with a bank to convert its exposure in the variable interest rate of Loan 1 to a fixed interest rate. The IRS will terminate and the loan will mature simultaneously on October 21, 2025. The Jollibee Group has designated the IRS as a cash flow hedge.

The IRS with a notional amount equal to the principal amount of the loan requires the Jollibee Group to pay fixed interest payments at 3.36% in exchange of variable interest payments at three-month LIBOR plus spread of 1.20% from the bank throughout the term of the IRS on the notional amount. The IRS settles quarterly on a net basis.

The fair value of the IRS amounted to ₱41.1 million as at June 30, 2019, presented as derivative liability and ₱82.9 million as at December 31, 2018, presented as derivative asset in the statements of financial position. The terms of the IRS approximately match the terms of the interest payments on the loan. Accordingly, there is no hedge ineffectiveness to be recognized in profit or loss.

Unrealized loss of ₱124.0 million and unrealized income of ₱110.0 million were recognized in other comprehensive income for the periods ended June 30, 2019 and 2018, respectively.

19. **Equity**

a. Capital Stock

The movements in the account are as follows:

	June 2019 (Unaudited)	December 2018 (Audited)
Authorized - ₱1 par value 1,450,000,000 shares	**₱1,450,000**	₱1,450,000
Issued and subscribed:		
Balance at beginning of period	**₱1,105,214**	₱1,101,656
Issuances during the period	**4,402**	3,558
Balance at end of period	**1,109,616**	1,105,214
Subscriptions receivable	**(17,178)**	(17,178)
	₱1,092,438	₱1,088,036

The total number of shareholders of the Parent Company is 3,003 and 3,023 as at June 30, 2019 and December 31, 2018, respectively.

b. Additional Paid-in-Capital

The movements in the Additional paid in-capital pertain to the difference between the exercise prices of stock options exercised and the par value of Parent Company's shares. For the periods ended June 30, 2019 and December 31, 2018, stock options totaling 4,402,274 shares and 3,558,182 shares, respectively, were exercised (see Note 26). These resulted to an additional paid-in capital amounting to ₱504.0 million and ₱472.0 million for the periods ended June 30, 2019 and December 31, 2018, respectively.

Stock options expense, amounting to ₱130.2 million and ₱132.1 million for the periods ended June 30, 2019 and 2018, were also recognized as part of additional paid-in capital (see Notes 22 and 26).

The Parent Company recognized deferred tax assets on MSOP and ELTIP, resulting to additional paid-in capital of ₱334.1 million and ₱782.0 million in 2018 and 2017.

As at June 30, 2019 and December 31, 2018, total additional paid-in capital amounted to ₱9,272.7 million and ₱8,638.4 million, respectively.

c. Treasury Shares

The cost of common stock of the Parent Company held in treasury of ₱180.5 million consists of 16,447,340 shares as at June 30, 2019 and December 31, 2018.

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

The amount of excess of cost over the carrying value of non-controlling interests acquired as at June 30, 2019 and December 31, 2018, recognized as part of "Equity Attributable to Equity Holders of the Parent Company" section in the consolidated statements of financial position, resulted from the following acquisitions of non-controlling interests:

20% of Greenwich in 2006	₱168,257
15% of Belmont in 2007	375,721
40% of Adgraphix in 2010	(1,214)
30% of Mang Inasal in 2016	1,217,615
30% of HBFPPL in 2016	391,782
15% of SJBF in 2018 (see Note11)	(347,395)
	₱1,804,766

e. Retained Earnings

The 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 50.5%, 32.4% and 33.1% in 2019, 2018 and 2017, respectively.

The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in SEC Memorandum Circular No. 11, amounted to ₱13,310.8 million and ₱12,538.8 million as at June 30, 2019 and December 31, 2018, respectively.

The Parent Company's cash dividend declarations for 2019, 2018 and 2017 follow:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total Cash Dividends Declared
			(In Thousands, except dividend per share)	
2019				
April 8	April 26	May 9	**₱1.23**	**₱1,341,178**
2018				
April 6	April 24	May 9	₱1.14	₱1,236,518
November 9	November 26	December 10	1.34	1,455,269
			₱2.48	₱2,691,787
2017				
April 5	April 21	May 5	₱1.00	₱1,077,527
November 10	November 27	December 11	1.18	1,277,984
			₱2.18	₱2,355,511

An important part of the 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 2006 (₱384.0 million), the remaining 15% share of Yonghe King in 2007 (₱413.7 million), 100% of Hong Zhuang Yuan restaurant chain in PRC in 2008 (₱2,600.0 million), 70% of Mang Inasal in 2010 (₱2,976.2 million), 100% of Chowking US operations in 2011 (₱693.3 million), 40% of SJBF LLC, the parent company of the entities comprising the Smashburger business in US (₱4,812.8 million), including transaction costs in

2015, the remaining 30% minority share each in Mang Inasal (₱2,000.0 million) and HBFPPL (₱514.9 million), acquisition of GSC (₱8.6 million) in 2016, the acquisition of additional 10% share in SuperFoods Group (₱2,712.7 million) in 2017 and acquisition of remaining 60% share in SJBF LLC (₱5,735.8 million) in 2018.

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.

On November 9, 2018, the BOD approved the following:

- Release of previously appropriated retained earnings amounting to ₱18,200.0 million as at September 30, 2018 related to the completed projects in 2013 to 2018; and,

- Appropriation of retained earnings amounting to ₱20,000.0 million. Details are as follows:

Projects	Timeline	Amount
Capital Expenditures	2019 - 2024	₱12,000,000
Acquisition of Businesses	2019 - 2024	8,000,000
		₱20,000,000

The unappropriated retained earnings of the Parent Company is also restricted to the extent of cost of common stock held in treasury amounting to ₱180.5 million as well as the undistributed retained earnings of its subsidiaries which amounted to ₱1,967.1 million and ₱3,063.9 million as at June 30, 2019 and December 31, 2018, respectively.

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

	Number of Shares registered	Initial issue/offer price	Listing Date	Number of holders of securities **June 2019 (Unaudited)**	Number of holders of securities December 2018 (Audited)
Common shares	75,000,000	₱9	July 14, 1993	**3,003**	3,023

20. Royalty, Set-up Fees and Others

This account consists of:

	June 2019 (Unaudited)	June 2018 (Unaudited)
Royalty fees	**₱3,959,933**	₱3,270,801
Set-up fees	**218,488**	246,420
Service fees	**168,542**	160,614
Scrap sales	**26,957**	62,188
Rent income (see Notes 13 and 29)	**28,514**	28,176
Other revenues	**113,012**	118,536
	₱4,515,446	₱3,886,735

The Jollibee Group has existing Royalty and Service Agreements with independent franchisees for the latter to operate quick service restaurant outlets under the "Jollibee", "Chowking", "Greenwich", "Red Ribbon", "Mang Inasal", "Yong He King", "Hong Zhuang Yuan", "Highlands Coffee", "Pho 24" and "Smashburger" concepts and trade names. In consideration thereof, the franchisees agree to pay set-up fees and monthly royalty fees equivalent to a certain percentage of the franchisees' net sales.

The Jollibee Group's franchisees pay service fees for various services, including repairs and maintenance services, rendered by the Jollibee Group's personnel.

Other revenues pertain to delivery fees and other miscellaneous revenues earned by the Jollibee Group.

21. **Direct Costs**

This account consists of:

	June 2019 (Unaudited)	June 2018 (Unaudited)
Cost of Sales		
Cost of inventories	**₱39,921,688**	₱35,378,647
Personnel costs:		
Salaries, wages and other employee benefits	**8,330,757**	6,869,686
Pension expense	**85,629**	73,348
Rent (see Note 29)	**6,259,431**	5,639,514
Contracted services	**4,611,277**	4,110,985
Electricity and other utilities	**2,651,907**	2,511,526
Depreciation and amortization (see Note 12)	**2,651,005**	2,477,874
Supplies	**1,413,889**	1,475,972
Repairs and maintenance	**911,826**	795,066
Security and janitorial	**529,749**	469,239
Communication	**152,989**	134,072
Professional fees	**86,043**	35,308
Representation and entertainment	**64,113**	23,370
Others	**1,753,900**	1,638,411
	69,424,203	61,633,018
Cost of Services		
Advertising expense	**1,434,236**	1,188,731
	₱70,858,439	₱62,821,749

Others consist of delivery costs, insurance and other miscellaneous expenses.

22. General and Administrative Expenses

This account consists of:

	June 2019 (Unaudited)	June 2018 (Unaudited)
Personnel costs:		
Salaries, wages and other employee benefits	**₱4,583,499**	₱3,783,027
Stock options expense (see Notes 19 and 26)	**130,223**	132,091
Pension expense	**83,507**	75,605
Taxes and licenses	**856,330**	758,366
Professional fees	**415,037**	360,059
Transportation and travel	**401,169**	331,646
Rent (see Note 29)	**294,123**	287,204
Depreciation and amortization (see Notes 12, 14 and 15)	**292,255**	249,586
Contracted services	**270,504**	273,384
Loss (gain) on retirements and disposals of property, plant and equipment (see Note 12)	**185,865**	(27,702)
Repairs and maintenance	**164,689**	129,792
Donations	**116,771**	100,359
Training	**97,979**	75,200
Corporate events	**90,372**	114,066
Communication	**76,032**	66,079
Membership and subscriptions	**71,180**	70,414
Representation and entertainment	**64,112**	83,179
Supplies	**43,683**	45,109
Electricity and other utilities	**37,106**	33,242
Association dues	**30,944**	34,901
Insurance	**29,459**	21,478
Security and janitorial	**13,739**	11,047
Reversals of provision for impairment on:		
Property, plant and equipment (see Note 12)	**(5,617)**	(6,553)
Receivables (see Note 7)	**(2,747)**	(252)
Inventories (see Note 8)	**(2,220)**	(1,185)
Impairment in value of:		
Receivables (see Note 7)	**2,689**	813
Inventories (see Note 8)	**1,637**	4,499
Others	**475,216**	376,521
	₱8,817,536	₱7,381,975

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

	June 2019 (Unaudited)	June 2018 (Unaudited)
Interest income:		
Cash and cash equivalents and short-term investments (see Note 6)	**₱146,935**	₱107,392
Loans and advances (see Note 11)	**27,298**	27,162
Accretion of interest on security and other deposits and employee car plan receivables (see Note 15)	**9,703**	8,854
	₱183,936	₱143,408

	June 2019 (Unaudited)	June 2018 (Unaudited)
Interest expense:		
Long-term debt (see Note 18)	**(₱647,081)**	(₱375,364)
Short-term debt (see Note 18)	**(4,148)**	–
Accretion of customers' deposits (see Note 16)	**(116)**	(310)
	(651,345)	(₱375,674)

	June 2019 (Unaudited)	June 2018 (Unaudited)
Other income (expense):		
Write-off of liabilities	**₱862,137**	₱404,670
Bank charges	**(186,447)**	(127,373)
Foreign exchange gain (loss) - net	**(133,169)**	69,145
Rebates and suppliers' incentives	**126,464**	85,089
Pre-termination of operating leases	**32,818**	22,001
Penalties and charges	**27,797**	40,451
Charges to franchisees	**11,366**	10,898
Other rentals	**3,206**	4,324
Gain from the re-measurement of previously held interest (see Note 11)	**–**	754,804
Provisions (see Note 17)	**–**	(500,000)
Reversal of impairment loss on interest in an associate (see Note 11)	**–**	16,660
Insurance claims and others	**47,775**	56,574
	₱791,947	₱837,243

In the normal course of business, the Jollibee Group accrues liabilities based on management's best estimate of costs incurred, particularly in cases when the Jollibee Group has not yet received final billings from suppliers and vendors. There are also ongoing negotiations and reconciliations with suppliers and vendors on certain liabilities recorded. These balances are continuously reviewed by management and are adjusted based on these reviews, resulting to write-off of certain liabilities as other income.

24. **Income Taxes**

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

	June 2019 (Unaudited)	June 2018 (Unaudited)
Final tax withheld on:		
Royalty income	**₱838,355**	₱717,602
Interest income	**22,571**	13,674
RCIT:		
With itemized deduction	**322,155**	382,029
With Optional Standard Deduction (OSD)	**6,391**	6,200
MCIT	**174,895**	193,114
	₱1,364,367	₱1,312,619

RCIT consists of corporate income taxes from the Jollibee Group's operations in the Philippines, PRC, USA and Vietnam.

For the periods ended June 30, 2019 and 2018, Grandworth and RRBH, wholly-owned subsidiaries, elected to use OSD in computing for their taxable income. The net tax benefit from the availment of OSD amounted to ₱2.3 million and ₱2.0 million for the periods ended June 30, 2019 and 2018, respectively.

The components of the Jollibee Group's recognized net deferred tax assets as at June 30, 2019 and December 31, 2018 follow:

	June 2019 (Unaudited)	December 2018 (Audited)
Deferred tax assets:		
MSOP and ELTIP	**₱1,298,470**	₱1,312,022
NOLCO:		
Philippine-based entities	**642,656**	311,331
PRC-based entities	**178,599**	190,154
USA-based entities	**44,804**	45,976
Accrued expenses of USA-based entities	**730,545**	749,663
Excess of MCIT over RCIT	**707,415**	614,580
Operating lease payables	**684,019**	663,074
Pension liability and other benefits	**563,682**	504,790
Accumulated impairment loss in value of receivables, inventories, property, plant and equipment and other nonfinancial assets	**105,767**	108,432
Unrealized foreign exchange loss	**103,655**	85,708
Unaccreted discount on security deposits and employee car plan receivables	**36,121**	36,978
Unamortized past service costs	**14,539**	15,408
Others	**9,636**	9,634
	₱5,119,908	₱4,647,750

(Forward)

	June 2019 (Unaudited)	December 2018 (Audited)
Deferred tax liabilities:		
Prepaid rent	**₱100,269**	₱36,953
Excess of fair value over book value of identifiable assets of acquired businesses	**78,198**	80,243
Unrealized foreign exchange gain	**59,148**	93,995
State income taxes	**47,904**	49,157
Unaccreted discount on employee car plan receivables and security deposits	**26,398**	25,811
Deferred rent expense	**18,325**	19,316
Operating lease receivables	**18,098**	18,087
Unrealized gain on change in fair value of financial assets at FVTPL	**2,690**	1,192
	351,030	324,754
Deferred tax assets – net	**₱4,768,878**	₱4,322,996

The components of the Jollibee Group's recognized net deferred tax liabilities as at June 30, 2019 and December 31, 2018 follow:

	June 2019 (Unaudited)	December 2018 (Audited)
Deferred tax assets:		
Allowance for impairment loss on receivables and inventories	**₱86,300**	₱85,494
Pension liability and other benefits	**56,925**	57,494
MSOP and ELTIP	**42,467**	27,639
Operating lease payables	**16,363**	16,474
Accrued expenses of VN-based entities	**7,197**	–
Unamortized past service costs	**2,964**	3,436
Unrealized foreign exchange loss	**2,044**	1,377
Unaccreted discount on security deposits and employee car plan receivables	**1,678**	3,180
	215,938	195,094
Deferred tax liabilities:		
Excess of fair value over book value of identifiable assets of acquired businesses	**3,686,341**	3,703,679
Unrealized foreign exchange gain	**2,117**	2,028
Unaccreted discount on employee car plan receivables, security and product security deposits	**901**	1,640
	3,689,359	3,707,347
Deferred tax liabilities – net	**₱3,473,421**	₱3,512,253

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

	June 2019 (Unaudited)	December 2018 (Audited)
Balance at beginning of period	**₱810,743**	₱2,719,818
Additions - net assets (liabilities)	**512,653**	(1,880,459)
Income tax effect of other remeasurements of net defined benefit plan	–	(54,831)
Translation adjustments	**(27,939)**	26,215
	₱1,295,457	₱810,743

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

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

	June 2019 (Unaudited)	December 2018 (Audited)
Deferred tax assets:		
Allowance for impairment loss on receivables and nonfinancial assets	**₱7,050**	₱6,429
Operating lease payables	**2,940**	3,361
Unaccredited discount on financial instruments and others	**504**	504
	10,494	10,294
Deferred tax liabilities:		
Operating lease receivables	**4,752**	4,963
Others	**346**	359
	5,098	5,322
Deferred tax assets - net	**₱5,396**	₱4,972

As at June 30, 2019, NOLCO and excess of MCIT over RCIT of the Philippine-based entities that can be claimed as deductions from taxable income and income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefit up to	NOLCO	Excess of MCIT over RCIT
2019	December 31, 2022	₱1,104,417	₱92,835
2018	December 31, 2021	–	244,814
2017	December 31, 2020	–	190,633
2016	December 31, 2019	1,037,769	179,133
		₱2,142,186	₱707,415

The PRC enterprise income tax law provides that income tax rates are unified at 25%. As at June 30, 2019, NOLCO of the PRC-based entities that can be claimed as deductions from taxable income are as follows:

Year Incurred	Carryforward Benefit Up to	Tax Losses	Deferred Tax at 25%
2019	December 31, 2024	₱22,940	₱5,735
2018	December 31, 2023	48,436	12,109
2017	December 31, 2022	40,612	10,153
2016	December 31, 2021	212,212	53,053
2015	December 31, 2020	237,224	59,306
2014	December 31, 2019	222,132	55,533
		783,556	195,889
Utilized during the period		(37,796)	(9,449)
Translation adjustments		(31,364)	(7,841)
		₱714,396	₱178,599

As at June 30, 2019, NOLCO of the USA-based entities that can be claimed as deductions from taxable income are as follows:

Year Incurred	Tax Losses	Deferred Tax at 21%
2018	₱182,732	₱38,374
2017	36,200	7,602
	218,932	45,976
Translation adjustments	(5,581)	(1,172)
	₱213,351	₱44,804

The following are the movements in deferred tax assets on NOLCO of the Jollibee Group:

	June 2019 (Unaudited)	December 2018 (Audited)
Balance at beginning of period	**₱547,461**	₱811,226
Additions	**337,060**	50,221
Utilized during the period	**(9,449)**	(253,376)
Write-offs and expirations	**–**	(62,308)
Translation adjustments	**(9,013)**	1,698
	₱866,059	₱547,461

The following are the movements in deferred tax assets on Excess of MCIT over RCIT of the Jollibee Group:

	June 2019 (Unaudited)	December 2018 (Audited)
Balance at beginning of period	**₱614,580**	₱531,431
Additions	**92,835**	244,814
Write-offs and expirations	**–**	(161,665)
	₱707,415	₱614,580

The net change in deferred tax liabilities recognized in equity amounted to (₱54.8 million), (₱59.4 million) and ₱29.6 million in 2018, 2017 and 2016, respectively.

Provision for current income tax of foreign entities operating in the United States, PRC and Singapore amounted to ₱20.7 million, ₱12.3 million and ₱6.3 million, respectively, for the period ended June 30, 2019 and ₱10.0 million, ₱77.6 million and nil, respectively, for the period ended June 30, 2018.

For Philippine-based entities, Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect on January 1, 2018. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same did not have any significant impact on the consolidated financial statement balances as of the reporting date.

For US-based entities, Tax Cuts and Jobs Act (the US Tax Reform) was signed into law on December 22, 2017, making the new law enacted by that date under Philippine Financial Reporting Standards (PFRSs) and therefore applicable as of the reporting date. The US Tax Reform resulted in the re-measurement of deferred tax assets and liabilities as a result of the change in the corporate income tax rate from 35% to 21%. The US-based entities recognized net deferred tax liabilities amounting to ₱1,650.9 million and net deferred tax assets amounting to ₱452.4 million as at December 31, 2018 and 2017, respectively.

25. **Pension Liability**

Defined Benefit Plan

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

The funds are administered by trustee banks. Subject to the specific instructions provided in writing, the Parent Company and certain Philippine-based subsidiaries direct the trustee banks to hold, invest and reinvest the funds and keep the same invested, in its sole discretion, without distinction between principal and income in, but not limited to, certain cash and other short-term deposits, investments in government and corporate debt securities and quoted equity securities.

Under the existing regulatory framework, Republic Act No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

Changes in pension liability of the Jollibee Group in 2018 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At January 1, 2018	₱3,574,277	₱2,084,731	₱1,489,546
Pension expense:			
Current service cost	290,935	–	290,935
Net interest	211,958	123,693	88,265
Past service cost	15,851	–	15,851
Settlement loss	3,754	–	3,754
	522,498	123,693	398,805
Benefits paid	(150,925)	(150,925)	–
Settlement paid	(28,400)	(28,400)	–
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	(223,899)	223,899
Actuarial changes arising from changes in financial assumptions	(485,586)	–	(485,586)
Actuarial changes due to experience adjustment	68,003	–	68,003
Actuarial changes due to demographic adjustment	(14,921)	–	(14,921)
	(432,504)	(223,899)	(208,605)
Contributions	–	359,100	(359,100)
At December 31, 2018	₱3,484,946	₱2,164,300	₱1,320,646

Changes in pension liability of the Jollibee Group in 2017 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At January 1, 2017	₱3,378,892	₱1,720,714	₱1,658,178
Pension expense:			
Current service cost	279,419	–	279,419
Net interest	176,704	90,072	86,632
Past service cost	(3,211)	–	(3,211)
	452,912	90,072	362,840
Benefits paid	(103,553)	(103,553)	–

(Forward)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	₱–	₱52,498	(₱52,498)
Actuarial changes arising from changes in financial assumptions	(235,902)	–	(235,902)
Actuarial changes due to experience adjustment	81,928	–	81,928
	(153,974)	52,498	(206,472)
Contributions	–	325,000	(325,000)
At December 31, 2017	₱3,574,277	₱2,084,731	₱1,489,546

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

The following table presents the carrying amounts, which approximate the estimated fair values, of the assets of the plan:

	June 2019 (Unaudited)	December 2018 (Audited)
Cash and cash equivalents	**₱98,911**	₱638,046
Investments in government and corporate debt securities	**1,599,739**	1,043,573
Investments in quoted equity securities:		
Holding firms	**200,207**	186,312
Property	**136,347**	110,603
Banks	**104,398**	105,906
Food and beverage	**53,920**	51,292
Telecommunications	**27,364**	25,688
Electricity, energy, power and water	**20,631**	26,223
Others	**44,097**	35,772
Interest and dividends receivable	**30,399**	15,851
Fund liabilities (Note 27)	**(221,012)**	(74,966)
	₱2,095,001	₱2,164,300

The plan assets consist of the following:

- Investments in government securities which consist of retail treasury bonds that bear interest ranging from 3.24%-7.38% and have maturities from August 2020 to October 2037 and fixed-rate treasury notes that bear interest ranging from 2.13%-11.70% and have maturities from February 2020 to October 2037.

- Investments in debt securities consist of long-term corporate bonds in the property sector, which bear interest ranging from 5.17%-5.35% maturing from March to May 2024.

- Investments in equity securities consist of investments in listed equity securities, including equity securities of the Parent Company, for certain retirement plans of the Jollibee Group (see Note 27).

- Other financial assets held by the retirement plan are primarily accrued interest income on cash and cash equivalents, debt instruments and other securities.

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

	December 31, 2018	December 31, 2017	December 31, 2016
Discount rate	7.40%–7.80%	5.90%–6.30%	5.20%–5.70%
Salary increase rate	6.00%	6.00%	6.00%

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

	Increase (Decrease)	Philippine Plan		
		2018	2017	2016
Discount rates	+0.50%	(₱196,313)	(₱142,506)	(₱156,602)
	-0.50%	111,323	195,703	169,836
Future salary increases	+0.50%	112,745	194,789	167,757
	-0.50%	(198,792)	(143,116)	(156,240)

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

	2018	2017
Less than 1 year	₱797,550	₱705,649
More than 1 year to 5 years	1,078,936	1,000,883
More than 5 years to 10 years	2,408,837	2,328,122
More than 10 years to 15 years	2,880,848	2,533,937
More than 15 years to 20 years	2,956,666	2,638,048
More than 20 years	10,074,315	8,531,203

The Parent Company and certain Philippine-based subsidiaries do not have a formal asset-liability matching strategy. The overall investment policy and strategy of the retirement plans is based on the client suitability assessment, as provided by trustee banks, in compliance with the BSP requirements. Nevertheless, the Parent Company and certain Philippine-based subsidiaries ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plans.

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

The Parent Company and certain Philippine-based subsidiaries expect to contribute ₱798.8 million to the defined benefit pension plans in 2019.

The average duration of the defined benefit obligation is 10 years as at December 31, 2018 and 2017.

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.

Pension expense under the defined contribution plan amounted to ₱263.9 million and ₱306.3 million for the periods ended June 30, 2019 and 2018, respectively.

26. Stock Options Plan

Senior Management Stock Option and Incentive Plan
On January 10, 2017 and December 17, 2002, the SEC approved the exemption requested by the Jollibee Group on the registration requirements of 31,500,000 and 101,500,000 options, respectively, underlying the Parent Company's common shares to be issued pursuant to the Jollibee Group's Senior Management Stock Option and Incentive Plan (the Plan). The Plan covers selected key members of management of the Jollibee Group and designated affiliated entities.

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

MSOP. The MSOP is a yearly stock option grant program open to members of the senior management committee of the 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 in 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 at date of grant.

The options will vest at the rate of one-third of the total options granted from the start of the grant date on each anniversary date which will start after a year from the grant date. For instance, under the 1st MSOP cycle, the Compensation Committee of the Jollibee Group granted 2,385,000 options to eligible participants on July 1, 2004. One-third of the options granted, or 795,000 options, vested and may be exercised starting July 1, 2005. The exercise period for the 1st MSOP cycle was until June 30, 2012. From July 1, 2005 to July 3, 2017, the Compensation Committee granted series of MSOP grants under the 2nd to 14th MSOP cycle to eligible participants. Under the most recent grant (July 9, 2018), the 15th MSOP cycle, the Compensation Committee granted 3,308,050 options. These options vest similar to the 1st MSOP cycle.

The options under MSOP expire eight years after grant date. The 1st, 2nd, 3rd 4th, 5th, 6th and 7th MSOP cycles expired on June 30, 2012, 2013, 2014, 2015, 2016, 2017 and 2018, respectively.

The Jollibee Group does not pay cash as a form of settlement.

The movements in the number of stock options outstanding under MSOP and related weighted average exercise prices (WAEP) for the period ended June 30, 2019 and years ended December 31, 2018 and 2017 follow:

	June 2019 (Unaudited)		December 2018 (Audited)		December 2017 (Audited)	
	Number of Options	**WAEP**	Number of Options	WAEP	Number of Options	WAEP
Total options granted at beginning of period	**50,492,844**	**₱111.92**	47,184,794	₱102.59	42,986,294	₱92.47
Options granted during the period	–	–	3,308,050	245.00	4,198,500	206.20
Total options granted at end of period	**50,492,844**	**₱111.92**	50,492,844	₱111.92	47,184,794	₱102.59
Outstanding at beginning of period	**17,613,253**	**₱193.07**	16,780,550	₱176.63	15,256,198	₱159.46
Options granted during the period	–	–	3,308,050	245.00	4,198,500	206.20
Options exercised during the period	**(1,454,808)**	**133.06**	(2,234,849)	145.31	(2,672,040)	110.35
Options forfeited during the period	–	–	(240,498)	204.03	(2,108)	213.28
Outstanding at end of period	**16,158,445**	**₱198.47**	17,613,253	₱193.07	16,780,550	₱176.63
Exercisable at end of period	**9,140,896**	**₱175.58**	10,612,036	₱169.70	9,688,683	₱151.94

The weighted average share price of the Parent Company's common shares is ₱302.22, ₱278.16 and ₱222.86 in 2019, 2018 and 2017, respectively. The weighted average remaining contractual life for the stock options outstanding as at December 31, 2018, 2017 and 2016 is 4.48 years, 5.21 years and 5.17 years, respectively.

The weighted average fair value of stock options granted in 2018, 2017 and 2016 is ₱58.42, ₱29.88 and ₱31.16, respectively. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because the option plan allows exercise before the expiry date.

The inputs in the valuation of the options granted on the dates of grant for each MSOP cycle are shown below:

MSOP Cycle	Year of Grant	Dividend Yield	Expected Volatility	Risk-free Interest Rate	Expected Life of the Option	Stock Price on Grant Date	Exercise Price
1st	2004	1.72%	36.91%	6.20%	5-7 years	₱24.00	₱20.00
2nd	2005	1.72%	36.91%	6.20%	5-7 years	29.00	27.50
3rd	2006	1.72%	36.91%	6.20%	5-7 years	35.00	32.32
4th	2007	1.70%	28.06%	6.41%	3-4 years	52.50	50.77
5th	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
6th	2009	2.00%	30.37%	5.28%	3-4 years	48.00	45.45
7th	2010	2.00%	29.72%	5.25%	3-4 years	70.00	57.77
8th	2011	2.00%	34.53%	4.18%	3-4 years	89.90	89.90
9th	2012	2.00%	28.72%	3.50%	3-4 years	107.90	107.90
10th	2013	2.00%	29.38%	2.68%	3-4 years	145.00	145.00
11th	2014	2.00%	24.87%	2.64%	3-4 years	179.80	179.80
12th	2015	2.00%	18.94%	2.98%	3-4 years	180.00	180.00
13th	2016	2.00%	17.76%	2.63%	3-4 years	236.00	236.00
14th	2017	2.00%	16.70%	3.92%	3-4 years	206.20	206.20
15th	2018	2.00%	28.98%	4.95%	3-4 years	245.00	245.00

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

ELTIP. The ELTIP entitlement is given to members of the senior management committee and designated consultants of the Jollibee Group.

Each ELTIP cycle refers to the period commencing on the ELTIP entitlement date and ending on the last day of the ELTIP exercise period. Actual grant and vesting are conditional upon achievement of the Jollibee Group's medium to long-term goals and individual targets in a given period, and the employment of the employee-participants in the Jollibee Group within the vesting period. If the goals are achieved, the options will be granted. For the 3rd ELTIP cycle, a percentage of the options to be granted are based on the percentage of growth in annual earnings per share such that 100%, 50% or 25% of the options granted when percentage of growth in annual earnings per share are 12% and above, 10% to less than 12% or 8% to less than 10%, respectively. For the 4th ELTIP cycle, the percentage of the options to be granted and the targeted percentage of growth in annual earnings per share have been further revised such that 150%, 100% or 50% of the options granted when percentage of growth in annual earnings per share are 15% and above, 12% to less than 15% or 10% to less than 12%, respectively.

The exercise price of the stock options under ELTIP is determined by the Jollibee Group with reference to prevailing market prices over the three months immediately preceding the date of entitlement for the first and second ELTIP cycles. Starting with the 3rd ELTIP cycle, the exercise price of the option is determined by the Jollibee Group with reference to the closing market price as at the date of entitlement.

The options will vest at the rate of one-third of the total options granted on each anniversary date which will start after the goals are achieved. For instance, on July 1, 2004, the Compensation Committee gave an entitlement of 22,750,000 options under the 1st ELTIP cycle to eligible participants. One-third of the options granted, or 7,583,333 options, vested and were exercised starting July 1, 2007 until June 30, 2012. On July 1, 2008, October 19, 2012, August 25, 2015 and January 3, 2018, entitlement to 20,399,999, 24,350,000, 11,470,000 and 9,290,000 options were given to eligible participants under the 2nd, 3rd, 4th and 5th ELTIP cycles, respectively. The 1st and 2nd ELTIP cycles expired on June 30, 2012 and April 30, 2017, respectively. The stock options granted under the 3rd, 4th and 5th ELTIP cycles will expire in 2020, 2023 and 2026, respectively.

The Jollibee Group does not pay cash as a form of settlement.

The movements in the number of stock options outstanding for the 2nd to 5th ELTIP cycles and related WAEP for the period ended June 30, 2019 and years ended December 31, 2018 and 2017 follow:

	June 2019 (Unaudited)		December 2018 (Audited)		December 2017 (Audited)	
	Number of Options	**WAEP**	Number of Options	WAEP	Number of Options	WAEP
Total options granted at beginning and end of period	**78,969,999**	**₱74.58**	78,969,999	₱74.58	78,969,999	₱74.58
Outstanding at beginning of period	**18,630,000**	**₱120.55**	27,436,666	₱136.35	35,118,896	₱122.65
Options exercised during the period	**(2,947,466)**	**106.36**	(1,323,333)	111.99	(7,682,230)	73.69
Options forfeited during the period	**–**	**–**	(7,483,333)	180.00	–	–
Outstanding at end of period	**15,682,534**	**₱123.22**	18,630,000	₱120.55	27,436,666	₱136.35
Exercisable at end of period	**14,209,201**	**₱117.33**	15,683,333	₱109.38	15,966,666	₱105.00

The weighted average remaining contractual life for the stock options outstanding as at 2018, 2017 and 2016 is 2.07 years, 3.59 years and 4.00 years, respectively.

The fair value of stock options granted is ₱26.13 in 2015. There were no additional stock option grants under ELTIP in 2017 and 2016. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date.

The inputs to the model used for the options granted on the dates of grant for each ELTIP cycle are shown below:

ELTIP Cycle	Year of Grant	Dividend Yield	Expected Volatility	Risk-free Interest Rate	Expected Life of the Option	Stock Price on Grant Date	Exercise Price
1st	2004	1.72%	36.91%	6.20%	5 years	₱24.00	₱20.00
2nd	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
3rd	2012	2.00%	28.74%	3.60%	3-4 years	105.00	105.00
4th	2015	2.00%	18.94%	2.98%	3-4 years	180.00	180.00
5th	2018	2.00%	28.82%	4.28%	3-4 years	255.40	255.40

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

The cost of the stock options expense charged to operations for both MSOP and ELTIP in the "General and administrative expenses" account amounted to ₱130.2 million and ₱132.1 million for the periods ended June 30, 2019 and 2018, respectively (see Notes 19 and 22). Correspondingly, a credit was made to additional paid-in-capital (see Note 19).

27. Related Party Transactions

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

Compensation of Key Management Personnel of the Jollibee Group

The aggregate compensation and benefits to key management personnel of the Jollibee Group in 2018, 2017 and 2016 are as follows:

	2018	2017	2016
Salaries and short-term benefits	₱1,221,283	₱1,107,515	₱1,001,048
Stock options expense	311,964	227,483	241,324
Net pension expense	106,756	65,075	59,701
Employee car plan and other long-term benefits	58,859	48,948	47,673
	₱1,698,862	₱1,449,021	₱1,349,746

Transactions with the Retirement Plans

As at June 30, 2019 and December 31, 2018, certain retirement funds of the Jollibee Group include investment in equity securities of the Parent Company with details as follows:

	June 2019 (Unaudited)	December 2018 (Audited)
Number of shares	**151,810**	144,740
Market value	**₱42,780**	₱42,694
Cost	**11,538**	9,860
Unrealized gain	**₱31,242**	₱32,834

The Jollibee Group's receivable from the retirement fund amounted to ₱217.0 million and ₱72.8 million as at June 30, 2019 and December 31, 2018, respectively (see Note 25). The receivable arose from benefit payments made by the Jollibee Group for and in behalf of the retirement plans. The receivable is noninterest-bearing.

Terms and Conditions of Transactions with other Related Parties

Transactions with related parties are made at market prices and are normally settled in cash. Other related party transactions between entities under the Jollibee Group are eliminated in the consolidation process.

28. Earnings Per Share

Basic and diluted EPS are computed as follows:

	June 2019 (Unaudited)	June 2018 (Unaudited)
	(In Thousand pesos, except for shares data and EPS)	
(a) Net income attributable to the equity holders of the Parent Company	**₱ 2,657,126**	₱4,050,278
(b) Weighted average number of shares - basic	**1,091,678,018**	1,086,455,011
Weighted average number of shares outstanding under the stock options plan	**33,331,652**	31,526,960
Weighted average number of shares that would have been purchased at fair market value	**(17,993,223)**	(16,214,595)
(c) Adjusted weighted average shares - diluted	**1,107,016,447**	1,101,767,376
EPS:		
Basic (a/b)	**₱2.434**	₱3.728
Diluted (a/c)	**2.400**	3.676

Potential common shares for stock options under the 13th MSOP cycle were not included in the calculation of the diluted EPS in 2017 because they are antidilutive. Contingently issuable shares for stock options under the 4th ELTIP cycle have not been included in the calculation of the diluted EPS in 2017.

29. Commitments and Contingencies

a. Operating lease commitments - Jollibee Group as lessee

The Jollibee Group has various operating lease commitments for QSR 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. Contingent rent expense amounted to ₱1,233.4 million and ₱1,147.2 million for the periods ended June 30, 2019 and 2018, respectively (see Notes 21 and 22).

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

	2018	2017	2016
Within one year	₱2,764,434	₱2,229,282	₱1,546,661
After one year but not more than five years	10,052,706	8,405,865	5,916,716
More than five years	11,890,105	9,942,645	8,093,585
	₱24,707,245	₱20,577,792	₱15,556,962

Rent expense recognized on a straight-line basis amounted to ₱6,553.6 million and ₱5,926.7 million for the periods ended June 30, 2019 and 2018, 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 are charged to "Operating lease payables" account which amounted to ₱3,048.1 million and ₱3,016.9 million as at June 30, 2019 and December 31, 2018, respectively.

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 leases range from 3 to 20 years, mostly containing renewal options. Leases generally include a clause to enable upward revision of the rent charges on an annual basis based on prevailing market conditions.

The future minimum lease payments for the noncancellable periods of the operating leases, wherein Jollibee Group is the lessor, follow:

	2018	2017	2016
Within one year	₱63,062	₱174,333	₱142,011
After one year but not more than five years	253,908	500,520	393,154
More than five years	33,271	163,067	184,930
	₱350,241	₱837,920	₱720,095

Rent income recognized on a straight-line basis amounted to ₱28.5 million and ₱28.2 million for the periods ended June 30, 2019 and 2018, respectively (see Note 20). The difference of rent income recognized under the straight-line method and the rent amounts in accordance with the terms of the lease are included under "Operating lease receivables" which amounted to ₱32.1 million and ₱31.6 million as at June 30, 2019 and December 31, 2018, respectively.

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.

The Jollibee Group does not provide further information on these provisions and contingencies in order not to impair the outcome of the litigations, claims and disputes.

30. Financial Risk Management Objectives and Policies

The Jollibee Group is exposed to a variety of financial risks from its operating, investing and financing activities. The Jollibee Group's risk management policies focus on actively securing the Jollibee Group's short-term to medium-term cash flows by minimizing the exposure to financial markets.

The Jollibee Group's principal financial instruments comprise of cash and cash equivalents, short-term investments, receivables, short-term and long-term debts. The main purpose of these financial instruments is to obtain financing for the Jollibee Group's operations. The Jollibee Group has other financial assets and liabilities such as security and other deposits, operating lease receivables and payables and trade payables and other current liabilities (excluding accrual for local and other taxes, liabilities to government agencies and unearned revenue from gift certificates) which arise directly from its operations.

The main risks arising from these financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The risk management policies reviewed regularly by the Parent Company's BOD and management for managing each of these risks are summarized as follows:

Interest Rate Risk

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

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

To manage the interest rate risk related to the Jollibee Group's long-term debts, the Jollibee Group used a derivative instrument to fix the interest rate over the term of one of its long-term debts (see Note 18). With the Jollibee Group's Corporate Planning Team, it enters into loan contracts with variable interest rates and option to fix interest rates which can be availed to manage its loan risks.

There is minimal exposure on the other sources of the Jollibee Group's interest rate risk. These other sources are from the Jollibee Group's cash in banks, short-term deposits and short-term investments.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Jollibee Group's income before income tax as at December 31, 2018 and 2017. The impact on the Jollibee Group's income before income tax is due to changes in the fair value of floating interest rates.

Long-term Debt with Floating Interest Rates

	Increase/ Decrease in Basis Points	Effect in Profit or Loss Before Income Tax	
		2018	2017
PHP	+100	(188,907)	(80,599)
	-100	188,907	80,599
USD	+100	(67,688)	(64,245)
	-100	67,688	64,245
VND	+100	(6,068)	(4,167)
	-100	6,068	4,167

The assumed movement in basis point for interest rate sensitivity analysis is based on the currently observable market environment.

Foreign Currency Risk

The 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. The net assets of foreign businesses account for only 2.8% and 6.1% of the consolidated net assets of the Jollibee Group as at June 30, 2019 and December 31, 2018, respectively.

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

The following table shows the Jollibee Group's Philippine operations' foreign currency-denominated monetary assets and liabilities and their peso equivalents as at June 30, 2019 and December 31, 2018:

	June 2019 (Unaudited)		December 2018 (Audited)	
	USD	**PHP Equivalent**	USD	PHP Equivalent
Foreign currency denominated assets:				
Cash and cash equivalents	**59,728**	**3,060,439**	71,661	3,767,938
Receivables	**9,539**	**488,787**	9,014	473,955
	69,267	**3,549,226**	80,675	4,241,893
Foreign currency denominated liability - Accounts payable - trade	**(2,252)**	**(115,410)**	(4,929)	(259,177)
Foreign currency denominated assets - net	**67,015**	**3,433,816**	75,746	3,982,716

Foreign Currency Risk Sensitivity Analysis

The Jollibee Group has recognized in profit or loss, a net foreign exchange loss of ₱133.2 million and net foreign exchange gain of ₱69.1 million for the periods ended June 30, 2019 and 2018, respectively (see Note 23), included under "Other income" account. This resulted from the movements of the Philippine peso against the USD as shown in the following table:

	Peso to USD
June 30, 2019	**51.24**
December 31, 2018	52.58

The following table demonstrates the sensitivity to a reasonably possible change in USD to Philippine peso exchange rate, with all other variables held constant, of the Jollibee Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as at June 30, 2019 and December 31, 2018:

		June 2019 (Audited)		December 2018 (Audited)	
Appreciation (Depreciation) of ₱ against Foreign Currency		**Effect on Income before Income Tax**	**Effect on Equity before Income Tax**	Effect on Income before Income Tax	Effect on Equity before Income Tax
USD	1.50	**(₱100,523)**	**(₱100,523)**	(₱113,619)	(₱113,619)
	(1.50)	**100,523**	**100,523**	113,619	113,619
	1.00	**(67,015)**	**(67,015)**	(75,746)	(75,746)
	(1.00)	**67,015**	**67,015**	75,746	75,746

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, failed settlement of transactions and default on outstanding contracts.

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

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 financial assets as at June 30, 2019 and December 31, 2018 are as follows:

	June 2019 (Unaudited)						
		Neither Past Due nor	**Past Due but not Impaired (Age in Days)**				
	Total	**Impaired**	**1-30**	**31-60**	**61-120**	**Over 120**	**Impaired**
Financial Assets at Amortized Cost			***(In Millions)***				
Cash and cash equivalents*	**₱19,347.1**	**₱19,347.1**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Short-term investments	**552.8**	**552.8**	**–**	**–**	**–**	**–**	**–**
Receivables:							
Trade	**3,479.1**	**1,627.8**	**269.1**	**64.3**	**140.5**	**705.1**	**672.3**
Employee car plan receivables**	**233.8**	**233.8**	**–**	**–**	**–**	**–**	**–**
Advances to employees	**211.6**	**211.6**	**–**	**–**	**–**	**–**	**–**
Other receivables***	**281.7**	**173.0**	**1.3**	**3.2**	**3.9**	**100.3**	**–**
Security and other deposits**	**2,794.5**	**2,794.5**					
Other noncurrent assets -							
Operating lease receivables	**32.1**	**32.1**	**–**	**–**	**–**	**–**	**–**
	26,932.7	**24,972.7**	**270.4**	**67.5**	**144.4**	**805.4**	**672.3**
Financial Assets at FVTPL	**39.8**	**39.8**	**–**	**–**	**–**	**–**	**–**
	₱26,972.5	**₱25,012.5**	**₱270.4**	**₱67.5**	**₱144.4**	**₱805.4**	**₱672.3**

**Excluding cash on hand amounting to ₱439.7 million.*
***Including noncurrent portion of employee car plan receivables and security and other deposits.*
****Including interest receivable and excluding receivables from government agencies amounting to ₱48.2 million.*

	December 2018 (Audited)						
		Neither Past Due nor	Past Due but not Impaired (Age in Days)				
	Total	Impaired	1-30	31-60	61-120	Over 120	Impaired
Financial Assets at Amortized Cost			*(In Millions)*				
Cash and cash equivalents*	₱22,805.0	₱22,805.0	₱–	₱–	₱–	₱–	₱–
Short-term investments	883.2	883.2	–	–	–	–	–
Receivables:							
Trade	4,680.6	2,869.9	267.2	107.6	167.4	591.6	676.9
Employee car plan receivables**	260.3	260.3	–	–	–	–	–
Advances to employees	167.4	167.4	–	–	–	–	–
Other receivables***	151.6	93.1	0.7	1.7	2.1	54.0	–
Security and other deposits**	2,713.8	2,713.8					
Other noncurrent assets-							
Operating lease receivables	31.6	31.6	–	–	–	–	–
	31,693.5	29,824.3	267.9	109.3	169.5	645.6	676.9
Financial Assets at FVTPL	39.8	39.8	–	–	–	–	–
	₱31,733.3	₱29,864.1	₱267.9	₱109.3	₱169.5	₱645.6	₱676.9

**Excluding cash on hand amounting to ₱480.9 million.*
***Including noncurrent portion of employee car plan receivables and security and other deposits.*
****Including interest receivable and excluding receivables from government agencies amounting to ₱41.6 million.*

Credit Risk Exposure. The tables below show the maximum exposure to credit risk of the Jollibee Group as at December 31, 2018 and 2017 without considering the effects of collaterals and other credit risk mitigation techniques:

	2018		
	Gross Maximum Exposure (a)	Fair Value and Financial Effect of Collateral or Credit Enhancement (b)	Net Exposure (c) = (a) - (b)
		(In Millions)	
Financial Assets at Amortized Cost			
Cash and cash equivalents*	₱22,805.0	₱31.6	₱22,773.4**
Short-term investments	883.2	–	883.2
Receivables:			
Trade	4,680.6	216.3	4,464.3***
Employee car plan receivables	260.3	–	260.3
Advances to employees	167.4	–	167.4
Other receivables****	151.6	–	151.6
Other noncurrent assets:			
Security and other deposits	2,713.8	–	2,713.8
Operating lease receivables	31.6	–	31.6
Financial assets at FVTPL	39.8	–	39.8
	₱31,733.3	₱247.9	₱31,485.4

** Excluding cash on hand amounting to ₱480.9 million.*
*** Gross financial assets after taking into account insurance bank deposits for cash and cash equivalents.*
**** Gross financial assets after taking into account payables to the same counterparty.*
***** Excluding receivables from government agencies amounting to ₱41.6 million.*

	2017		
	Gross Maximum Exposure (a)	Fair Value and Financial Effect of Collateral or Credit Enhancement (b)	Net Exposure (c) = (a) - (b)
		(In Millions)	
Loans and Receivables			
Cash and cash equivalents*	₱20,762.5	₱150.1	₱20,612.4**
Short-term investments	1,413.4	–	1,413.4
Receivables:			
Trade	4,077.5	42.1	4,035.4***
Employee car plan receivables	275.0	–	275.0
Advances to employees	144.8	–	144.8
Other receivables****	145.2	–	145.2
Security and other deposits	2,465.0	–	2,465.0
Other noncurrent assets -			
Operating lease receivables	28.0	–	28.0
Receivable from sale of business			
(including current portion)	76.4	–	76.4
AFS financial asset	29.9	–	29.9
	₱29,417.7	₱192.2	₱29,225.5

** Excluding cash on hand amounting to ₱345.0 million.*
*** Gross financial assets after taking into account insurance bank deposits for cash and cash equivalents.*
**** Gross financial assets after taking into account payables to the same counterparty.*
***** Excluding receivables from government agencies amounting ₱27.2 million.*

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 gross maximum exposure equal to the carrying amount of these instruments.

Credit Quality. The financial assets of the Jollibee Group are grouped according to stage of which description is explained as follows:

Stage 1 - Those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The tables below show determination of ECL stage of the Jollibee Group's financial assets as at June 30, 2019 and December 31, 2018:

		June 2019 (Unaudited)		
		Stage 1	**Stage 2**	**Stage 3**
	Total	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**
Financial Assets at Amortized Cost		*(in Millions)*		
Receivables				
Trade	**₱3,479.1**	**₱1,896.9**	**₱909.9**	**₱672.3**
Employee car plan receivables*	**233.8**	**233.8**	**–**	**–**
Advances to employees	**211.6**	**211.6**	**–**	**–**
Other receivables**	**281.7**	**174.3**	**107.4**	**–**
Financial Assets at FVTPL	**39.8**	**39.8**	**–**	**–**
	₱4,246.0	**₱2,556.4**	**₱1,017.3**	**₱672.3**

		December 2018 (Audited)		
		Stage 1	Stage 2	Stage 3
	Total	12-month ECL	Lifetime ECL	Lifetime ECL
Financial Assets at Amortized Cost		*(in Millions)*		
Receivables				
Trade	₱4,680.6	₱3,137.1	₱866.6	₱676.9
Employee car plan receivables*	260.3	260.3	–	–
Advances to employees	167.4	167.4	–	–
Other receivables**	151.6	93.8	57.8	–
Financial Assets at FVTPL	39.8	39.8	–	–
	₱5,299.7	₱3,698.4	₱924.4	₱676.9

**Including noncurrent portion of employee car plan receivables.*
***Including interest receivable and excluding receivables from government agencies amounting to ₱48.2 million and ₱41.6 million in 2019 and 2018, respectively.*

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 to be able to finance its capital expenditures and to pay its obligations as and when they fall due.

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 period ended June 30, 2019 and year ended December 31, 2018.

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, short-term investments and trade receivables amounting to ₱19,786.8 million, ₱552.8 million and ₱3,560.9 million, respectively, as at June 30, 2019 and ₱23,285.9 million, ₱883.2 million and ₱4,411.0 million, respectively, as at December 31, 2018.

The tables below summarize the maturity profile of the Jollibee Group's other financial liabilities based on the contractual undiscounted cash flows as at June 30, 2019 and December 31, 2018:

	June 2019 (Unaudited)				
	Due and Demandable	**Less than 1 Year**	**1 to 5 Years**	**Over 5 Years**	**Total**
			(in Millions)		
Financial Liabilities					
Trade payables and other current liabilities*	**₱6,805.2**	**₱17,840.4**	**₱–**	**₱–**	**₱24,645.6**
Long-term debt (including current portion)	**1,120.9**	**1,368.4**	**19,107.6**	**1,984.6**	**23,581.5**
Operating lease payables (including current portion)	**–**	**300.9**	**1,950.8**	**796.4**	**3,048.1**
Liability for acquisition of a business (including current portion)	**–**	**8.4**	**–**	**–**	**8.4**
Total Financial Liabilities	**₱7,926.1**	**₱19,518.1**	**₱21,058.4**	**₱2,781.0**	**₱51,283.6**

	December 2018 (Audited)				
	Due and Demandable	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
			(in Millions)		
Financial Liabilities					
Trade payables and other current liabilities*	₱7,174.5	₱18,808.7	₱–	₱–	₱25,983.2
Long-term debt (including current portion)	22.5	4,857.9	19,681.5	1,702.5	26,264.4
Operating lease payables (including current portion)	–	408.4	1,930.8	677.7	3,016.9
Liability for acquisition of a business (including current portion)	–	11.2	2.9	–	14.1
Total Financial Liabilities	₱7,197.0	₱24,086.2	₱21,615.2	₱2,380.2	₱55,278.6

**Excluding statutory obligations such as local and other taxes payable, PHIC, SSS, HDMF and NHMFC payables and unearned revenue from gift certificates amounting to ₱1,528.8 million and ₱2,733.6 million as at June 30, 2019 and December 31, 2018, respectively.*

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.

Capital Management Policy

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 at least one-third of its consolidated net income, a ratio that would still leave some additional cash for future expansion. If needed, the Jollibee Group would borrow money for acquisitions of new businesses.

As at June 30, 2019 and December 31, 2018, the Jollibee Group's debt ratio and net debt ratio are as follows:

Debt Ratio

	June 2019 (Unaudited)	December 2018 (Audited)
Total debt (a)	**₱59,571,408**	₱63,933,671
Total equity attributable to equity holders of the Parent Company	**49,995,189**	48,363,550
Total debt and equity attributable to equity holders of the Parent Company (b)	**₱109,566,597**	₱112,297,221
Debt ratio (a/b)	**54%**	57%

Net Debt Ratio

	June 2019 (Unaudited)	December 2018 (Audited)
Total debt	**₱59,571,408**	₱63,933,671
Less cash and cash equivalents and short-term investments	**20,339,569**	24,169,115
Net debt (a)	**39,231,839**	39,764,556
Total equity attributable to equity holders of the Parent Company	**49,995,189**	48,363,550
Net debt and equity attributable to equity holders of the Parent Company (b)	**₱89,227,028**	₱88,128,106
Net debt ratio (a/b)	**44%**	45%

31. Fair Value of Financial Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

Financial Instruments Which Carrying Amounts Approximate Fair Value. Management has determined that the carrying amounts of cash and cash equivalents, short-term investments, receivables, operating lease receivables, trade payables and other current liabilities and operating lease payables, based on their notional amounts, reasonably approximate their fair values because of their short-term nature or due to the immaterial effect of discounting when the present value of future cash flows from these instruments are calculated.

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

Investment Properties. The fair value of the investment properties are determined by independent appraisers using the market data and cost approach, which considers the local market conditions, the extent, character and utility of the property, sales and holding prices of similar parcels of land and the highest and best use of the investment properties.

Security and Other Deposits, Employee Car Plan Receivables, Long-term Debt and Derivative Asset or Liability. Management has determined that the estimated fair value of security and other deposits, noncurrent portion of employee car plan receivables, long-term debt and derivative asset or liability are based on the discounted value of future cash flows using applicable rates as follows:

	2018	2017
Security and other deposits	2.36%–8.20%	2.44%–5.71%
Employee car plan receivables	2.51%–8.23%	2.50%–4.92%
Derivative asset	2.50%–2.83%	2.08%–4.09%
Long-term debt	2.50%–4.07%	2.56%–4.92%
Derivative liability	–	0.95%–1.05%

The following tables provide 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, 2018:

		Fair Value Measurement Using		
	Carrying Value	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVTPL	₱39,842	₱39,842	₱–	₱39,842	₱–
Derivative asset - interest rate swap	82,852	82,852	–	82,852	–
Assets for which fair values are disclosed:					
Investment properties	848,974	3,038,347	–	3,038,347	–
Land	848,974	2,083,920	–	2,083,920	–
Buildings	–	954,427	–	954,427	–
Other noncurrent assets:					
Security and other deposits	2,713,844	2,506,400	–	2,506,400	–
Employee car plan receivables	260,281	251,492	–	251,492	–

Quantitative fair value measurement hierarchy for assets as at December 31, 2017:

		Fair Value Measurement Using		
	Carrying Value	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Available-for-sale financial assets					
Quoted equity shares - club shares	₱29,862	₱29,862	₱–	₱29,862	₱–
Derivative asset - interest rate swap	11,949	11,949	–	11,949	–
Assets for which fair values are disclosed:					
Investment properties:	848,974	3,038,347	–	3,038,347	–
Land	848,974	2,083,920	–	2,083,920	–
Buildings	–	954,427	–	954,427	–
Other noncurrent assets:					
Security and other deposits	2,464,995	2,506,400	–	2,506,400	–
Employee car plan receivables	186,000	251,492	–	251,492	–

Quantitative fair value measurement hierarchy for liabilities as at December 31, 2018:

			Fair Value Measurement Using		
	Date of Valuation	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities disclosed at fair value:					
Tenants' deposit	December 31, 2018	₱5,907	₱–	₱5,907	₱–
Long-term debt	December 31, 2018	16,421,331	–	16,421,331	–

Quantitative disclosure fair value measurement hierarchy for liabilities as at December 31, 2017:

			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 - put/call rights	December 31, 2017	₱51,042	₱–	₱51,042	₱–
Liabilities disclosed at fair value:					
Product security deposit	December 31, 2017	221,973	–	221,973	–
Tenants' deposit	December 31, 2017	8,339	–	8,339	–
Long-term debt	December 31, 2017	15,749,921	–	15,749,921	–

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

Description of significant unobservable input to the measurement of the derivative liability – put/call rights as at December 31, 2017 is as follows:

	Valuation Technique	Significant Unobservable Input	Range of Input	Sensitivity of the Input to Fair Value
Derivative liability - put/call rights	Discounted cash flow method	Long-term growth rate used to calculate equity value	6.0% to 7.0%	Increase (decrease) in the long-term rate would increase (decrease) the fair value.

32. Notes to the Statements of Cash Flows

In 2019 and 2018, movements in the Jollibee Group's liabilities and equity arising from financing activities follow:

	June 2019 (Unaudited)									
	January 1, 2019	**Cash flows**	**Granted stock options to employees and subsidiaries**	**Dividends declared (Note 19)**	**Interest expense (Note 23)**	**Amortization of debt issue cost (Note 18)**	**Cumulative translation adjustments**	**Share in net losses of non-controlling interest (Note 11)**	**Share in cumulative translation adjustments of non-controlling interest (Note 11)**	**June 30, 2019**
						(in Millions)				
Dividends payable (Note 16)	**₱80.8**	**(₱1,345.4)**	**₱–**	**₱1,341.2**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱76.6**
Short-term debt (Note 18)	**–**	**768.6**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**768.6**
Long-term debt (Note 18)	**26,264.4**	**(2,499.9)**	**–**	**–**	**–**	**10.1**	**(193.1)**	**–**	**–**	**23,581.5**
Interest payable (Note 16)	**239.6**	**(736.1)**	**–**	**–**	**651.3**	**–**	**–**	**–**	**–**	**154.8**
Capital stock (Note 19)	**1,105.2**	**4.4**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,109.6**
Additional paid-in capital (Note 19)	**8,638.4**	**504.0**	**130.2**	**–**	**–**	**–**	**–**	**–**	**–**	**9,272.6**
Non-controlling interest (Note 11)	**1,554.6**	**–**	**–**	**–**	**–**	**–**	**–**	**(238.4)**	**(12.2)**	**1,304.0**
Total liabilities and equity on financing activities	**₱37,883.0**	**(₱3,304.4)**	**₱130.2**	**₱1,341.2**	**₱651.3**	**₱10.1**	**(₱193.1)**	**(₱238.4)**	**(₱12.2)**	**₱36,267.7**

	June 2018 (Unaudited)									
	January 1, 2018	Cash flows	Acquisition of a subsidiary (Note 11)	Dividends declared (Note 19)	Granted stock options to employees and subsidiaries	Interest expense (Note 24)	Amortization of debt issue cost (Note 18)	Cumulative translation adjustments	Share in net losses of non-controlling interest (Note 11)	Share in cumulative translation adjustments of non-controlling interest (Note 11)	June 30, 2018
							(in Millions)				
Dividends payable (Note 16)	₱56.0	(₱1,231.3)	₱–	₱1,236.5	₱–	₱–	₱–	₱–	₱–	₱–	₱61.2
Long-term debt (Note 18)	16,117.3	2,306.2	4,119.3	–	–	–	5.6	522.7	–	–	23,071.1
Interest payable (Note 16)	83.1	(305.8)	–	–	–	375.7	–	–	–	–	153.0
Capital stock (Note 19)	1,101.7	2.0	–	–	–	–	–	–	–	–	1,103.7
Additional paid-in capital (Note 19)	7,520.4	231.8	–	–	132.0	–	–	–	–	–	7,884.2
Non-controlling interest (Note 11)	1,799.3	11.4	1,082.6	–	–	–	–	–	(281.3)	32.9	2,644.9
Total liabilities and equity on financing activities	₱26,677.8	₱1,014.3	₱5,201.9	₱1,236.5	₱132.0	₱375.7	₱5.6	₱522.7	(₱281.3)	₱32.9	₱34,918.1

33. Event after the Reporting Period

On July 24, 2019, the Jollibee Group, through its wholly owned subsidiary JWPL, entered into an agreement to invest USD100 million in a new Singapore-based holding company to acquire 100% of The Coffee Bean & Tea Leaf specialty coffee and tea brand (CBTL), based on Los Angeles, California, USA. The acquiring entity will be JWPL's wholly owned subsidiary Java Ventures, LLC (United States), which will eventually be a wholly owned subsidiary of the new holding company. Jollibee Group's investment will represent 80% of the equity of the new holding company.