



COVER SHEET

JOLLIBEE FOODS CORPORATION

(Company's Full Name)

10/F Jollibee Plaza Building

Emerald Avenue, Pasig City

(Company's Address)

(632) 634-1111

Telephone Number

December 31

(Fiscal Year Ending)

Any day in the month of June

(Annual Meeting)

SEC Form 20-IS

Definitive Information Statement

(Form Type)

Amendment Designation (If applicable)

Registered and Listed

(Secondary License Type and File Number)

Cashier

LCU

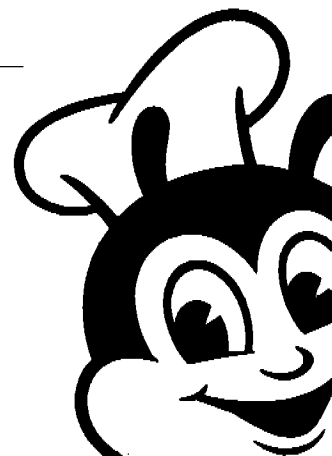
DTU

77487
S.E.C REG. No.

Central Receiving Unit

File Number

Document I.D.





NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of the stockholders of Jollibee Foods Corporation (the "*Corporation*") will be held on June 26, 2009 at 2:00pm, at the PSE Auditorium, PSE Building, Exchange Drive, Ortigas Center, Pasig City.

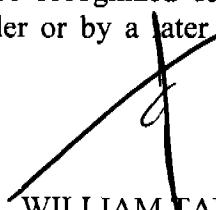
The Agenda for the meeting shall be as follows:

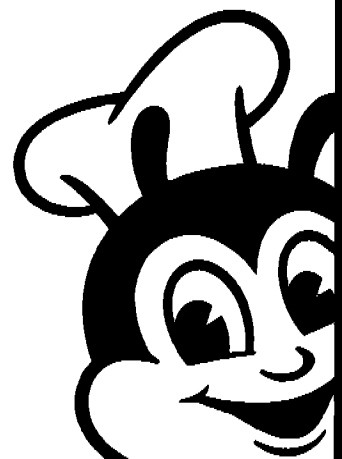
1. Call to Order;
2. Certification by the Corporate Secretary on Notice and Quorum;
3. Reading and Approval of the Minutes of the last Annual Stockholders' Meeting;
4. President's Report;
5. Ratification of Actions by the Board of Directors and Officers of the Corporation;
6. Election of Directors;
7. Appointment of External Auditors;
8. Other matters; and
9. Adjournment.

Registration begins at 1:00pm. Only stockholders of record as of May 31, 2009 are entitled to vote and be voted for during the meeting. For your convenience in registering your attendance, please bring any form of identification such as Passport, SSS identification or driver's license.

All nominations to the Board of Directors must be received by the Corporate Secretary not later than June 1, 2009, as announced in last year's Annual Stockholders' Meeting. Nominations received after this date shall not be recognized for the meeting.

We are not soliciting your proxy. However, you may attend the meeting by submitting a duly-accomplished proxy substantially in the form attached hereto which must be received by the Corporation Secretary not later than ten (10) days before the meeting or on or before June 16, 2009 ("Cut-off Date"). Proxies received after the Cut-off Date shall not be recognized for this meeting. Proxies duly received by the Corporate Secretary on or before the Cut-off Date shall be recognized for the meeting unless revoked by personal appearance of the stockholder or by a later proxy received on or before the Cut-off Date.


WILLIAM TAN UNTIONG
Corporate Secretary



**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS**

Information Statement Pursuant to Section 20 of The Securities Regulations Code

1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Definitive Information Statement
2. Name of Company as specified in its charter: **JOLLIBEE FOODS CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization: **MANILA, PHILIPPINES**
4. SEC Identification Number: **77487**
5. BIR Tax Identification Code: **000-388-771**
6. Address of principal office: **10/F JOLLIBEE PLAZA BLDG., EMERALD AVE., PASIG CITY**
7. Company's telephone number, including area code: **(632) 634-1111**
8. Date, time and place of the meeting of security holders:
JUNE 26, 2009 AT 2:00 PM, PSE AUDITORIUM, PSE BUILDING, EXCHANGE ROAD, ORTIGAS CENTER, PASIG CITY
9. Approximate date on which the Information Statement is first to be sent or given to security holders:
JUNE 5, 2009
10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor: N/A
Address and Telephone Number: N/A
10. Securities registered pursuant to Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

<u>Type of Securities</u>	<u>No. Shares Outstanding</u>
Title of Each Class	Number of shares of common stock outstanding
Common	1,031,848,851
Treasury	16,447,340

**** Note:** Total outstanding common shares inclusive of 8,000,000 and 2,300,000 shares subject for listing. These represent additional shares intended for the Company's Executive Long-Term Incentive Plan and Management Stock Option Plan, respectively.

11. Are any or all of Company's securities listed in the Philippine Stock Exchange?

Yes ☒ No ☐

GENERAL INFORMATION

NO SOLICITATION SHALL BE CONDUCTED AND NO PROXIES SHALL BE SOLICITED FOR PURPOSES OF THE COMPANY'S REGULAR STOCKHOLDERS' MEETING TO BE HELD ON JUNE 26, 2009.

DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The Annual Stockholders' Meeting of Jollibee Foods Corporation (the "Company") will be held on June 26, 2009 at 2:00 p.m. at the PSE Auditorium, PSE Bldg., Exchange Road, Ortigas Center, Pasig City (the "Meeting"). The Information Statement shall be first distributed to the stockholders of record as of May 31, 2009 on or before June 5, 2009.

The Company's mailing address is at the 10/F Jollibee Plaza Building, Emerald Avenue, Ortigas Center, Pasig City, Metro Manila.

DISSENTERS' RIGHT OF APPRAISAL

There are no corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided in Title X of the Corporation Code. In any event, the Company shall observe the procedure set forth in Title X of the Corporation Code with respect to a dissenters' right of appraisal.¹

INTERESTS OF PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

None of the directors or officers of the Company, or any nominee to the Board of Directors or any associate of the foregoing persons have substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon during the Meeting. Likewise, there are no persons who have substantial interest, directly or indirectly in any matter to be acted upon, other than elections to office.

¹ Section 82. How right is exercised. – The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value his shares: Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made; Provided, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: and Provided, further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

There is no director who has informed the Company in writing that he or she intends to oppose any action to be taken by the Company at the meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

- (a) The Company has, as of the date of the preparation of this Report, 1,031,848,851 outstanding common shares of stock and each share is entitled to one vote.
- (b) Pursuant to the Resolution of the Board of Directors at a meeting held on May 12, 2009 the Board fixed May 31, 2009 as the record date for purposes of determining stockholders entitled to notice of and to vote at the Meeting.
- (c) Pursuant to Article III, Section 2 of the Company's by-laws, a stockholder may vote during the Meeting either in person or by proxy.

Applying Section 24 of the Corporation Code, each stockholder may vote in any of the following manner:

- 1) He/she may vote such number of shares for as many persons as there are directors to be elected;
- 2) He/she may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by his shares; or
- 3) He/she may distribute them on the same principle among as many candidates as he shall see fit.

In any of the foregoing instances, the total number of votes cast by the shareholder shall not exceed the number of shares owned by him/her as shown in the books of the Company multiplied by the whole number of directors to be elected.

- (d) Security Ownership of Certain Record and Beneficial Owner and Management

Security Ownership of Certain Record and Beneficial Owners (as of May 15, 2009)

Title of Class	Name, Address of Record Owner and Relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent
Common	<u>Hyper Dynamic Corporation</u> ² 6 th Floor Jollibee Center San Miguel Ave., Pasig City	Majority of the shares in Hyper Dynamic Corporation are owned or controlled by Tony Tan Caktiong and certain relatives within the second degree of	Filipino	273,218,750	26.48%

² Tony Tan Caktiong is authorized to vote the shares of Hyper Dynamic Corporation, Honeysea Corporation and Winall Holding Corporation.

Title of Class	Name, Address of Record Owner and Relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
		<i>consanguinity or affinity.</i>			
Common	<u>PCD Nominee Corporation</u> G/F Makati Stock Exchange 6767 Ayala Ave., Makati City	<i>Approximately 646,528 scripless shares lodged with Deutsche Regis Partners, Inc. are owned by Queenbee Resources Corporation, a special purpose vehicle which is the issuer of warrants over such shares.</i>	Non-Filipino	265,548,754	25.74%
Common	<u>Honeysea Corporation</u> 6 th Floor Jollibee Center San Miguel Ave., Pasig City	<i>Majority of the shares in Honeysea Corporation are owned or controlled by Tony Tan Caktiong and certain relatives within the second degree of consanguinity or affinity.</i>	Filipino	127,743,747	12.38%
Common	<u>PCD Nominee Corporation</u> G/F Makati Stock Exchange 6767 Ayala Ave., Makati City		Filipino	93,467,614	9.06%
Common	<u>Winall Holding Corporation</u> c/o 10 th Floor Jollibee Plaza, Emerald Ave., Ortigas, Pasig City	<i>Majority of the shares in Winall Holding Corporation are owned or controlled by certain relatives within the fourth degree of consanguinity or affinity.</i>	Filipino	54,140,736	5.25%

Security Ownership of Directors (as of May 15, 2009)

Name and Position	Citizenship	Nature of Beneficial Ownership	Number of Shares	Percentage Class
Tony Tan Caktiong <i>Chairman, President and Chief Executive Officer</i>	Filipino	Direct -	14,715,203	Total: 1.48%
		Indirect (through PCD)	564,000	
Ernesto Tanmantiong <i>Treasurer, Executive Vice-President and Chief Operating Officer</i>	Filipino	Direct	2,501,811	Total: 0.29%
		Indirect (through PCD)	457,019	

Name and Position	Citizenship	Nature of Beneficial Ownership	Number of Shares	Percent of Class
William Tan Untiong <i>Corporate Secretary and Vice-President for Real Estate</i>	Filipino	Direct	5,286,055	Total: 0.54%
		Indirect (through PCD)	270,000	
Ang Cho Sit <i>Director</i>	Filipino	Direct	11	Total: 0.00%
		Indirect (through PCD)		
Antonio Chua Poe Eng <i>Director</i>	Filipino	Direct	1	Total: 0.00%
		Indirect (through PCD)		
Felipe B. Alfonso <i>Director</i>	Filipino	Direct	1	Total: 0.00%
		Indirect (through PCD)		
Monico Jacob <i>Director</i>	Filipino	Direct	100	Total: 0.00%
		Indirect (through PCD)		

Security Ownership of Company's Corporate Management Committee officers (as of May 15, 2009)

Name and Position	Citizenship	Nature of Beneficial Ownership	Number of Shares	Percent of Class
Erwin Elechicon <i>President, Chowking Business Unit of Fresh & Famous Foods, Inc.</i>	Filipino	Direct	0	Total: 0.00%
		Indirect (through PCD)	23,500	
Isaias P. Fermin <i>President, Greenwich Business Unit of Fresh & Famous Foods, Inc.</i>	Filipino	Direct	0	Total: 0.00%
		Indirect (through PCD)	0	
Joseph Tanbuntiong <i>President, Red Ribbon Business Unit</i>		Direct	0	Total: 0.00%
		Indirect (through PCD)	0	

Name and Position	Citizenship	Nature of Beneficial Ownership	Number of Shares	Percent of Class
Ma. Regina B. Navarrete <i>Former President, Red Ribbon Business Unit³</i>	Filipino	Direct		Total: 0.06%
		Indirect (through PCD)	595,333	
Rufino dela Rosa <i>President, Manong Pepe Business Unit of Fresh & Famous Foods, Inc.</i>	Filipino	Direct -	52,725	Total: 0.02%
		Indirect (through PCD)	125,000	
Ysmael V. Baysa <i>Chief Finance Officer, Vice President for Corporate Finance</i>	Filipino	Direct	465,000	Total: 0.06%
		Indirect (through PCD)	123,333	
John Victor R. Tence <i>Vice President for Corporate Human Resources</i>	Filipino	Direct	0	Total: 0.01%
		Indirect (through PCD)	58,095	
Daniel Rafael Ramon Gomez <i>Vice President for Corporate Marketing</i>	Filipino	Direct	0	Total: 0.00%
		Indirect (through PCD)	0	

The common shares of Company's other corporate officers are as follows:

Name and Position	Citizenship	Nature of Beneficial Ownership	Number of Shares	Percent of Class
Benigno M. Dizon <i>Vice President for Engineering</i>	Filipino	Direct	20,180	Total: 0.00%
		Indirect (through PCD)	30,269	
William S. Lorenzana <i>Vice President for Information Management</i>	Filipino	Direct	0	Total: 0.00%
		Indirect (through PCD)	0	
Anastacia S. Masancay <i>Vice-President for Corporate Audit</i>	Filipino	Direct	258,000	Total: 0.04%
		Indirect (through PCD)	186,000	

³

Ms. Navarrete retired from the Company on July 15, 2008.

Name and Position	Citizenship	Nature of Beneficial Ownership	Number of Shares	Percent of Class
Susana K. Tanmantiong <i>Vice-President for Purchasing</i>	Filipino	Direct	520,857	Total: 0.06%
		Indirect (through PCD)	138,000	
Paul A. Zaldarriaga <i>Vice President for Information Management</i>	Filipino	Direct	0	Total: 0.02%
		Indirect (through PCD)	200,000	
Erlinda F. Castro <i>Branch Head, Jollibee Worldwide Services</i>	Filipino	Direct	0	Total: 0.00%
		Indirect (through PCD)	0	

The aggregate number of shares owned by all officers and directors as a group as of May 15, 2009 is 26,590,493 shares or approximately 2.58% of Company's outstanding capital stock (net of treasury shares).

There is no voting trust agreement or any similar agreement for persons holding more than 5% of a class.

There is no arrangement that may result in a change in control of Company.

- (e) There has been no change in control of the Company since the beginning of its last fiscal year.

DIRECTORS AND EXECUTIVE OFFICERS

(a) Directors and Executive Officers

As of December 31, 2008, the Company's directors are:

TONY TAN CAKTIONG

Mr. Tan Caktiong, born in 1953, 56, Filipino, is the Chairman of the Board of Directors of the Company. He has been a member of the Board since 1978, and is the President and Chief Executive Officer.

Other directorships and trusteeships are:

Chairman, President	Jollibee Worldwide Pte. Ltd.
Chairman, President	Belmont Enterprises Ventures Ltd.
Chairman, President	Honeysea Corporation
Chairman, President	Hyper Dynamic Corporation
Chairman, President	Mainspring Resources Corporation
Chairman, President	Mary's Foods Corporation
Chairman, President	Queenbee Resources Corporation
Chairman, President	Fresh N' Famous Foods, Inc.
Chairman	Honeybee Foods Corporation
Chairman	Red Ribbon Bakeshop, Inc.
Chairman	RRB Holdings, Inc.
Chairman	Red Ribbon Bakeshop (USA)
Chairman	Tokyo Teriyaki Corporation
Director, President	Jollibee International (BVI) Ltd.
Director	First Gen Corporation
Director	Centregold Corporation
Director	Philippine Long Distance Telephone Company
Director	First Gen Corporation
Board Member	Temasek Foundation
Board Member	Philippine Center for Entrepreneurship Foundation, Inc.
Trustee	Asian Institute of Management
Trustee	St. Luke's Medical Hospital
Trustee	Philippine Academy of Sakya, Inc.

WILLIAM TAN UNTIONG

Mr. Tan Untiong, born in 1953, 55, Filipino, has been the Corporate Secretary of the Company since 1994, and a member of the Board since 1993. Mr. Tan Untiong has also been the Vice President for Real Estate since 1989, and the head of the Delifrance Business Unit of Fresh N' Famous Foods, Inc.

Other directorships are:

Director, Corporate Secretary	Fresh N' Famous Foods, Inc.
Chairman, President	Grandworth Resources Corporation
Chairman, President	JC Properties & Ventures Corporation
Chairman, President	Jollimart Corporation
Director, Corporate Secretary	RRB Holdings, Inc.
Director, Corporate Secretary	Red Ribbon Bakeshop, Inc.
Director, Corporate Secretary	Red Ribbon Bakeshop (USA)
Director, Corporate Secretary	Beeguards Corporation
Director, Corporate Secretary	Belmont Enterprises Ventures Ltd.
Director, Corporate Secretary	Honeybee Foods Corporation
Director, Corporate Secretary	Honeyworth Corporation

Director, Corporate Secretary
 Director, Corporate Secretary
 Director, Corporate Secretary
 Director, Corporate Secretary
 Director, Treasurer
 Director, Treasurer
 Director, Treasurer
 Director

Mainspring Resources Corporation
 Queenbee Resources Corporation
 Zenith Foods Corporation
 Tokyo Teriyaki Corporation
 Antares Holdings, Inc.
 Hyper Dynamic Corporation
 Kingsworth Corporation
 Honeysea Corporation

ERNESTO TANMANTIONG

Mr. Tanmantiong, born in 1958, 50, Filipino, has been a member of the Board since 1987, and is presently the Treasurer of the Company. Mr. Tanmantiong is also the Executive Vice-President and Chief Operating Officer of the Company.

Other directorships are:

Chairman, President
 Chairman, President
 Chairman, President
 Chairman, President
 Chairman
 Director, Corporate Secretary
 Director, Corporate Secretary
 Director, Corporate Secretary
 Director, Treasurer
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Kingsworth Corporation
 Vismin Foods Corporation
 Zenith Foods Corporation
 Tutuban Chow Foods Corporation
 Jollibee Vietnam Co. Ltd.
 Antares Holdings, Inc.
 Hyper Dynamic Corporation
 Mary's Foods Corporation
 Belmont Enterprises Ventures, Ltd.
 Centergold Corporation
 Grandworth Resources Corporation
 Honeysea Corporation
 Queenbee Resources Corporation
 Winall Holdings Corporation
 RRB Holdings, Inc.
 Red Ribbon Bakeshop, Inc.
 Red Ribbon Bakeshop (USA)
 Jollibee Worldwide Pte. Ltd.
 Fresh N' Famous Foods, Inc.
 Honeybee Foods Corporation
 Tokyo Teriyaki Corporation
 Jollibee International (BVI) Ltd.
 Beeguards Corporation
 Mainspring Resources Corporation
 Hanover Holdings Limited

ANG CHO SIT

Mr. Ang, born in 1950, 58, Filipino, has been a member of the Board since 1978.

Other directorships are:

Chairman, President	Venice Corporation
Corporate Secretary	Grandworth Resources Corporation
Treasurer	A-Star Holding Company
Treasurer	Longshore Corporation
Director	Hyper Dynamic Corporation

ANTONIO CHUA POE ENG

Mr. Chua Poe Eng, born in 1948, 61, Filipino, has been a member of the Board since 1978.

Other directorships are:

Chairman, President	Honeyworth Corporation
Director	Albany Resources Corporation
Director	Hyper Dynamic Corporation

FELIPE B. ALFONSO

Mr. Alfonso, born in 1937, 72, Filipino, has been a member of the Board since 1995, and is an Independent Director of the Company. Mr. Alfonso chairs the Company's Nomination and Compensation Committee. He is Vice Chairman of the Board of Trustees of the Asian Institute of Management.

Other directorships, trusteeships and affiliations are:

Executive Director	Asian Institute of Management
Director	Andorra Ventures Corporation
Director	Bacnotan Consolidated Industries, Inc.
Director	Bauang Private Power Corporation
Director	Benpres Holdings Corporation
Chairman, Director	e-Meralco Ventures, Inc.
Director	First Philippine Realty Corporation
Director	First Private Power Corporation
Director	Franklin Baker Company of the Philippines
Co-Vice Chair, Executive Committee	Philippine Malaysia Business Council
Director	PHINMA, Inc.
Chairman	STI, Inc.

Founding Governor and	STI – Information and Communications Technology
Chairman	Academy
Trustee	Coca-Cola Foundation of the Philippines
Trustee	First Philippine Conservation, Inc.
Chairman	Gaston Z. Ortigas Peace Institute
Trustee	Knowledge Channel Foundation, Inc.
President	Lopez Group Foundation, Inc.
Trustee	Philippine Foundation of Global Concerns, Inc.
Trustee	STI Foundation

MONICO JACOB

Mr. Jacob, born in 1945, 63, Filipino, has been a member of the Board since 2001. Mr. Jacob is an Independent Director and chairs the Company's Audit Committee.

Other directorships are:

Chairman	CEOs, Inc.
Director	DFNN.com
President and Chief Executive Officer	Systems Technology Institute, Inc.
Chairman	Global Resource for Outsourced Workers, Inc.
President	STI-Universal Workers, Inc.
Chairman	Advent Capital and Finance Corporation
Chairman	All Asia Securities
Director	Mindanao Energy Systems
Director	iAcademy
Director	Filipino Merchant Insurance Corporation
Chairman	Total Consolidated Asset Management, Inc.
Director	Capital Managers and Advisors, Inc.
Director	Phoenix Petroleum Philippines

The Certifications of Independent Directors are attached hereto as Annex E.

The Company's directors were nominated and voted for by the stockholders during the Company's Annual Stockholders' Meeting on June 27, 2008.

Messrs. Tan Caktiong and Tanmantiong join Mr. Alfonso in the Nomination and Compensation Committees. Messrs. Tan Untiong, Chua Poe Eng and Alfonso are the members of the Audit Committee. Messrs. Tony Tan Caktiong, William Tan Untiong and Ernesto Tanmantiong are also members of the Company's Executive Committee.

Other members of the Corporate Management Committee⁴ are:

ERWIN M. ELECHICON

Mr. Elechicon, born in 1959, 50, Filipino, joined the Company in 2006 and was appointed President of the Chowking Business Unit of Fresh N' Famous Foods, Inc. on April 28, 2008.⁵ Mr. Elechicon was previously President of the Greenwich Business Unit and, previous to that, Vice-President of Procter & Gamble's Fabric & Home Care business in Southeast Asia, India and Australia/New Zealand. Mr. Elechicon also held various positions in brand and general management in the Philippines and other parts of Asia prior to joining the Company

ISAIAS P. FERMIN

Mr. Fermin, born in 1968, 41, Filipino, joined the Company on July 1, 2008 as President of the Greenwich Business Unit of Fresh N' Famous Foods, Inc. Before joining the Company, Mr. Fermin was the Country Director of Nike Philippines from 2005 and prior to that, Senior Vice President for Sales of Unilever-Bestfoods.

JOSEPH TANBUNTIONG

Mr. Tanbuntiong, born in 1963, 46, joined the Company in 1993. Mr. Tanbuntiong was previously Head of the Jollibee Business Unit's Restaurant Systems and Quality Management. He was appointed President of the Red Ribbon Philippines Business Unit effective April 16, 2008.⁶

MA. REGINA B. NAVARRETE

Ms. Navarrete, born in 1964, 45, Filipino, joined the Company as Vice-President for Marketing in 1996. She was President and General Manager of Red Ribbon Bakeshop, Inc., and President of RRB Holdings, Inc. until she assumed a special assignment effective April 16, 2008, in anticipation of her retirement. Ms. Navarrete retired from the Company on July 15, 2008.

RUFINO DELA ROSA

Mr. Dela Rosa, born in 1949, 59, Filipino, was formerly the President of the Chowking Business Unit of Fresh N' Famous Foods, Inc. Mr. Dela Rosa was appointed President of the Manong Pepe Business Unit effective April 28, 2008.

⁴ The Company's Board of Directors organized the Executive Committee during the meeting of the Board of Directors on January 23, 2009. With this, the former Executive Committee was renamed the Corporate Management Committee.

⁵ Mr. Elechicon took over from Mr. Rufino dela Rosa effective April 28, 2008.

⁶ Mr. Tanbuntiong took over for Ms. Ma. Regina B. Navarrete who assumed a special assignment effective April 16, 2008.

YSMAEL V. BAYSA

Mr. Baysa, born in 1956, 53, Filipino, is the Company's Vice-President for Corporate Finance and Chief Finance Officer. He joined the Company in 2003. Previously, Mr. Baysa was Senior Vice-President for Financial Comptrollership, Human Resources and Corporate Planning of Union Bank. He was also Finance Director of Procter & Gamble from 1993 to 2001.

JOHN VICTOR R. TENCE

Mr. Tence, born in 1954, 54, Filipino, is the Vice-President for Corporate Human Resources. He joined the Company in 2003. He was formerly the Global HR Director of ON (formerly Motorola) Semiconductor for 20 years.

DANIEL RAFAEL RAMON GOMEZ

Mr. Gomez, born in 1972, 36, Filipino, is the Vice-President for Corporate Marketing. He joined the Company in July 2008. He was previously Managing Director for Skin, Deodorants and Home Care of Unilever Philippines and prior to that, Category Director Skin & Deodorants in the same company.

OFFICERS OF INTERNATIONAL BRANDS

Following are the officers of the Company's international brands:

ANDREW TAN

Mr. Tan, born in 1956, 53, took over as President and Chief Executive Officer of the Company's Yonghe King brand in China in June 2007. Mr. Tan was previously connected with McDonald's Singapore as Operations Manager of McDonald's Nanjing in 1995, General Manager in 1997, Regional Manager for East China in 1999, and finally, Vice President and General Manager of the North Region in 2005.

CARL TAN CAKTIONG

Mr. Tan Caktiong, born in 1980, 29, Filipino, is currently the Concept Development Project Head of the *Lao Dong* business unit. Mr. Tan Caktiong was previously the General Manager of the Chun Shui Tang Tea House in China.

DR. POLLY YANG (CHUAN HUA YANG)

Dr. Yang, born in 1967, 41, is the Vice President for Research and Development since 2008. Prior to this, Dr. Yang was a Professor in the Department of Restaurant, Hotel and Institutional Management in Fu Jen Catholic University.

MAGGIE ZHANG

Ms. Zhang, born in 1970, 38, is currently the General Manager of the Hongzhuangyuan brand which the Company acquired in 2008. She was previously the Market Director of the Yonghe King brand.

OTHER CORPORATE OFFICERS

BENIGNO M. DIZON

Mr. Dizon, born in 1957, 51, Filipino, has been Vice-President for Corporate Engineering since 2004. He was previously Assistant Vice-President for Engineering, and manager of the Construction and Design Department.

WILLIAM S. LORENZANA, JR.

Mr. Lorenzana, born in 1957, 52, Filipino, is the Vice-President for Commissary. He joined the Company in 2005 and was previously the Assistant Vice President for Logistics and Physical Distribution of United Laboratories, Inc.

ANASTACIA S. MASANCAY

Ms. Masancay, born in 1954, 55, Filipino, is the Vice-President for Corporate Audit. Prior to this, Ms. Masancay held the positions of Vice-President for Comptrollership and Tax Management, Assistant Vice-President for Corporate Accounting, and Corporate Accounting Manager.

SUSANA K. TANMANTIONG

Ms. Tanmantiong, born in 1958, 50, Filipino, is the Purchasing Vice-President of the Company. She joined the Company in 1984, and previously held the positions of Assistance Vice-President for Purchasing, Purchasing Manager and Purchasing Assistant Manager.

PAUL A. ZALDARRIAGA

Mr. Zaldarriaga, born in 1958, 50, Filipino, is the Vice-President for Information Management. He joined the Company in 2002. Prior to this, Mr. Zaldarriaga was President and Managing Director for IBM Solutions Delivery, Inc. and IBM Services Delivery, Inc.

ERLINDA F. CASTRO

Ms. Castro, born in 1957, 52, Filipino, is the branch head of Jollibee Worldwide Services, the Company's shared services arm. She joined the Company in March 2006. Prior to this, she was an Associate Director in the Manila Service Center of Procter & Gamble's Shared Services in Asia where she headed various accounting service functions.

GRACE A. TAN CAKTIONG

Ms. Tan Caktiong, born in 1949, 59, Filipino, is the President of Jollibee Foundation, Inc. since 2004. She was previously connected with the Company as head of the Information Technology Division.⁷

Significant Employees

Other than the mentioned directors and executive officers and the entire workforce of the Company, the Company has no employees expected to make a significant contribution to the business.

Involvement in Legal Proceedings

None of the directors, executive officer or nominees for election as director or executive officer has been involved for the past five (5) years in any litigation that would affect their integrity and ability to manage the Company.

(b) Certain Relationships and Related Transactions

Tony Tan Caktiong, Ernesto Tanmantiong, William Tan Untiong and Joseph Tanbuntiong are brothers. Ang Cho Sit is the brother-in-law of Tony Tan Caktiong. Susana K. Tanmantiong is the wife of Ernesto Tanmantiong, and sister-in-law of Tony Tan Caktiong, William Tan Untiong and Joseph Tanbuntiong. Antonio Chua Poe Eng is the brother-in-law of Tony Tan Caktiong, Ernesto Tanmantiong and William Tan Untiong. Grace A. Tan Caktiong is the wife of Tony Tan Caktiong.

Some of the Company's directors own franchises or have minority interests in companies which

⁷ Other officers of the Foundation are Ms. Belen Rillo, Vice President and Ms. Gisela Tionson-Velasco, Managing Director.

own and operate franchised stores of the Company. All such franchises are subject to contracts which have been entered into in on an arms-length basis and on terms similar to those granted to other franchisees.

The Company has no parent company.

The Company has no transaction with promoters.

- (c) No Director has resigned or declined to stand re-election to the Board of Directors since the date of the last annual meeting.

NOMINATION AND ELECTION PROCEDURES

The Company's By-laws provide:

Section 12. NOMINATION OF DIRECTORS. The Board shall constitute a Nomination Committee in accordance with Article IV, Section 9 of these By-Laws.

Nomination to the Board of Directors (including the independent director) shall be submitted to the Nominations Committee for consideration by the latter prior to the annual meeting of the stockholders or a special meeting called for the purpose of electing the Corporation's Directors. All such submissions shall be signed by the stockholders nominating a particular nominee together with the written acceptance of such nominee. The Nominations Committee shall review the qualifications of the nominees for directors and prepare a final list of candidates. (As amended on June 27, 2008).

After such nomination process, the Nominations Committee shall prepare a Final List of Candidates containing all information about all nominees for directors. All nominations for election of Directors by stockholders must be submitted in writing to the Corporate Secretary at least Fifteen (15) Business Days prior to the date of the relevant stockholders' meeting.

The Final List of Candidates shall be made available to the Securities and Exchange Commission ("SEC") and to all stockholders through the Information or Proxy Statement. The name of the person or group of persons who submitted a particular nominee's name shall be identified in such report including any relationship with the nominee.

Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors. No other nominations shall be entertained or allowed on the floor during the annual stockholders meeting. (As amended on June 27, 2008).

Section 13. ELECTION OF DIRECTORS. Subject to existing laws, rules and regulations of the SEC or any stock exchange having jurisdiction over the Company, the conduct of election of directors shall be made in accordance with the standard election procedures contained in these By-Laws.

It shall be the responsibility of the Chairman of the meeting to inform all stockholders of the requirement of electing independent directors. The Chairman of the Meeting shall ensure that the independent director is elected during the stockholders' meeting.

Specific slots for independent Directors shall not be filled up by unqualified nominees. (As amended on June 27, 2008).

The nine (9) directors of the Corporation shall be elected by plurality vote at the annual meeting of the stockholders for the year at which a quorum is present. At each election for directors every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes as the same principle among any number of candidates. The persons receiving the first nine (9) highest number of votes shall be the directors. (As amended on June 27, 2008).

In the event of a failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy. (As amended on June 24, 2005)

Nominees for Directors

As of the preparation of this Report, all the above incumbent members of the Board of Directors, including the independent directors, are the Management's nominees for re-election in the next election for membership in the Board. None of the nominating directors are related to the nominee for independent director.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Pursuant to Part IV, Paragraph (B) of Annex C of SRC Rule 12, below is a summary compensation table of the Chief Executive Officer and the four (4) most highly compensated officers of the Company:

Name and Position	Year	Salary (PhP)	Bonus (PhP)	Total (PhP)
Tony Tan Caktiong <i>Chairman, President and Chief Executive Officer</i>				
Ernesto Tanmantiong <i>Treasurer, Executive Vice-President and Chief Operating Officer</i>	2007	42,414,572	33,202,900	75,617,472
Ma. Regina Navarette⁸ <i>Former President, Red Ribbon Business Unit</i>	2008	45,142,643	35,322,343	80,464,985
Rufino dela Rosa <i>President of the Manong Pepe Business Unit of Fresh N' Famous Foods, Inc.</i>	2009*	51,914,039	39,091,271	91,005,310
Erwin M. Elechicon <i>President of the Chowking Business Unit of Fresh N' Famous Foods, Inc.</i>				
All other officers and directors as a group unnamed	2007	124,638,087	74,632,660	199,270,747
	2008	141,776,881	99,530,355	241,307,237
	2009*	155,954,569	110,727,743	266,682,312

* Estimate

Standard Arrangements

Directors of the Company receive a per diem of PhP40,000.00 for attendance in a Board meeting. Board meetings are scheduled quarterly. A director who attends all regular meetings earns a total of PhP160,000.00 annually. In addition, the Company instituted a performance-based incentive for its directors. The incentive shall be determined by the Compensation Committee.

Other Arrangements

The Company has no other arrangements pursuant to which a director is compensated or to be compensated, directly or indirectly.

⁸ Ms. Navarette retired from the Company on July 15, 2008.

Employment Contracts

The Company maintains standard employment contracts with executive officers. The contracts provide for annual salary increases and mandatory bonuses. Other than these employment contracts, there are no special compensatory plans or arrangements which result from the resignation, retirement or any other termination of employment of executive officers other than the Company's retirement plan which is made applicable to all of the Company's employees.

Tandem Stock Purchase and Option Plan

The Company adopted the Stock Purchase and Option Plan II ("*Plan II*"), which was approved by the SEC on January 1, 2002. Pursuant to Plan II, an eligible participant may purchase such number of shares based on the particular tranche to which such participant belongs, and in accordance with the formula provided for in Plan II.

In accordance with Plan II, a total of 25,426,904 shares became available for the Option portion equivalent to two shares for every fully paid share under the Purchase portion. The options vest and become exercisable after three (3) years of continuous employment and provided that the employee is employed by the Company as of exercise date. One-third of the shares available for the option portion will vest on each year beginning January 28, 2005 until January 30, 2007. The unexercised option shares expired on January 30, 2008.

As of December 31, 2008, a total of 1,682,218 option shares were not exercised, consequently, forfeited. The number of option shares exercisable as of December 31, 2007 is 6,072,004. The option shares available are divided into three tranches. Tranche 1 has an exercise price of ₱10.00 a share, ₱12.00 a share for Tranche 2 and ₱15.75 a share for Tranche 3. The options that were exercised in 2008 and 2007 are as follows:

	Tranche 1	Tranche 2	Tranche 3	Total
2008	4,184,358	155,291	50,137	4,389,786
2007	5,679,315	1,480,248	235,041	7,394,604

Senior Management Stock Option and Incentive Plan

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 the Jollibee Group and individual performance while the ELTIP provides stock ownership as an incentive to reinforce entrepreneurial and long-term ownership behavior of participants.

The MSOP is a yearly stock option grant program. Each option cycle refers to the period commencing on the MSOP grant date and ending on the last day of the MSOP exercise period. On July 1, 2004, the Compensation Committee of the Company granted 2,385,000 options under the 1st MSOP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted on each anniversary of the MSOP grant date. Vested MSOP may be exercised starting July 1, 2006 and will expire on June 30, 2013. On July 1, 2005 and 2006, 2,577,000 and 2,556,000 options under the 2nd MSOP cycle and 3rd MSOP cycle were granted to eligible participant. On July 1, 2007, 3,014,700 options under the 4th MSOP cycle were granted to eligible participants. Likewise, an additional 675,500 options under the 3rd MSOP cycle were granted. The options vest similar to the 1st MSOP cycle.

The movements in 2008 and 2007 in the number of stock options outstanding for the 1st, 2nd, 3rd and 4th MSOP cycles follow:

	1st MSOP Cycle	2nd MSOP Cycle	3rd MSOP Cycle	4th MSOP Cycle	Total
Balance at December 31, 2005	2,289,235	2,577,000	–	–	4,866,235
Options granted during the year	–	–	2,556,000	–	2,556,000
Options exercised during the year	(214,574)	(143,769)	–	–	(358,343)
Balance at December 31, 2006	2,074,661	2,433,231	2,556,000	–	7,063,892
Option exercised during the year	(299,032)	(362,504)	(286,145)	–	(947,681)
Balance at December 31, 2007	1,775,629	2,070,727	2,269,855	–	6,116,211
Options exercised during the year	(130,765)	(268,330)	(255,418)	–	(654,513)
Options granted during the year	–	–	675,500	3,014,700	3,690,200
Balance at December 31, 2008	1,644,864	1,802,397	2,689,937	3,014,700	9,151,898

Additionally, on July 1, 2007, the Compensation Committee of the Company granted 22,750,000 options under ELTIP to eligible participants. The options will vest at the rate of one-third of the total options granted on each anniversary of the ELTIP grant date. Vested ELTIP may be exercised starting July 1, 2007 and will expire on June 30, 2012.

The movements in 2008 in the number of outstanding stock options follow:⁹

Options granted in 2007	22,750,000
Options exercised in 2007	(1,479,168)
Balance at December 31, 2007	21,270,832

⁹ Please refer also to the notes to the 2008 Audited Financial Statements.

Options exercised in 2008	(3,500,001)
Balance at December 31, 2008	17,770,831

Warrants and Options Outstanding

There are no outstanding warrants or options held by the Chief Executive Officer, other officers and directors as a group.

INDEPENDENT PUBLIC ACCOUNTANTS

The accounting firm of SyCip Gorres and Velayo ("SGV") with address at SGV Building, 6760 Ayala Avenue, Makati City, has been the Company's Auditors and Reporting Accountants for the past 24 fiscal years. SGV is expected to be represented in the Meeting with an opportunity to make any statements, if they so desire, and will be available to respond to appropriate questions.

The current engagement partner of SGV has not performed the audit of the Company's accounts in previous years. The rotation of engagement partners is done in compliance with SEC Memo Circular No. 8, Series of 2003.

During the Annual Stockholders' Meeting on June 26, 2009, it shall be proposed that SGV be appointed the Company's independent public accountant.

COMPENSATION PLANS

There is no action to be taken with respect to any plan to which cash or non-cash compensation may be paid or distributed.

ISSUANCE AND EXCHANGE OF SECURITIES

There are no actions to be taken with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Company, or with respect to the modification of any class of securities of the Company.

MERGERS, CONSOLIDATION AND SIMILAR MATTERS

The Company continues to operate its central commissary in Carmelray, Calamba, Laguna through ZENITH FOODS CORPORATION ("ZFC"), a wholly-owned subsidiary. On February 7, 2008 (but effective as of January 1, 2008), ZFC was merged with another wholly-owned subsidiary, VISMIN FOODS CORPORATION, which owned commissary facilities in Mandaue, Cebu, with ZFC as the surviving entity.

ACQUISITION OR DISPOSITION OF PROPERTY, INVESTMENTS

Hongzhuangyuan

The Company entered into an agreement to acquire Hongzhuangyuan, a chain of restaurants located mostly in Beijing in the People's Republic of China ("PRC") on September 20, 2007. On August 23, 2008, the Company signed a final agreement where JOLLIBEE WORLDWIDE PTE. LTD ("JWPL"), a wholly-owned subsidiary of the Company, shall acquire 100% of Hongzhuangyuan for RMB 379 million (US\$ 55.5 million; PhP2.5 Billion). The sale was completed on October 1, 2008.

As of March 31, 2009, Hongzhuangyuan operates a total of 39 restaurants, 32 of which are company owned while 7 are franchised stores.

Lao Dong

On June 18, 2008, the Company signed an agreement on the principal terms of a joint-venture with the owners of the *Lao Dong* restaurant business based in Taipei, Republic of China. The joint-venture aims to operate and expand the *Lao Dong* restaurant chains in Taiwan and in the PRC.

On November 24, 2008, the Company signed a final agreement to acquire, through JWPL, 70% of the *Lao Dong* restaurant business. Completion and closing of the transaction was on January 1, 2009.

As of March 31, 2009, *Lao Dong* operates 9 stores and a commissary in Taipei. *Lao Dong*, a full-service restaurant serves beef noodles as its core products.

Jinja

The Company, through JWPL, also signed an agreement on July 25, 2009 to acquire a 12.25% equity share in Chow Fun Holdings, LLC, the developer and owner of Jinja Bar and Bistro. Chow Fun is based in New Mexico, USA.

Jinja Bar and Bistro serves Asian cuisine adapted to Western preferences to mainstream American consumers. As of December 31, 2008, it has two restaurants in New Mexico. It opened its third store on March 11, 2009.

RESTATEMENT OF ACCOUNTS

There are no actions to be taken with respect to the restatement of any asset, capital or surplus account.

ACTION WITH RESPECT TO REPORTS

The following are included in the Agenda for the Annual Stockholders' Meeting for the approval of the stockholders:

1. Call to Order;
2. Certification by the Corporate Secretary on Notice and Quorum;
3. Reading and Approval of the Minutes of the last Annual Stockholders' Meeting;
4. President's Report;
5. Ratification of Actions by the Board of Directors and Officers of the Corporation;
6. Election of Directors;
7. Appointment of External Auditors;
8. Other matters; and
9. Adjournment.

A summary of the resolutions taken by the Board from the last stockholders meeting is provided in Annex "B" hereof.

MATTERS NOT REQUIRED TO BE SUBMITTED

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

OTHER PROPOSED ACTIONS

There are no other actions to be taken with respect to any other matter not specifically referred to above.

VOTING PROCEDURES

a) Voting Requirement

1) For election of Directors

Pursuant to Section 24 of the Corporation Code, candidates receiving the highest number of votes shall be declared elected.

2) For election of External Auditors

The nominee receiving the highest number of votes shall be declared as elected.

3) For approval and ratification of all the acts of Management and the Board of Directors for the period from June 28, 2008 to June 25, 2009.

Majority vote of the stockholders present or represented at the 2009 Meeting shall carry the vote.

b) Voting Method

Counting of the Ayes and Nays or showing of hands shall be the method by which votes will be counted unless a stockholder requests balloting, in which case, the votes of the stockholders shall be cast by ballot. Votes shall be counted by SGV and the Corporate Secretary who shall serve as members of the Committee on Elections.

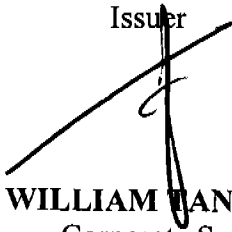
SIGNATURE PAGE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized, this June 3, 2009 in Pasig City.

JOLLIBEE FOODS CORPORATION

Issuer

By:


WILLIAM TAN UNTIONG
Corporate Secretary

ANNEX “A”

MANAGEMENT REPORT

MANAGEMENT REPORT

AUDITED FINANCIAL STATEMENTS AND INTERIM FINANCIAL STATEMENTS

The audited financial statements of the Company for the year ended December 31, 2008 (Annex "C") shall also be included in the Company's 2008 Annual Report which shall be distributed to stockholders, while the interim financial statements of the company for the quarter ending March 31, 2009 are attached hereto as Annex "D."

EXTERNAL AUDIT FEES

Audit and Audit-Related Fees: For the 2008 audit, the aggregate fees for professional services rendered by the external auditors is PhP19.7 Million, broken down as follows: PhP3,600,000.00 for Belmont, PhP8,800,000.00 for Hongzhuangyuan and PhP7,300,000.00 for Jollibee and local subsidiaries.

Tax Fees: In 2008, fees for professional services rendered by the external auditors for tax accounting, compliance, advise and other tax services are included in the external audit fees.

Other Fees: There are no other fees billed for 2008 professional services rendered by external auditors other than those mentioned above.

All of the above services have been approved by the Audit Committee and by the Board of Directors as presented by the Audit Committee through the internal policies and procedures of approval.

The Audit Committee is finalizing its policies and procedures for internal audit and tax fees.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE FIRST QUARTER OF 2009

Results of Operations

The JFC Group generated consolidated total revenues of ₱11.3 billion for Quarter 1 2009, 13.5% higher than Quarter 1 2008. Total system wide sales, a measure of all sales to consumers from both company-owned and franchised stores grew by 13.8% to ₱15.1 billion in January to March 2009 compared to the same period last year. The growth in consolidated system wide sales resulted from the upward price adjustments implemented by the Company in 2008, acquisition of a new business and organic growth.

The Jollibee Group opened 37 stores in the first quarter of 2009. In the Philippines, Jollibee opened

+11, Chowking +5, Greenwich +1, Red Ribbon +3, and Manong Pepe's +4; in the People's Republic of China, Yonghe King +3, Hongzhuangyuan +1 and in the US, Jollibee +3, Chowking +2, Red Ribbon +4.

Consolidated cost of sales increased by 11.0% to ₱5.4 billion during the quarter. As a percent of revenues, consolidated cost of sales for the first quarter of 2009 was lower by 110 basis points, from 48.6% in quarter 1 2008 to 47.5% in quarter 1 2009. The resulting gross margin was higher, from 51.4% in quarter 1 2008 to 52.5% in quarter 1 2009. The improvement was due to the slowing down of raw material price increases and inflation rate and the effect of price adjustments implemented by the Company last year.

Consolidated general and administrative expenses increased by 17.5% to ₱4.9 billion for the quarter primarily due to increase in employees' compensation and benefits, depreciation, rent and operating supplies resulting from new stores opened during the period. Advertising and promotion decreased by 13.8% to ₱225.1 million. The Company slowed down in advertising spending in the first quarter of 2009.

The resulting consolidated net operating income was ₱779.4 million, 17.1% higher than the same period last year. Operating income margin for quarter 1 2009 was higher by 20 basis points, from 6.7% in 2008 to 6.9% in 2009.

Interest income increased by 62.6% to ₱34.9 million in quarter 1 2009 compared to the same period last year. The increase was relative to the 47.4% increase in short term investments from ₱3.0 billion in yearend 2008 to ₱4.4 billion at the end of quarter 1 2009. Interest expense increased significantly by 952.1% to ₱50.9 million due to the interest expense on the CNY350-million loan obtained by the Parent company in September 2008.

Provision for tax was 0.7% lower, from ₱202.8 million in quarter 1 2008 to ₱ 201.4 million in quarter 1 2009. This was due to the decrease in corporate tax rate, from 35% in 2008 to 30% this year. The resulting effective tax rate for quarter 1 2009 was 26.4%, 3.3% lower compared to last year's effective tax rate of 29.7%.

Consolidated net income for quarter 1 2009 was ₱562.0 million, 17.2% higher than last year's consolidated net income. Net income margin (net income as a percent of revenues) was 20 basis points higher versus quarter 1 2008 --- 5.0% in quarter 1 2009 versus 4.8% last year. On a per share basis, after tax net earnings per share amounted to ₱0.549, 16.9% higher compared to the previous year's after tax net earnings per share.

Financial Condition

The Group's consolidated total assets as of March 31, 2009 amounted to ₱26.2 billion, ₱949.7 million lower than the December 31, 2008 balance of ₱27.1 billion. The decrease was primarily due to the following: (1) Decrease in JFC's total cash by ₱195.0 million or 2.8%; (2) Decrease in receivables by ₱380.6 million as the Company was able to collect its receivables from franchisees for royalty fees and commissary purchases, which were supposedly due in the last week of December 2008, only in January 2009 due to the long holidays in December 2008; (3) Decrease in

inventories by ₱433.0 million on account of higher base as prices of raw materials were significantly high in 2008 and the Company normally maintains higher inventory levels at year end. The decrease was offset by the increase in property, plant and equipment by ₱659.2 million or 3.9% due to store additions. The Company opened 21 owned stores in the first quarter of 2009, 10 in the Philippines and 11 abroad.

Consolidated current liabilities amounted to ₱7.5 billion, ₱1.4 billion or 16.1% lower than the 2008 year-end balance of ₱9.0 billion. The decrease was primarily due to the ₱1.4 billion decline in trade payables, primarily due to settlement of 2008 obligations. Current portion of long-term debt also decreased by 22.2% or ₱8.4 million to ₱29.4 million due to payments made by Red Ribbon Bake Shop Inc. USA for its US dollar-denominated loan.

Consolidated noncurrent liabilities amounted to ₱4.1 billion, 1.8% higher than the December 31, 2008 balance of ₱4.0 billion.

Consolidated stockholders' equity increased by ₱417.4 million or 3.0% primarily due to the net income for the first quarter, which amounted to ₱562.0 million offset by the ₱144.6-million decrease in cumulative translation adjustments. The decrease in cumulative translation adjustments was due to the impact of the depreciation of the Philippine Peso on the Parent Company's foreign subsidiaries with negative retained earnings.

The Group generated ₱607.5 million in cash from operations for the first quarter of 2009, 56.0% or ₱218.2 million higher than cash from operations for the same period last year due to decrease in receivables and inventories 2009 and increase in net income and other non-cash items.

Net cash used in investing activities totaled ₱750.0 million. Capital expenditures for the first quarter amounted to ₱718.6 million. The Group opened 21 company-owned stores, both in the Philippines and abroad. It also completed the acquisition of the *Lao Dong* restaurant business based in Taipei, Republic of China on January 1, 2009. Lao Dong had 9 restaurants at the end of March 31, 2009.

Overall, net cash decreased by ₱195.0 million to ₱6.9 billion at the end of March 31, 2009.

Discussion and Analysis of Material Events and Uncertainties

1. There were no events during the period that will trigger direct or contingent financial obligation that is material to the Company.
2. There were no material off-balance sheet transactions, arrangements, obligations created during the reporting period.
3. The Company expects ₱4.0 billion capital expenditures in 2009 for store expansion and renovation, construction of new and upgrading of existing commissaries, improvements in head office and investments in information technology.
4. Food service operations have both peak and lean seasons. Historically, sales in the second and fourth quarters are strong due to the summer and the Christmas seasons, respectively.

Demand during the first and third quarters usually slackens. The material financial impact of this seasonality has been considered in the Company's financial forecast.

5. On January 1, 2009, JFC completed the purchase of 70% of the Lao Dong restaurant business that is based in Taipei, Republic of China. The completion and closing of the transaction were effected following compliance by the owners of Lao Dong on the key conditions for the joint venture.

Consistent with the terms of the final agreement signed on November 24, 2008, JFC acquired 70% of the Lao Dong business for NT 42 million and an additional investment of NT 21 million generated from operations.

6. All of the Company's income arose from its continuing operations.
7. Events after Balance Sheet Date:

Dividend Declaration

The Board of Directors of the Parent Company approved on April 28, 2009 a cash dividend of ₱0.37 per share of common stock to all stockholders of record as of May 14, 2009. This will be distributed on June 5, 2009. This cash dividend is 2.8% higher than that declared in the same period last year.

8. The Company's financial risk management objectives and policies are discussed in **Note 31 of the December 31, 2008 Audited Consolidated Financial Statements**.
9. There are no other known trends, demands, commitments, events or uncertainties that might have a material impact on the Company's liquidity.
10. Causes for any material change: Increase or decrease of 5% or more in the financial statements.

DISCUSSION OF THE COMPANY'S TOP FIVE (5) KEY PERFORMANCE INDICATORS

System Wide Sales

System Wide Sales is a measure of all sales to consumers both from company-owned and franchised stores.

	As of March 31, 2009	As of March 31, 2008
System Wide Sales	₱15,070 million	₱13,243 million
% Growth vs LY	13.8%	13.2%

Revenues

Revenues is a measure of (1) all sales made by the Company's owned stores (both food and novelty sales); (2) Commissary sales to franchised stores; (3) rental revenues of the Company's property division; and, (4) revenues from services rendered by the in-house Construction and Service Groups.

	As of March 31, 2009	As of March 31, 2008
Revenues	₱11,337 million	₱9,991 million
% Growth vs LY	13.5%	14.8%

Net Income Margin

Net Income Margin is the ratio of the company's earnings after interest and tax. This is computed by dividing net income by total revenues. The quotient is expressed in percentage. This measures the Company's return for every peso of revenue earned, after deducting cost of sales, operating expenses, interests and taxes.

	As of March 31, 2009	As of March 31, 2008
Net income	₱562.0 million	₱479.6 million
% to Revenues	5.0%	4.8%

Basic Earnings Per Share (EPS)

EPS is the portion of the Company's profit allocated to each outstanding share of common stock. This is computed by dividing the net income for the quarter attributable to the equity holders of the Jollibee Group by the weighted average outstanding shares at the end of the quarter, after considering the retroactive effect of stock dividends declaration, if any. This serves as an indicator of the Company's profitability.

	As of March 31, 2009	As of March 31, 2008
EPS (Basic)	₱0.549	₱0.470
% Growth vs LY	16.9%	-11.1%

Return on Equity (ROE)

ROE is the ratio of the Company's net income to equity. It is computed by dividing annualized net income by average equity. Average equity for the first quarter is calculated by adding the equity at the end of the first quarter to the equity at year end and dividing the result by two. ROE is a measure of return for every peso of invested equity. The Company also uses ROE for comparing its profitability to that of other firms in the same industry.

	As of March 31, 2009	As of March 31, 2008
Return on Equity	15.7%	14.7%

Item 3. Additional Disclosures for the Period Ended March 31, 2009

To comply with the Securities and Exchange directive dated October 28, 2008 addressed to Mr. Tony Tan Caktiong, CEO of JFC in view of the current global financial condition, we would like to make the following disclosures for the period ended March 31, 2009.

- a. The company continues to be in a strong financial condition with no significant currency, interest, credit and liquidity risks. The financial investments and obligations of the company did not have a significant change compared to the audited balance sheet as of December 31, 2008.
- b. The company's cash both in Philippine and foreign currency is invested in fixed income investments with several reputable financial institutions. These are simple and straightforward investments. In addition, the JFC Group has no investments whatsoever in foreign securities. There are no indications that the value of our cash investments is adversely affected by fair value accounting including mark to market.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR 2008

Results of Operations

Jollibee Foods Corporation (JFC) posted a consolidated revenue growth of 13.4% to ₱43.9 billion from ₱38.7 billion last year. Consolidated system wide sales, a measure of all sales to consumers from both company-owned and franchised stores grew by 12.8% to ₱58.2 billion resulting from healthy same store sales growth, continued expansion of our store network, acquisition of Hongzhuangyuan and upward price adjustments implemented during the year. The JFC Group also believes that same store sales growth was aided by the continued rise in the dollar remittances of Overseas Filipino Workers and the depreciation of the Philippine Peso. The JFC Group also attributes its strong sales to the growth in volume and value of output of the agriculture sector, particularly in the second quarter.

The JFC Group opened 7.5% more stores in 2008 versus 2007 with 186 new stores compared with 173 new stores in 2007. In the Philippines, Jollibee opened +41, Chowking +25, Greenwich +7, Red Ribbon +27, Delifrance +3 and Manong Pepe's +7; in the People's Republic of China, Yonghe King +44, in the US, Jollibee +9, Chowking +3, Red Ribbon +9 and in other parts of the world +11.

Consolidated cost of sales increased by 16.9% to ₱35.8 billion, primarily due to cost of inventories which increased by 16.7% to ₱20.9 billion as prices of some major raw materials increased. As a percent of revenues, cost of inventories for 2008 was 47.5%, 1.3% higher than last year's 46.2%. Although commodity price increase and inflation rate slowed down towards the end of 2008 and the company implemented price adjustments over a period of 16 months, these were not yet sufficient

to recover our margins. Despite the decline in our margin, our gross profit for the yearend 2008 was ₱8.1 billion, which equal to the yearend 2007 gross profit. Personnel cost, rent, depreciation and amortization, supplies also contributed to the increase relative to the increase in number of stores.

Consolidated other income amounted to ₱419.9 million, 269.7% higher than the yearend 2007 balance. The increase pertains to foreign exchange gains for our foreign currency denominated deposits, operating lease pre-termination and other miscellaneous income.

Consolidated expenses increased by 5.0% or ₱260.5 million to ₱5.4 billion. Contributing significantly to the increase are professional fees which increased by ₱225.6 million; taxes and licenses which increased by ₱235.6 million; travel and transportation which increased by ₱191.6 million. These were offset by the decline in depreciation and amortization, rent, supplies and utilities.

The resulting consolidated income from operations for the year was ₱3.1 billion, higher by 2.0% from the previous year's ₱3.0 billion. Operating income margin (% of Revenues) was however lower by 80 basis points from 7.9% in 2007 to 7.1% in 2008. The Company had not fully recovered its profit margins despite price adjustments implemented during the period.

Interest income increased by 45.8% to ₱208.5 million in 2008 coming from interest income from money market placements, cash in banks, loan and advances and interest income accretion. Interest expense, likewise increased by 89.4% to ₱105.1 million primarily due to the Company's long-term loans.

Considering all the factors discussed above, the Company's consolidated net income for 2008 amounted to ₱2.3 billion, which was close to the 2007 consolidated net income of ₱2.4 billion.

Financial Condition

The Group's consolidated total assets as of December 31, 2008 amounted to ₱27.1 billion, 23.6% or ₱5.2 billion higher than 2007. This was due to the following: (1) Increase in cash by ₱1.3 billion or 23% pertaining to the proceeds from the ₱2.4 billion 3-year Renminbi-denominated loan obtained by the Parent Company in September 2008; (2) Increase in inventories by ₱1.1 billion or 67.4% largely due to increase in raw material prices and increase in days inventory for some raw materials like rice, fries, oil and beef to mitigate supply problems; (3) Increase in other current assets by ₱236.5 million or 18.7% primarily due to increase in prepaid expenses by ₱173.5 million and refundable deposits by ₱113.6 million; (4) Increase in property, plant and equipment (gross) by ₱2.1 billion or 14.3% to ₱17.1 billion due to store additions, renovations, improvements in our commissaries and acquisition of a new business in Beijing in the People's Republic of China; and, (5) Increase in other noncurrent assets by ₱1.8 billion or 43.5% to ₱5.8 billion significantly due to the ₱1.6 billion increase in goodwill resulting from the acquisition of a new business and additional goodwill for a subsidiary of the Parent Company in China.

JFC achieved a current ratio of 1.45:1.00 and continued to manage its working capital efficiently with receivable days of 16.

Consolidated current liabilities amounted to ₱9.0 billion, 18.7% higher than the December 2007 level of ₱7.6 billion. Trade payables increased by 55.4% or ₱1.3 billion to ₱3.5 billion relative to the increase in inventories. Accrued expenses increased by 9.5% or ₱204.3 million to ₱2.3 billion primarily due to increase in accrued local and other taxes which grew by ₱168.2 million and accrued rent by ₱58.5 million. Current portion of long-term debt decreased by 6.9% or ₱2.8 million to ₱37.8 million as a subsidiary of the Parent Company paid down its bank loan.

Total non-current liabilities amounted to ₱4.0 billion, 130.7% or ₱2.3 billion higher than the December 31, 2008 balance. This was due to the ₱2.4 billion Renminbi-denominated long-term debt obtained by the Parent Company on September 8, 2008. The loan, which the Parent Company borrowed from several financial institutions totaled CNY 700 million at fixed interest rates for the Company and at a 2.25% above Libor floating rate for the lenders. It consists of Tranches A and B for CNY350 million each. The Company drew the full amount of Tranche A on September 26, 2008 at 6.85% fixed interest rate using CNY6.82:1 USD as initial exchange rate. The loan is payable in full in US dollar using the spot rate five business days before September 8, 2011.

Current and non-current provisions amounted to ₱46.3 million, lower by 19.5% than yearend 2007 balance due to settlement of legal claims and payment of restructuring costs.

Consolidated stockholders' equity increased by 11.8% or ₱1.5 billion primarily due to the ₱2.3 billion net income, issuances of new shares and re-issuances of treasury shares related to the Company's stock option program offset by cash dividends declared during the year which amounted to ₱853.8 million.

Liquidity and Capital Resources

Operating cash flow stood at ₱4.5 billion, 4.7% lower than the operating cash flow in 2007. The decline was due to increase in inventories due to high commodity prices and decline in accrued benefit cost.

Net cash used in investing activities totaled ₱4.3 billion. Capital expenditures for 2008 reached ₱2.9 billion as the Group opened 114 company-owned stores, both in the Philippines and abroad. The Company also acquired a new business in Beijing, in the People's Republic of China. The acquisition – net of cash acquired amounted to ₱1.6 billion.

Net cash provided by financing activities amounted to ₱1.1 billion. The company borrowed ₱2.4 billion from various banks for payment of the Hongzhuangyuan acquisition and capital injection into China. The Company paid ₱1.2 billion cash dividends during the year. Likewise, a subsidiary of the Parent Company also paid down its bank loans by ₱49.7 million.

Overall, net cash and cash equivalents increased by ₱1.3 billion to ₱6.9 billion at yearend 2008.

Discussion and Analysis of Material Events and Uncertainties

1. There were no events during the period that will trigger direct or contingent financial obligation that is material to the company.
2. There were no material off-balance sheet transactions, arrangements, obligations created during the reporting period.
3. The Company expects ₱4.4 billion capital expenditures (twice the amount spent in 2007 of ₱2.1 billion, but ₱1.6 billion or 27% lower than the original budget of ₱6.0 billion) in 2008 for store expansion and renovation, construction of new and upgrading of existing commissaries, improvements in head office and investments in information technology. Actual capital expenditures for 2008 amounted to ₱2.9 billion.
4. Food service operations have both peak and lean seasons. Historically, sales in the second and fourth quarters are strong due to the summer and the Christmas seasons, respectively. Demand during the first and third quarters usually slackens. The material financial impact of this seasonality has been considered in the Company's financial forecast.
5. All of the Company's income arose from its continuing operations.
6. Events after Balance Sheet Date:

Business Acquisition

On January 1, 2009, Jollibee Worldwide, a wholly owned subsidiary of the Company, acquired 70% of the issued and outstanding shares of Lao Dong Pte. Ltd. based in Taipei, Republic of China for a total acquisition cost of NT42 million (PhP61.1 million) and additional capital infusion of NT21 million (PhP30.6 million).

Dividend Declaration

Jollibee Foods Corporation (JFC) announced that its Board of Directors approved on April 28, 2009 a cash dividend of P0.37 per share of common stock for all shareholders of record as of May 14, 2009. This will be distributed on June 5, 2009. This cash dividend is 2.8% higher than that declared in the same period last year.

7. The Company's financial risk management objectives and policies are discussed in **Note 31 of the December 31, 2008 Audited Consolidated Financial Statements.**
8. There are no other known trends, demands, commitments, events or uncertainties that might have a material impact on the Company's liquidity.
9. Causes for any material change: Increase or decrease of 5% or more in the financial statements.

Additional Disclosures for the Period Ended December 31, 2008

To comply with the Securities and Exchange directive dated October 28, 2008 addressed to Mr. Tony Tan Caktiong, CEO of JFC in view of the current global financial condition, we would like to make the following disclosures for the period ended December 31, 2008.

- a) The company continues to be in a strong financial condition with no significant currency, interest, credit and liquidity risks. The financial investments and obligations of the company did not have a significant change compared to the audited balance sheet as of December 31, 2007, except for the increase in debt of P2.4 billion pesos and a corresponding increase in cash of P1.3 billion pesos. This amount was raised at the end of September 2008 in anticipation of our acquisition of Hongzhuangyuan restaurant in Beijing in October 2008 and the capital injection into our businesses in the People's Republic of China (PRC) mainly in Yonghe King. This is a 3-year loan denominated in Renminbi (RMB) with a fixed interest rate. The proceeds of this loan will all be invested in the PRC and therefore, the assets will likewise be denominated in RMB thereby eliminating foreign exchange exposure.

As of December 31, 2008, our total cash balance is P6.9 billion, higher than the December 31, 2007 level even after we had made the initial payment for the acquisition of Hongzhuangyuan and the additional capital injection into our other businesses in the PRC.

- b. The company's cash both in Philippine and foreign currency is invested in fixed income investments with several reputable financial institutions. These are simple and straightforward investments. In addition, the JFC Group has no investments whatsoever in foreign securities. There are no indications that the value of our cash investments is adversely affected by fair value accounting including mark to market.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR 2007

Results of Operations

The JFC Group's revenues grew by 14.1% to P38.7 billion versus last year's revenues of P33.9 billion. Total 2007 system wide sales, a measure of all sales to consumers both from company owned and franchised stores grew by 14.0% to P51.6 billion driven by strong same store sales growth and by the expansion of its network. For the entire year, sales of its restaurant chains in the Philippines grew by 14.4% while those abroad rose by 11.3%, net of the effect of appreciation of the Philippine peso. Excluding the effect of changes in exchange rates, sales from restaurants abroad grew by 19.6% in 2007.

Royalty, franchise fees and others increased by 25.4% to P2.5 billion. The increase was due to higher franchised store sales and by new franchised store additions. A total of 73 franchised stores were opened in the Philippines and abroad in 2007.

Cost of sales increased by 13.7% from P26.9 billion in 2006 to P30.6 billion in 2007. Contributing

significantly to the increase was cost of inventories which increased by 17.0% due to the continued rise in the prices of raw materials and commodities globally. The increases in cost of raw materials were partly offset by the strengthening of the peso which tempered the rise in prices of imported materials, by higher operating efficiency in the stores, by cost improvement efforts in the commissaries and head offices and by slight price adjustments on its products.

The resulting consolidated gross profit for the year increased by ₱1.1 billion or 15.8% from ₱ 7.0 billion to ₱8.1 billion.

Total expenses increased by ₱583.4 million or 12.7% to ₱5.2 billion. Advertising expenses increased by ₱277.1 million or 33.4% to ₱1.1 billion due to the increase in the advertising budget of a subsidiary of the Parent Company. The company also made additional provisions for impairment in value of receivables, inventories, property, plant and equipment and investment properties. Total provisions amounted to ₱71.8 million, an increase of ₱64.8 million or 924.7% versus last year's provisions of ₱7.0 million. General and administrative expenses increased by ₱ 241.5 million or 6.5% to ₱4.0 billion.

Interest income increased by 5.5% to ₱143.0 million, most of which came from money market placements which grew by 45.1% versus last year. Interest expense amounted to ₱55.5 million, lower by 31.0% versus last year. Interest expense on long-term loans of a subsidiary of the Parent Company increased by ₱19.5 million to ₱24.5 million. This was offset by the ₱23.7 million decline on the accretion of interest on financial liabilities from ₱54.6 million in 2006 to ₱ 30.9 million in 2007.

Provision for income tax increased by 0.5% to ₱746.7 million due to the ₱106.7 million benefit of the Company from deferred income tax.

The consolidated net income amounted to ₱2.4 billion, 10.6% higher than last year's net income of ₱2.2 billion. This translates to an after-tax margin of 6.2% based on its revenue of ₱38.7 billion, representing a 20 bps decline versus last year's after-tax margin of 6.4%. We attribute this to the increase in commodity prices which continued to exert pressure on the profit margins of the Jollibee group. Basic earnings per share for 2007 was ₱2.364, 9.4% higher than last year's basic earnings per share of ₱2.1612.

Financial Condition

Total consolidated assets as of December 31, 2007 amounted to ₱21.9 billion, higher by ₱2.7 billion or 13.9% from ₱19.3 billion as of December 31, 2006.

Cash and cash equivalents was ₱5.6 billion or ₱1.4 billion higher from ₱4.2 billion. Principal sources of consolidated cash and cash equivalents in 2007 were cash flows from operations which amounted to ₱4.3 billion.

Receivables increased by ₱304.1 million from ₱1.7 billion to ₱1.9 billion resulting from higher commissary sales to franchised stores.

Inventories went up by ₱363.1 million or 28.7% from ₱1.3 billion to ₱1.6 billion due to higher cost

of food supplies and processed inventories which grew by ₱361.2 million.

Other current assets increased by ₱112.7 million from ₱1.1 billion to ₱1.3 billion on account of other receivables, ₱198.0 million of which relates to the cost of unexercised stock options of key members of the JFC Group who are covered by the company's Senior Management Plan.

JFC achieved a current ratio of 1.38:1.00 and continued to manage its working capital efficiently with receivable days of 17.

Investment properties increased by ₱30.8 million to ₱214.1 million mainly due to the impairment reversal amounting to ₱61.4 million offset by additional provision for impairment in value of land amounting to ₱27.2.

Property, plant and equipment (net of accumulated depreciation) increased by ₱434.3 million or 6.2% from ₱7.1 billion to ₱7.5 billion. We attribute the increase to the group's continued store expansion and renovation and investments in a new commissary of a subsidiary of the Parent Company less the additional depreciation incurred during the year.

Operating lease receivable decreased by ₱99.6 million to ₱37.8 million due to pre-termination and re-negotiation of lease contracts.

Other noncurrent assets increased by ₱384.0 million from ₱933.2 million to ₱1.3 billion. Refundable deposits which represent deposits for operating leases entered into by the Jollibee group as lessee grew by 23.9% to ₱97.3 million. Other noncurrent assets increased by ₱358.3 million to ₱658.5 million mainly due to the ₱75.2 million deposit made by the Parent Company for the acquisition of a real property.

Consolidated current liabilities as of year-end 2007 totaled ₱7.6 billion, higher by ₱1.1 billion compared to ₱6.5 billion as of year-end 2006.

Trade payables and other current liabilities grew by ₱1.2 billion or 19.0% to ₱7.4 billion. Accruals (e.g. salaries, wages and allowances, advertising, taxes, rent and retention payable) increased by 26.9% to ₱454.0 million. Dividends payable increased by 175.4% from ₱251.8 million to ₱693.3 million. Short term loans of Belmont increased by 30.1% to ₱157.5 million. Deposits increased by 56.1% or ₱67.2 million to ₱186.9 million while output vat increased by 176.5% or ₱170.3 million to ₱266.8 million. Other current liabilities which include accruals for economic value added compensation, building improvements, taxes and licenses, etc. increased by ₱567.1 million or 49.9% from ₱1.1 billion to ₱1.7 billion.

Income tax payable increased from ₱8.8 million to ₱83.7 million due to higher taxable income of the Group.

Current portion of provisions decreased by 41.3% to ₱25.4 million due to reversal of provision for restructuring costs amounting to ₱17.8 million. Current portion of long-term debt also decreased by 32.3% or ₱19.4 million to ₱40.6 million due to full payment of RRBI USA's US dollar-denominated loans and partial payment of RRBI's peso-denominated loans. The Parent Company's remaining liability amounting to ₱160.7 million (current portion) for the acquisition of Red Ribbon

was paid down. The amount was to be paid in three equal annual installments following the date of acquisition until October 27, 2008 but the Parent Company opted to early settle the liability on September 27, 2007.

Long-term debt (net of current portion) increased by ₱55.7 million from ₱47.2 million to ₱102.8 million due to additional loans acquired by a subsidiary from a foreign bank in December 2007 - a 3-year loan amounting to US\$1.35 million with an interest rate of 6.5% and a 5-year loan amounting to US\$ 1.9 million, also with an interest rate of 6.5%.

Accrued benefit cost increased by 52.9% or ₱153.4 million to ₱443.6 million resulting from the increase in the discount rate - from 7.75% to 10.15% on the actuarial assumption used to determine retirement benefit obligation.

The Parent Company also paid down its liability for the acquisition of Red Ribbon amounting to ₱251.4 million.

Deferred tax liability decreased by ₱82.9 million to ₱126.8 million --- the excess of fair value over book value of property, plant and equipment of acquired businesses went down from ₱ 99.6 million in 2006 to ₱837.2 thousand in 2007.

Other non-current liabilities decreased by ₱9.8 million from ₱18.6 million to ₱8.8 million.

Total stockholders' equity was ₱12.6 billion, ₱1.7 billion or 15.4% higher from ₱11.0 billion in 2006. The increase was mainly due to the net income for the year which reached ₱2.3 billion offset by cash dividends declared during the year amounting to ₱806.1 million. Also reported under the stockholders' equity as "Excess of the acquisition cost over the carrying value of minority interests" is the difference between the acquisition cost and the carrying value of the 15% interest of Academy Resources in Belmont at the date of acquisition amounting to ₱375.5 million.

Liquidity and Capital Resources

JFC's Return on Equity (ROE) for 2007 was 20.2%, slightly lower from last year's ROE of 20.7%. Our consolidated net cash flows from operating activities in 2007 stood at ₱4.3 billion, 8.4% lower compared to last year's net operating cash flows of ₱4.7 billion. Operating income before working capital changes increased by ₱331.8 million or 7.5%, but this was offset by the ₱164.5 million increase in income taxes paid.

Net cash used in investing activities amounted to ₱2.7 billion, an increase of ₱458.0 million or 20.7% compared to ₱2.2 billion in 2006. Capital expenditures for the 2007 reached ₱2.1 billion, ₱136 million higher than last year's capital expenditure of ₱1.9 billion. The group opened 100 company-owned stores during the year. A subsidiary of the Parent Company also started with the renovation and upgrade of its commissary. The Parent Company also acquired during the year the 15% interest of Academy Resources ltd. in Belmont for ₱413.7 million.

On a consolidated basis, JFC used ₱282.4 million for financing activities in 2007. JFC paid cash dividends amounting to ₱364.5 million and paid in full its liability for the acquisition of a business

amounting to ₱251.4 million. A subsidiary of the Parent Company also paid down by ₱96.2 million its long-term debt.

Overall, net cash and cash equivalents increased by ₱1.4 billion to ₱5.6 billion.

DISCUSSION OF THE COMPANY'S TOP FIVE (5) KEY PERFORMANCE INDICATORS

The Company uses the following measures to assess the Company's financial performance from period to period:

System Wide Sales

System Wide Sales is a measure of all sales to consumers both from company-owned and franchised stores.

	As of end Dec 2008	As of end Dec 2007
System Wide Sales	₱58,163 million	₱51,551 million
% Growth vs LY	12.8%	14.0%

Revenues

Revenues is a measure of (1) all sales made by the Company's owned stores (both food and novelty sales); (2) Commissary sales to franchised stores; (3) rental revenues of the Company's property division; and, (4) revenues from services rendered by the in-house Construction and Service Groups.

	As of end Dec 2008	As of end Dec 2007
Revenues	₱43,892 million	₱38,694 million
% Growth vs LY	13.4%	14.0%

Net Income Margin

Net Income Margin is the ratio of the company's earnings after interest and tax. This is computed by dividing net income by total revenues. The quotient is expressed in percentage. This measures the Company's return for every peso of revenue earned, after deducting cost of sales, operating expenses, interests and taxes.

	As of end Dec 2008	As of end Dec 2007
Net Income	₱2,322 million	₱2,388 million
% to Revenues	5.3%	6.2%

Basic Earnings Per Share (EPS)

EPS is the portion of the Company's profit allocated to each outstanding share of common stock. This is computed by dividing the net income for the year attributable to the equity holders of the Jollibee Group by the weighted average outstanding shares during the year, after considering the retroactive effect of stock dividends declaration, if any. This serves as an indicator of the Company's profitability.

	As of end Dec 2008	As of end Dec 2007
EPS (Basic)	₱2.268	₱2.364
% Growth vs LY	-4.1%	9.4%

Return on Equity (ROE)

Return on Equity (ROE) is the ratio of the Company's net income to equity. It is computed by dividing net income by average equity. Average equity is calculated by adding the equity at the beginning of the year to the equity at year-end and dividing the result by two. ROE is a measure of return for every peso of invested equity. The Company also uses ROE for comparing its profitability to that of other firms in the same industry.

	As of end Dec 2008	As of end Dec 2007
Return on Equity	17.3%	20.2%

CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company and all its subsidiaries have adopted and are now fully compliant with the Philippine Financial Reporting Standards.

BUSINESS DESCRIPTION

JOLLIBEE FOODS CORPORATION (the "*Company*") was incorporated on January 28, 1978. Its principal business is the development, operation and franchising of quick-service restaurants under the trade name "Jollibee." In the Philippines, the Company also has, as subsidiaries, FRESH N' FAMOUS FOODS, INC., which develops, operates and franchises quick-service restaurants under the trade names "Chowking," "Greenwich," "Delifrance," "Manong Pepe's," and RED RIBBON BAKESHOP, INC. (through RRB HOLDINGS, INC.), which develops, operates and franchises restaurants under the "Red Ribbon" trade name.¹⁰ The Company also has subsidiaries and affiliates overseas which develop and operate its international brands, "Yonghe King," "Chun Shui Tang," "Hongzhuangyuan" and, most recently, "Lao Dong."

¹⁰ 2008 milestones and updates for subsidiaries and affiliates are discussed further in other parts of this Report.

As of March 31, 2009, there are 656 Jollibee stores nationwide, of which 342 are franchised and 314 are company-owned. There are also 49 Jollibee stores overseas, including the United States, Vietnam, Hongkong, Brunei, Dubai, Guam, Saipan and Jeddah. The stores offer food products that are prepared on-site based on original Company recipes, using Company-specified ingredients and supplies, and in accordance with Company standards and procedures. These products are sold under various trademarks including, but not limited to Champ, Chicken Joy and Yum, among others.

In 2008, the Company marked its 30th year by affirming its leadership in the quick-service restaurant industry. The “Jollibee” brand opened 2008 with its 39ers – meal offerings for only PHP39.00, which was followed by year-round Jollibee calendar coupons. The Company’s 30th year was the backdrop for its public relations campaigns which culminated in its anniversary treat, “*Isang Pasasalamat, Bida ang Lahat*” raffle promo.

In marketing, the Jollibee brand introduced “Jollitown,” the first-ever brand-produced children’s television show. “Jollitown” promoted positive values and was cited in the 2008 *Araw Values Awards*. The brand also launched the biggest “*MaAga ang Pasko*” campaign which encouraged volunteers to join as Jolly Toy Scouts and incorporated a Toy Clean Up activity. Finally, the brand closed the year with the Hug and Share Doll, a joint effort with Jollibee franchisees.

Among the product developments were the back-to-back campaigns for the Yum, Champ and double-patty burgers. Jollibee also launched season-specific products such as the tuna pie for Lent, *La Paz Batchoy* for the rainy season and the *Macapuno de Leche* ice craze for the summer months. The brand also revamped its current product line with new Jolly Hotdog toppings, overload fries, Black Forest sundae, and the re-launch of the *Chicken Tocino* and the introduction of the *Crispy Bangus*.

The Company continues to operate its central commissary in Carmelray, Calamba, Laguna through ZENITH FOODS CORPORATION (“ZFC”), a wholly-owned subsidiary. On February 7, 2008 (but effective as of January 1, 2008), ZFC was merged with another wholly-owned subsidiary, VISMIN FOODS CORPORATION (“VFC”), which owned commissary facilities in Mandaue, Cebu, with ZFC as the surviving entity. The ZFC-VFC merger allowed the Company to be more efficient in sourcing, receiving, manufacturing, warehousing and distributing raw materials to its stores. The commissaries have the collective capacity to serve 800 stores in Luzon, Visayas and Mindanao. With the commissaries as the focal point, the Company’s Corporate Supply Chain unit has direct responsibility over the product supply needs of the Jollibee Group of Companies, manages sales and operations planning and manufacturing and logistics requirements while closely collaborating with other key divisions.

Economies of scale allow the Company to avail of low purchase costs from local and foreign suppliers, leveraged on sustained volume growth and reliable credit handling. The Company’s major suppliers are the following:

<i>Food</i>	<i>Supplier</i>
Beef	AFFCO NEW ZEALAND LIMITED AFFCO House, 12-26 Swanson Street, Auckland 1, New Zealand SWIFT AUSTRALIA PTY LIMITED PO Box 139 Booval Queensland 4304 Australia 1 Lock Way Riverview Queensland 4303 MONDELLI LTD. Bauro, Sao Paolo, Brazil
Chicken	SAN MIGUEL FOODS, INC. 19th Floor San Miguel Properties Center St. Francis St., Ortigas Center, Mandaluyong City FOSTER FOODS, INC. 1505-A East Tower, PSE Center, Exchange Road Ortigas Center, Pasig City
French Fries	LAMB WESTON 913 W. River Street, Suit 300, Boise Idaho, 83702, USA MCCAIN INTERNATIONAL INC. 317-3 Main Street Florenceville NB E71L 3G6 Canada
Carbonated Beverages	COCA-COLA BOTTLERS PHILIPPINES, INC. 1890 Paz Guazon Street, Otis, Paco, Manila

The Company's subsidiaries have their own commissaries for their respective specialty products, *i.e.*, pizza and pasta for Greenwich, Chinese dishes for Chowking, cakes and pastries for Red Ribbon, bread and deli products for Greenwich and Chinese food items for Yonghe King in China.

Food quality, service, price-value relationship, store location and ambience, and efficient operations continue to be critical elements of the Company's success in the quick-service restaurant industry.

Employees

The Company has a total of 10,201 employees as of December 31, 2008, 3,756 of which are employed on a full-time basis, and 6,445 on a contractual basis. The regular daily-paid employees of the Company are subject to a collective bargaining agreement which expires on February 28, 2012.

Competition

The Company competes in the quick-service restaurant industry. It has presence all over the country and is the biggest fast food company in the Philippines. The Company's competitive edge include strict adherence to its policy of maintaining high standards in food quality, reasonable prices, excellent service and cleanliness in its stores. Taking the Jollibee group in its entirety, competition includes, but is not limited to, McDonald's, Wendy's, KFC, and other burger, pizza and pasta chains, Chinese fast-food restaurants, café-delis and bakeshops.

Customers

The Company serves a wide spectrum of customers from all economic classes. It is not dependent on a single customer or few customers. Neither is there a single customer that accounts for, or will account for, 20% or more of the Company's sales.

Related Parties

The Company runs its business independently of its subsidiaries and other related parties. There is no dependence on the Company's related parties.

Permits and Approvals

Other than the reportorial requirements of the SEC, the Bureau of Internal Revenue ("BIR"), and the local permits for the opening and continued operations of stores, there are no other permits, licenses or approvals required from the Company for its operations. The Company is in full compliance with the requirements of the SEC, BIR and local governments.

Research and Development

Research and development is an integral part of the Company's operations. New products, concepts and ideas are critical to the continued success of the Company and its subsidiaries. For this reason, the Company allocates a Research and Development budget as indicated below:

Year	Amount	Percentage to Revenues
2007	PhP26,597,447.57	.08%
2008	PhP49,900,000.00	.02%

Environmental Laws

Strict compliance with environmental laws would entail substantial capital investment for the Company. The Company will spend, on the average, PhP1,000,000.00 per store to retrofit each store with a Wastewater Treatment Facility (“WWTF”). Additionally, operation expenses is pegged at PhP10,000.00 per month to maintain the WWTF.

Risks

Quick-service restaurants like those maintained by the Company are expected to maintain high quality in terms of food, service and cleanliness (“FSC”). The Company responds by observing stringent guidelines, processes and procedures in its FSC, and conducting regular and spot audits to ensure that FSC standards are maintained not only in stores but also in commissaries. The Company has likewise instituted a system of incentives to reward excellent performance in terms of FSC by stores.

ADDITIONAL REQUIREMENTS AS TO CERTAIN ISSUES OR ISSUERS

The Company has no additional requirements as to certain issues or issuers.

Subsidiaries and Affiliates

The company owns, develops, operates and franchises the following brands through various subsidiaries:

Chowking

As of March 31, 2009, there are 386 domestic stores and 32 overseas stores. Of its Philippine stores, 128 are company-owned while 258 are franchised stores.

Chowking continued to improve on its product line in 2008 with the Chaofan, which was part of the “Sarap Starts at PhP39” campaign. Chowking also debuted its *Hong Kong Style Congee* and the New Lauriat which are value-for-money offerings.

The brand announced also the completion of a PhP270 Million modernization program called “Project DMSSM” which stood for “Designed, Modernized and Streamlined Supply Chain and Manufacturing.” DMSSM began in 2006 and involved the expansion and renovation of Chowking’s Noodle building, increased automation and improved integration of food

manufacturing processes in its commissaries.

In the international setting, Chowking operates a network of 31 stores abroad which includes stores in the United States, United Arab Emirates (“UAE”) and Indonesia. The brand opened its newest franchised store in Las Vegas, Nevada, bringing the total to 15 stores in the United States, and its 11th store in the UAE. Among the milestones is the introduction of the *Bento Meals* to the Indonesian market.

Greenwich

The Company’s pizza and pasta brand focused on strategic thrusts in 2008 which were expected to deliver growth and uplift the brand’s image.

Greenwich is the first food chain in Asia to be certified under the Systemwide ISO 22000 Certification, and the food chain with the most number of certified stores. The brand also tapped new endorsers of its various products.

In 2008, Greenwich beefed up its premium pizza category with the Overloaded pizza in March, the Gourmet Overload in September and the Classic Italian pizzas. The brand supported its expanding product line with store renovations in 2008 with 20 new stores in Metro Manila, Cebu and Baguio sporting the “fast casual dining” look.

As of March 31, 2009, Greenwich had 227 stores nationwide, with 7 of those participating in the Company’s “multibrand” stores. 122 are company-owned stores and 98 are franchised stores.

Delifrance

True to its trendy French café tradition, Delifrance introduced in 2008 the *Tray Couture Sets*, a French gourmet sampler, and the *French Dip Roast Beef Sandwich* to its evolving sandwich line.

The brand also introduced the first word-of-mouth marketing campaign, *Spiked After 5* with a liqueur-spiked coffee line, and ended the year through its second online promotional campaign, the *Delifrance My Secret Santa*.

As of March 31, 2009, there are 24 stores, 21 of which are company-owned, and the remaining 3 are franchised stores.

Manong Pepe’s

Manong Pepe’s, the Company’s newest brand, has 13 stores as of March 31, 2009.

Manong Pepe’s claims a market niche that lies between quick-service restaurants and *karinderias*. The brand’s concept stands on the platform of low-priced, good-value Filipino food with PhP30 for snack and PhP50 daily meal budgets. Manong Pepe’s is now known for its *bilobilo* and *puto* and *laing* and *adobo*, which are just some of the new brand’s breakthrough products.

Chowking, Delifrance, Greenwich and Manong Pepe's are business units of Fresh N' Famous Foods, Inc., a wholly-owned subsidiary of the Company.

Red Ribbon

Red Ribbon opened 25 new stores in 2008, expanding its store network to over 200 stores nationwide. Focusing on customer satisfaction, Red Ribbon's offerings included the Dulce De Leche, Smores Chocolate Cake, Coffee Walnut Bavarian Cake and the Bangus ala-Pobre meal.

Red Ribbon bagged five awards in 2008 – Outstanding Filipino Franchise of the Year in the 2008 Franchise Excellence Awards; Most Promising Franchiser, Best in Franchising Support and Best Local Franchise from the 2008 Entrepreneur Franchiser Awards; and the Outstanding Filipino Retailer of the Year Award (Large Scale Food Category) in the 11th Annual Outstanding Filipino Retailers & Shopping Center of the Year Awards.

As of March 31, 2009, there are a total of 209 stores nationwide, 120 of which are company-owned, and 89 are franchised.

Red Ribbon is also active in the United States with 32 company-owned stores and 1 franchised store.

Yonghe King

Yonghe King continues its efforts to be “traditional yet modern” with the reinvention of its store look. In addition to store décor, façade, logo and seating, Yonghe King also launched its website www.yonghe.com.cn in October 2008. 53 restaurants now bear the new image.

2008 witnessed the opening of 41 stores, the highest since Yonghe King's inception in 1994. As of March 31, 2009, Yonghe King had 143 restaurants, 139 of which are company-owned, spread over 21 cities in the PRC.

Aside from its flagship products, soya milk and *yutiao*, Yonghe King also introduced two beef noodle varieties: the *Dawang San Bao* and *Dawang Ban Jin Ban Rou* to its beef noodle line.

Chun Shui Tang Tea House

In 2008, Chun Shui Tang Tea House (“CST”) repositioned the brand in the PRC and, after extensive market research, identified tea culture and unique tea drinks as its niche. Along with a new store design and visual identity, CST opened its first new store in Tian Shan Road, in an up-and-coming trade area, and its second store in the Super Brand mall, an elite market, both in Shanghai, PRC.

Both store openings were supported by the brand's “100% Tea Loving” design campaign geared

towards promoting tea culture. In September 2008, CST launched a reader's gathering with its partner, City Herald, a lifestyle network, where CST offered its best-selling food and beverages, and taught customers how to make ice-blended tea. Finally, in December 2008, CST brought back the much-loved *Ginger Milk Tea*.

As of March 31, 2009, CST had 2 company-owned stores in Shanghai, PRC.

Jollibee Foundation, Inc.

JOLLIBEE FOUNDATION, INC. (the "*Foundation*") was established in December 2004 to serve as the Company's corporate social responsibility arm.

In 2008, the Foundation launched the *Busog, Lusog, Talino* ("BLT") in-school feeding program in 54 public elementary schools. Daily lunch is provided to pupils in the first and second grades and parents are given seminars on food safety, cooking, health and nutrition.

The Foundation also piloted *Project ACE* (*Access Curriculum and Employability in HRS Education*) and Partnership for Foodservice Professional Development, which aim to improve the quality of hotel and restaurant management education in the country. Both initiatives involve in-store training for students, and lectures and store immersion for faculty members.

Partnering with the Catholic Relief Services and the National Livelihood Development Corporation, the Foundation launched a project to link small farmers to the Company's supply chain. Farmer groups are organized into agro-enterprise clusters to consolidate supply to pool transport logistics.

Next, the Foundation partnered with the AIM-Team Energy Center in launching the *Citizen Responsive Leadership Development Project* which trained local government units and other community stakeholders to participate in local governance that is citizen-responsive. Sta. Fe and Bayombong, Nueva Vizcaya were the pilot sites.

Finally, the Foundation provided technical-vocational scholarship to out-of-school-youth in collaboration with the Don Bosco Technical College.

Others

Other subsidiaries of the Company include FREEMONT FOODS CORPORATION, a wholly-owned subsidiary which owns and operates the Company's Jollibee stores in the Visayas and Mindanao areas, and GRANDWORTH RESOURCES CORPORATION, a real estate company which owns or leases some of the properties used as store sites.

PERCENTAGE OF FOREIGN SALES

The percentage of foreign sales to total net sales for the last three (3) years is as follows:

	2008	2007	2006
Total Sales	41,374,272,795	36,221,306,253	31,939,209,596
Foreign Sales	5,739,222,182	3,203,434,787	3,027,468,642
Percentage	13.9%	8.84%	9.48%

The percentage of foreign sales to net income is as follows:

	2008	2007	2006
Net Income	2,321,817,118	2,388,357,650	2,160,157,923
Foreign Sales	5,739,222,182	3,203,434,787	3,027,468,642
Percentage	247%	134%	140%

TRADEMARK REGISTRATION

TRADEMARK RECORDS BY COUNTRY

Following is a list of the Company's local and international trademark registrations and pending applications for registration for the "Jollibee" brand.

Trademark	Country	Application No.	Registration No.	Registration Date	Classes	Status
Jollibee Great Burgers Great Chicken	Argentina	1,997,310	1.697.758	October 27, 1998	29	Registered
Jollibee Great Burgers Great Chicken & Device	Argentina	1997309	1,652,377	December 3, 1997	42	Registered
Jollibee Mascot Device	Australia	654121	654121	February 24, 1995	42	Registered
Jollibee & Mascot Device	Bahrain	1070/95	S1718	August 2, 1995	42	Registered
Jollibee Great Burgers Great Chicken & Device	Bahrain	1068/95	TM 19220	August 2, 1995	29	Registered
Jollibee Great Burgers Great Chicken & Device	Bahrain	1069/95	S1717	August 2, 1995	42	Registered
Jollibee Great Burgers Great Chicken	Brazil	818935359	818935359	November 30, 1999	38	Registered
Jollibee Great Burgers Great Chicken	Brazil	819052612	819052612	November 30, 1999	29	Registered

Trademark	Country	Application No.	Registration No.	Registration Date	Classes	Status
Jollibee (Word & Device)	British Virgin Islands		1585715	September 21, 2001	29, 30, 32, 42	Registered
Jollibee (Words & Device)	British Virgin Islands		1444	September 21, 2001	42	Registered
Jollibee & Bee Head Device	Brunei Darussalam	36,341	36,341	June 24, 2004	43	Registered
Bee Head Device	Canada	1324318			43	Pending
Jollibee	Canada	1324317			29, 30, 42, 43	Pending
Jollibee & Mascot Design	Canada	783,672			29, 42	Pending
Jollibee Great Burgers Great Chicken & Device	Canada	783671	727149	October 28, 2008	29, 42	Registered
Jollibee & Device	China	95054018	1117643	October 6, 1997	29	Registered
Jollibee & Device	China	95054018	1117643	October 7, 1997	29	Registered
Jollibee (Kuai Le Feng N S.C.C. (Vertical/Stylized)	China	9800085179	1369995	February 28, 2000	42	Registered
Jollibee (Kuai Le Feng) N S.C.C. (Vertical/Stylized)	China	9800085180	1359132	January 28, 2000	29	Registered
Jollibee (Kuai Le Feng) N S.C.C. (Vertical/Stylized)	China	9800085181	1356544	January 21, 2000	30	Registered
Jollibee Great Burgers Great Chicken & Device	China	95054018			29	Pending
Jollibee & Device	Czech Republic	104009	196474	January 3, 1997	29, 30, 32, 42	Registered
Jollibee & Device	Egypt	90430	90430	December 4, 1997	42	Registered
Jollibee & Device	Egypt	90427	90427	December 4, 1997	29	Registered
Jollibee Mascot & Device	Egypt	95740	95740	February 14, 2001	42	Registered
Jollibee Mascot & Device	Egypt	95741	95741	January 17, 2001	29	Registered
Jollibee Mascot & Device	Egypt	95742	95742	January 17, 2001	42	Registered
Jollibee (& Device)	France	94537781	94537781	September 28, 1994	29, 30, 32, 42	Registered
Jollibee & Device	Germany	J31300	2 907 060	May 29, 1995	29, 30, 32, 42	Registered
BEE HAPPY	Hong Kong	301/2002	10613/2003	January 9, 2002	42	Registered
Jollibee & Bee Head Device	Hong Kong	300352025	300352025	January 11, 2005	43	Registered

Trademark	Country	Application No.	Registration No.	Registration Date	Classes	Status
Jollibee Great Burgers Great Chicken & Device (series)	Hong Kong	3906/95	1984A-B/99	April 4, 1995	42	Registered
Jollibee Mascot Device	Hong Kong	5314/95	668/97	May 4, 1995	29	Registered
Jollibee Mascot Device	Hong Kong	5678/95	4465/99	May 12, 1995	42	Registered
Jollibee Name (In Chinese Characters "Siu Lok Fung")	Hong Kong		09486 of 1996	March 1, 1995	29	Registered
Jollibee Name (In Chinese Characters "Siu Lok Fung")	Hong Kong		09487 of 1996	March 1, 1995	30	Registered
Jollibee Name (In Chinese Characters "Siu Lok Fung")	Hong Kong		09488 of 1996	March 1, 1995	32	Registered
Jollibee Name (In Chinese Characters "Siu Lok Fung")	Hong Kong		09489 of 1996		42	Registered
Jollibee & Design	India	1356313	1356313	May 10, 2005	42	Registered
Jollibee & Design	India	1367742			29, 30	Pending
Jollibee Great Burgers Great Chicken & Device	India	737457			16	Pending
Jollibee Great Burgers Great Chicken & Device	India	737458			29	Pending
Jollibee & Bee Head Device	Indonesia		325086	January 6, 1995	29	Registered
Jollibee & Device	Indonesia	R00-2002-10214-10220	IDM000004619	October 22, 2002	25	Registered
Jollibee & Device	Indonesia	R00-2002-10215-10221	IDM000004620	October 22, 2002	28	Registered
Jollibee & Device	Indonesia	R00-2002-10214-10222	IDM000004621	October 22, 2002	28	Registered
Jollibee & Device	Indonesia	V00-2002-10216-10216	IDM000004618	September 30, 2003	43	Registered
Jollibee & Mascot Device	Indonesia		325078	January 6, 1995	29	Registered
Jollibee Beefburger Great Burgers Great Chicken & Device	Indonesia		368310	September 24, 1996	29	Registered
Jollibee Beefburger Great Burgers Great Chicken & Device	Indonesia	R00-2005-00443	367408	April 20, 1995	42	Registered
Jollibee Great Burgers Great	Indonesia	O-95444			29	Pending

Trademark	Country	Application No.	Registration No.	Registration Date	Classes	Status
Chicken & Device						
Jollibee Great Burgers Great Chicken & Device	Israel	100922	100922	September 20, 1995	29	Registered
Jollibee Great Burgers Great Chicken & Device	Israel	100923	100923	September 20, 1995	42	Registered
Jollibee & Device	Jordan		35949	October 8, 1994	30	Registered
Jollibee & Device	Jordan		35950	October 8, 1994	32	Registered
Jollibee & Device	Kuwait	36669			29	Pending
Jollibee & Device	Kuwait	36670			42	Pending
Jollibee & Three Bee Device (Jollibee Mascot)	Kuwait	36671			42	Pending
Jollibee Mascot Device	Kuwait				29	Pending
Jollibee Mascot Device	Kuwait				42	Pending
Jollibee Great Burgers Great Chicken & Device	Lebanon	66960	66960	September 20, 1995	29, 42	Registered
Jollibee Mascot	Lebanon	66961	66961	September 20, 1995	42	Registered
Jollibee	Malaysia	2000-2359	2000-2359	March 3, 2000	43	Registered
Jollibee Mascot	Malaysia	95/03170	95/03170	April 8, 1995	29	Expired
Jollibee & Device	Malaysia		95003171	April 8, 1995	29	Registered
Jollibee Great Burgers Great Chicken & Design	Mexico	288147	665344	July 27, 2000	29	Registered
Jollibee Great Burgers Great Chicken & Design	Mexico	405557	764426	October 21, 2002	42	Registered
Jollibee Great Burgers Great Chicken & Device	New Zealand	254483	254483	October 6, 1995	29	Registered
Jollibee Great Burgers & Device	New Zealand	254484	254484	October 6, 1995	42	Registered
Jollibee Great Burgers Great Chicken & Device	Oman	11658			42	Pending
Jollibee Great Burgers Great Chicken & Device	Oman	11659			29	Pending
Jollibee Mascot Device	Oman	11660			42	Pending
Jollibee Great Burgers Great Chicken & Device	Papua New Guinea	59020	59020	September 11, 1995	29	Registered
Jollibee Great Burgers Great	Papua New Guinea	59021	59021	September 11, 1995	42	Registered

Trademark	Country	Application No.	Registration No.	Registration Date	Classes	Status
Chicken & Device						
Amazing Aloha & Pineapple Slice Device	Philippines	4-1996-106351	4-1996-108683	November 4, 2002	8	Registered
BEE HAPPY	Philippines	4-2002-000185	4-2002-000185	January 18, 2004	42	Registered
BEE Head Device	Philippines	4-2004-006570	4-2004-006570	January 6, 2006	42	Registered
BEE Head Device	Philippines	4-2005-007557	4-2005-007557	February 19, 2007	9, 16, 18, 20, 21, 24, 25, 28	Registered
Chicken Torpedo	Philippines	4-2004-011637	4-2004-011637	January 15, 2007	29	Registered
Chickenjoy (Word Mark)	Philippines	4-2004-006569	4-2004-006569	May 26, 2006	29	Registered
Choco Mallow Pie	Philippines	4-2005-003293			30	Pending
Combee	Philippines	4-2006-005919	4-2006-005919	February 19, 2007	43	Registered
Ice Craze Coffee Jelly	Philippines	4-2005-003299	4-2005-003299	May 5, 2007	30	Registered
jk	Philippines	4-2005-008738	4-2005-008738	July 23, 2007	16, 18, 25, 26, 42	Registered
Jollibee	Philippines	4-2000-004772	4-2000-004772	March 10, 2006	29, 30, 32, 42	Registered
Jollibee	Philippines	4-2000-007421	4-2000-007421	September 24, 2005	16, 28	Registered
Jollibee	Philippines	4-2005-007558	4-2005-007558	February 19, 2007	6, 9, 20, 21, 24, 25	Registered
Jollibee and Mascot and Device	Philippines	4-1995-100296	4-1995-102456	January 20, 2003	29	Registered
Jollibee Great Burgers, Great Chicken	Philippines	4-1995-98275	4-1995-100403	March 15, 2000	29	Registered
Jollibee Great Burgers, Great Chicken	Philippines	4-1995-98276	4-1995-100404	March 23, 2000	42	Registered
Jollibee Super Meals	Philippines	4-2005-002450	4-2005-002450	December 18, 2006	43	Registered
Jollibee Yumburger and Device	Philippines	4-2003-008178	4-2003-008178	December 18, 2006	29, 43	Registered
Jollikids	Philippines	4-2005-000388	4-2005-000388	June 8, 2006	16, 18, 25, 26	Registered
Jolly Cheezy Fries	Philippines	4-2005-006933	4-2005-006933	November 5, 2007	29	Registered
Jolly Crispy Fries (Word Mark)	Philippines	4-2004-006392			29	Pending
Jolly Kids & Device	Philippines	4-1991-77706	4-1991-60442	April 28, 1995	42	Registered

Trademark	Country	Application No.	Registration No.	Registration Date	Classes	Status
Jolly Krunchy Twirl	Philippines	4-2005-001998	4-2005-001998	September 19, 2006	29, 30	Registered
Jolly Shakes (& Stylized)	Philippines	4-2003-001019	4-2003-001019	November 20, 2006	29, 30	Registered
Jolly 'Zerts	Philippines	4-2005-003292	4-2005-003292	June 8, 2006	30	Registered
Mascot Device	Philippines	4-1995-103470	4-1995-105714	July 12, 2000	42	Registered
Swirly-Bitz (Stylized)	Philippines	4-2000-0424	4-2000-000424	November 13, 2003	30, 32	Registered
Tomi's Teriyaki & Device	Philippines	4-2005-010114			43	Pending
Tomi's Teriyaki (Word Mark)	Philippines	4-2005-010115			43	Pending
Yum (Word Mark)	Philippine	4-2003-008177			29, 43	Pending
'Zert Pies	Philippines	4-2005-003294	4-2005-003294	September 25, 2006	30	Registered
Jollibee Great Burgers Great Chicken & Device	Qatar	14073	14073	March 24, 2003	29	Registered
Jollibee Great Burgers Great Chicken & Device	Qatar	14074	14074	March 24, 2003	42	Registered
Jollibee & Design	Republic of Korea – South		40-0358457	March 21, 1997	7	Registered
Jollibee & Design	Republic of Korea – South		40-0372192	August 9, 1997	5	Registered
Jollibee & Design	Republic of Korea – South		4-0372105	August 8, 1997	2	Registered
Jollibee Great Burgers Great Chicken & Device	Republic of Korea – South	95-048721	369351	July 18, 1997	7	Registered
Jollibee Great Burgers Great Chicken & Device	Republic of Korea – South	95-12356			42	Pending
Jollibee Great Burgers Great Chicken & Device	Republic of Korea – South	95-48721	369351	July 18, 1997	7	Registered
Jollibee Great Burgers Great Chicken & Device	Republic Korea – South	96-11545	377580	October 8, 1997	2	Registered
Jollibee Great Burgers Great Chicken & Device	Romania	13511	29524	March 8, 2005	29, 42	Registered
Jollibee Mascot Device	Romania	13512	29525	July 1, 1999	42	Registered
Jollibee (Word) & Device	Saudi Arabia		318/89	September 4, 1994	42	Registered

Trademark	Country	Application No.	Registration No.	Registration Date	Classes	Status
Jollibee Great Burgers Great Chicken & Device	Saudi Arabia		501/25	October 17, 1999	42	Registered
Jollibee Great Burgers Great Chicken & Device	Saudi Arabia	141601609	501/26	October 17, 1999	29	Registered
Jollibee Great Burgers Great Chicken & Device	Saudi Arabia	141601610			42	Pending
Jolly Mascot Device	Saudi Arabia		379/25	July 2, 1996	42	Registered
Jollibee & Device	Singapore		8912/93	November 15, 1993	32	Registered
Jollibee & Device	Singapore	T93/03471A	T93/03471A	May 11, 1993	29	Registered
Jollibee & Device	Singapore	T93/03473H	T93/03473H	May 11, 1993	42	Registered
Jollibee & Device	Singapore	T93-08912E	T93-08912E	November 15, 1993	32	Registered
Jollibee & Device	Singapore		8912/93	November 15, 1993	32	Registered
Jollibee Word & Device	Singapore		3473/93	May 11, 1993	42	Registered
Jollibee Word & Device	Singapore		3471/93	May 11, 1993	29	Registered
Jollibee Word & Device	Singapore		3472/93	May 11, 1993	30	Registered
Jollibee Great Burgers Great Chicken & Device	South Africa	9510214	95/10214	June 12, 1998	29	Registered
Jollibee Great Burgers Great Chicken & Device	South Africa	9510215	95/10215	June 12, 1998	42	Registered
Jollibee Great Burgers Great Chicken & Device	Sri Lanka	81589			29	Pending
Jollibee Great Burgers Great Chicken & Device	Sri Lanka	81591			42	Pending
Jollibee Great Burgers Great Chicken & Device	Syria		56344	October 23, 1995	29, 30, 42	Registered
Jollibee Mascot Device	Syria		56345	October 23, 1995	29, 30, 42	Registered
Jollibee & Three Bee Device (Jollibee Mascot)	Thailand	284093	BOR4134	April 19, 1995	43	Registered
Jollibee Great Burgers Great Chicken & Device	Thailand	284091	KOR41802	April 19, 1995	29	Registered
Jollibee Great Burgers Great Chicken & Device	Thailand	284092	BOR4135	April 19, 1995	43	Registered
Jollibee Logo &	Thailand		KOR30005	March 22,	29	Registered

Trademark	Country	Application No.	Registration No.	Registration Date	Classes	Status
Device				1994		
Jollibee Logo & Device	Thailand		KOR55717	March 22, 1994	30	Registered
Jollibee Logo & Device	Thailand		KOR24252	March 22, 1994	32	Registered
Jollibee Logo & Device	Thailand		BOR3016	March 22, 1994	43	Registered
Jollibee Great Burgers Great Chicken & Device	Tunisia				29	Pending
Jollibee Great Burgers Great Chicken & Device	Tunisia				42	Pending
Jollibee Mascot Device	Tunisia				42	Pending
Jollibee Great Burgers Great Chicken & Device	United Arab Emirates	16343	15560	May 27, 1998	42	Registered
Jollibee Great Burgers Great Chicken & Device	United Arab Emirates	16344	15559	May 27, 1998	29	Registered
Jollibee Mascot Device	United Arab Emirates	16345	14694	April 25, 1998	42	Registered
Jollibee & Device	United Kingdom	1585715	1585715	April 9, 1996	29, 30, 32, 42	Registered
Amazing Aloha	United States of America	78/773483	3399726	March 18, 2008	29	Registered
BEE HAPPY	United States of America	76/355920	2,830,503	April 6, 2004	43	Registered
Bee Head Device	United States of America					Pending
Chickenjoy	United States of America	78/773490			29	Pending
Heavyweight Yumburger	United States of America	78/773517	3349865	December 4, 2007	29	Registered
Jollibee	United States of America	78/683906	3196017	January 9, 2007	43	Registered
Jollibee & Bee Head Device	United States of America	78/546427	3152057	October 3, 2006	43	Registered
Jollibee & Design	United States of America		74/409992	June 24, 1997	29, 30, 32, 42	Registered
Jollibee & Design	United States of America		2074116	June 24, 1997	29	Registered

Trademark	Country	Application No.	Registration No.	Registration Date	Classes	Status
Jollibee & Device	United States of America	74/409992	2074116	June 24, 1997	29, 30, 32, 42	Registered
Jollibee Burger Steak	United States of America	78/773477	3562559	January 13, 2009	29	Registered
Jollibee Great Burgers Great Chicken & Device	United States of America	74/659423			29, 42	Abandoned
Jollibee Mascot Device	United States of America	74/659422			29, 42	Abandoned
Jolly Spaghetti	United States of America	78/773476	3374063	January 22, 2008	29	Registered
Palabok Fiesta	United States of America	78/773470	3393101	March 4, 2008	29	Registered
Yum	United States of America	78/773415	363459	January 1, 2008	29	Registered
Yumburger	United States of America	78/773383	3349864	December 4, 2007	29	Registered
Jollibee & Bee Head Device	Vietnam	4-2005-02046	89304	September 20, 2007	43	Registered
Jollibee and Device	Vietnam	13733	11429	April 2, 1994	29, 30, 32, 42	Registered
Jollibee Mascot Device	Vietnam		19997	February 10, 1996	29	Registered

All subsidiaries have likewise procured the relevant trademark registrations for their respective brands.

PROPERTIES

The Company's properties are, primarily, its company-owned Jollibee stores which are located either on Company-owned premises or on land or buildings leased by the Company from third parties under land or building lease agreements. In terms of store area, the twenty (20) largest Company-owned Jollibee stores are the following:

STORE LOCATION	SITE OWNER	TYPE OF LEASE
FTI Sunshine Mall	Shoppers Paradise Corporation	FTI Building lease
Tanay Uptown	Fidel Melendres	Building lease
Ortigas Roosevelt	Alben Holdings Corp.	Land lease

STORE LOCATION	SITE OWNER	TYPE OF LEASE
C5 Libis	Grandworth Resources Corp.	Land lease
SM Mall of Asia	SM Prime Holdings	Building lease
TriNoma	Ayala Land Inc.	Building lease
E. Rodriguez	Linkage Real Estate & Management Corp.	Land lease
Shell SLEX	Pilipinas Shell Petroleum Corp.	Land lease
Ever Ortigas	Gotesco Properties Inc.	Building lease
Luisita Tarlac	Luisita Realty Corp.	Land lease
Paseo de Sta. Rosa	Greenfield Dev't. Corp.	Building lease
Lucena Grand Central	Lucena Grand Central Terminal Inc.	Building lease
Zamboanga Camins	Grandworth Resources Corp.	Building lease
Naga	24k Property Ventures Inc.	Building lease
La Union SFE	Leonardo Sia	Building lease
Makro Cainta	Cash & Carry Makro Philippines Inc.	Land lease
Dolores Junction	Jolly Palate Foods Corp.	Land lease
Pioneer United	Mr. & Mrs. Benito Valencia	Land lease
Zamboanga Veterans	Annabelle Santos Adriano	Land lease
Hidalgo	Orzat Dev't. Corp.	Building lease

The Company houses its main office in the Jollibee Plaza located in Emerald Avenue, Ortigas Center, Pasig City (where it occupies an area totaling approximately 10,104.35 square meters) and in the Jollibee Center located in San Miguel Avenue (where it occupies an area totaling approximately 3,089.50 square meters). It also leases additional office spaces in the Jollibee Plaza, Jollibee Center, and the Karina, Jjaciss and Sheridan buildings.

The 10-hectare property occupied by ZFC in Calamba, Laguna is owned by the Company, while the 7,719-square meter property occupied by ZFC in Mandaue City is owned by Freemont Foods Corporation.

All of the properties owned by the Company are free of liens and encumbrances.

LEGAL PROCEEDINGS

For purposes of this discussion, a legal proceeding is deemed "material" if the claim involved amounts to at least Php5,000,000.00. Following are the material pending legal proceedings to which the Company is a party as of December 31, 2008:

SPS. ESCAT, ET AL., VS. JOLLIBEE FOODS CORP., ET AL.
Civil Case No. Q-93-17683
Regional Trial Court, Branch 85, Quezon City

This is a claim for damages amounting to Php5.3 Million arising from various illnesses allegedly suffered by the children of the plaintiffs after dining at the Jollibee Crossroads Arcade, a franchised store owned and operated by Great Foods Corp.

The Company is presenting its evidence.

SERRANO VS. ACE SAATCHI AND SAATCHI, ET AL.
Civil Case No. Q-95-25886
Regional Trial Court, Branch 84, Quezon City

This is a claim for royalties and other related damages amounting to approximately Php7 Million arising from the alleged unauthorized use by the Company and its co-defendants of the theme song "I Love You Sabado," of which the first two lines or twelve notes came from the "Anticipation" jingle, which plaintiff composed for a Jollibee commercial.

The parties are exploring the possibility of forging a compromise settlement.

L.O.L. FOOD VENTURES CORP. VS. JOLLIBEE FOODS CORP., ET AL.
CIVIL CASE NO. 02-105339
Regional Trial Court, Branch 37, Manila

LOL Food Ventures Corporation, MALL Food Ventures Corporation ("MALL") and Royal Garden Restaurant, Inc. ("Royal Garden") are sub-lessees of the Company. The Company, on the other hand, is the lessee of LOL Realty Corporation. While the Company is the sub-lessor of LOL Food Ventures, MALL and Royal Garden, these sub-lessees remit their rent directly to LOL Realty Corporation, the principal lessor.

LOL Food Ventures filed this case seeking reimbursement from MALL and Royal Garden for the leased premises' common area expenses that LOL Food Ventures allegedly advanced since 1999 on behalf of MALL and Royal Garden in the amount of Php3,394,482.24 for Royal Garden and Php2,740,311.57 for MALL. LOL Food Ventures impleaded the Company as a party defendant and holds the Company liable for the total amount of Php6,134,793.81 in view of the Company's role as the sub-lessor of the leased premises and therefore, according to LOL Food Ventures Corporation, responsible for collecting the common area expenses from MALL and Royal Garden.

On 7 March 2002, the Company filed its "Answer With Counterclaim and Cross-claim" maintaining that the common area expenses pertain to the operation of the common area as a food court and include the following items: electric and water utility charges, security services, janitorial services and other related food court operating expenses. While the Company is the sub-lessor of the plaintiff, MALL and Royal Garden, the Company never agreed to act as the operator of the food

court (the common area) charged with collecting the expenses connected with its day-to-day operation.

The plaintiff is now presenting its evidence after the parties failed to arrive at an amicable settlement during the mediation hearings in November and December 2008.

JOLLIBEE FOODS CORP. VS. AFP-RSBS, ET AL.

Civil Case No. B-5575

Regional Trial Court, Branch 24, Binan, Laguna

On November 21, 1995, the Company and AFP-RSBS executed a "Contract to Sell" covering a 1.5 hectare parcel of land in Sta. Rosa, Laguna owned by AFP-RSBS. Under the "Contract to Sell" AFP-RSBS agreed to deliver to the Company a "Deed of Absolute Sale" covering the said parcel of land after the Company pays in full the purchase price amounting to PhP82,500,000.00. The Company has fully paid the purchase price including interest in the total amount of PhP99,279,966.22 pursuant to a "Contract To Sell" but AFP-RSBS refuses to execute the "Deed of Absolute Sale." The Company filed this case praying that the court order AFP-RSBS to execute the "Deed of Absolute Sale." In addition, the Company seeks PhP300,000.00 in nominal damages, PhP500,000.00 temperate damages, PhP800,000.00 attorney's fees and cost of suit.

In its defense, AFP-RSBS claims that the Company violated the Contract To Sell by failing to construct a building on the property within six (6) months from the date of execution of the contract and also failed to submit architectural and engineering plans which prevented AFP-RSBS from executing the Deed of Absolute Sale. AFP-RSBS manifested its willingness to execute the Deed of Absolute Sale on the condition that the Company construct a building on the said property pursuant to the "Contract to Sell."

In 2008, the parties agreed to execute a "Compromise Agreement" stipulating that AFP-RSBS shall deliver title to and possession over the property to the Company without need for the Company to comply with other conditions of the Contract to Sell. The parties were allowed additional time to draft, review and execute the Compromise Agreement.

SUSAN SONGCO, ET AL., VS. JOLLIBEE FOODS CORPORATION, ET AL.

CIVIL CASE NO. 71725

Regional Trial Court, Branch 71, Pasig City

Plaintiffs are the lessors of a parcel of land leased to the Company. The property is further sub-leased to Company's franchisee, Messrs. Jesus Nicdao and Marco Narciso of Line One Foods Corporation. Lessor claims that the lease was entered into allegedly on the condition that the Company shall construct thereon a two-storey building which shall be turned over to the plaintiffs at the end of the lease term. This claim is based on the undertaking of one of the franchisees to construct such property. In their Complaint, plaintiffs pray for the following: PhP5,000,000.00 as penalty for the alleged failure to construct the two-storey building; PhP1,500,000.00 as actual damages; PhP1,000,000.00 as moral damages; PhP250,000.00 as exemplary damages; attorney's

fees and costs of suit.

In the Company's Answer, it stated, among others that the lease contract executed by plaintiffs and Company did not contain such condition or undertaking.

The case is set for mediation in March 2009. Should the parties fail to arrive at an amicable settlement, the case shall proceed to pre-trial.

MARKET PRICE AND DIVIDENDS (COMPANY'S COMMON EQUITY)

Market Information

Shares traded at the Philippine Stock Exchange

	2008		2007	
	High	Low	High	Low
1 st Quarter	52.50	43.50	54.50	53.50
2 nd Quarter	48.00	33.00	54.00	52.50
3 rd Quarter	52.00	32.00	53.00	52.50
4 th Quarter	49.50	33.50	52.00	52.00

Source: Philippine Stock Exchange

The high and low prices as of March 31, 2009 is PhP44.00 and PhP43.50, respectively.

Holders

There are approximately 3,851 holders as of May 15, 2009, 2008. The Company's top 20 shareholders as of this date are:

Shareholder	No. of Shares*	% of Ownership, Issued and Outstanding
Hyper Dynamic Corporation	273,218,750	26.75
PCD Nominee Corporation (Non-Filipino)	268,907,469	26.32
Honeysea Corporation	127,743,747	12.50
PCD Nominee Corporation (Filipino)	79,285,961	7.76
Winall Holding Corporation	54,140,736	5.30
Honeyworth Corporation	44,649,173	4.37
Kingsworth Corporation	29,168,935	2.86
Centregold Corporation	27,430,964	2.69
Gemma Tanbuntiong	21,700,601	2.12
A-Star Holding Corporation	18,920,393	1.85
Venice Corporation	18,920,382	1.85
Tony Tan Caktiong	14,715,203	1.44

Shareholder	No. of Shares*	% of Ownership, Issued and Outstanding
Azucena T. King	10,341,199	1.01
Longshore Corporation	8,260,184	0.81
William Tan Untiong	5,286,055	0.52
Sysmart Corporation	2,703,014	0.26
Lucky Securities Corporation	2,539,885	0.25
Ernesto Tanmantiong	2,501,811	0.24
Paul Rosenberg	1,455,000	0.14
Great Pacific Life Assurance	925,000	0.09
Sub-total	1,012,814,462	99.14
Others	8,734,389	0.86
Total Issued and Outstanding	1,037,996,191	
Treasury Shares (per SEC 11-C)	16,447,340	1.61
Total Issued and Outstanding (net of Treasury Shares)	1,021,548,851	

* The figures appearing above refer to direct shares only.

Dividends

Below are the cash dividend declarations of the Company for the years 2006, 2007 and 2008:

Cash Dividend	Declaration Date	Ex-Date	Record Date	Payment Date
PhP0.29	April 10, 2006	April 27, 2006	May 3, 2006	May 29, 2006
PhP0.39	November 13, 2006	November 24, 2006	November 29, 2006	December 21, 2006
PhP0.34	April 11, 2007	April 24, 2007	April 27, 2007	May 24, 2007
PhP0.46	November 28, 2007	December 11, 2007	December 14, 2007	January 4, 2008
PhP0.36	April 14, 2008	April 28, 2008	May 2, 2008	May 28, 2008
PhP0.48	November 11, 2008	November 25, 2008	November 28, 2008	December 18, 2008

Recent Sales of Unregistered Securities

There are no recent sales of unregistered securities.

DISCUSSION ON COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

a. Evaluation System to Determine Compliance with Manual of Corporate Governance

The Company adopts the Corporate Governance Self-Rating Form as an evaluation system for

the Company to measure or determine the level of compliance of the Board of Directors and top management with its Manual of Corporate Governance. The evaluation is conducted, as much as practicable, every start of the year.

b. Measures Undertaken to Comply with Leading Practices on Corporate Governance

The result of the Corporate Governance Self-Rating Form is analyzed and the result is presented to the Board of Directors. Areas where compliance is not perfect is explained and ways are discussed on how to have full compliance with all the leading practices on corporate governance. The Board keeps abreast of latest practices on good corporate governance.

c. Deviations from the Company's Manual of Corporate Governance

There has been no major deviation from the Company's Manual of Corporate Governance.

d. Plan to Improve Corporate Governance

Continuous monitoring of compliance with the Manual of Corporate Governance and keeping abreast with the developing leading practices on corporate governance will give the Company the opportunity to improve corporate governance.

UNDERTAKING TO PROVIDE ANNUAL REPORT

The Company shall furnish the stockholders a copy of SEC Form 17-A, free of charge, upon a written request addressed to:

Office of the Corporate Secretary
Jollibee Foods Corporation
7/F Jollibee Plaza Building
Emerald Avenue, Pasig City

ANNEX “B”

**SUMMARY OF RESOLUTIONS OF THE
BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE
SINCE THE LAST ANNUAL STOCKHOLDERS’ MEETING**

Date	Resolutions
June 27, 2008 Organizational Meeting of the Board of Directors	Election of Officers Appointment of members of Board Committees Designation of Signatories for various transactions
August 5, 2008 Regular Meeting of the Board of Directors	Presentation and Approval of Results of Operations for the Second Quarter of 2008 Designation of Signatories for various transactions
September 8, 2008 Minutes of Action of the Board of Directors	Approval of Loan Opening of Bank Accounts Authority to Credit Amounts to the Company's Bank Accounts Designation of Signatory for a litigation case
September 16, 2008 Minutes of Action of the Board of Directors	Designation of Signatory for a labor case
November 11, 2008 Regular Meeting of the Board of Directors	Presentation and Approval of the Results of Operations for the Third Quarter of 2008 Declaration of Cash Dividends ¹¹ Approval of transfer of country club shares ¹²
January 23, 2009 Regular Meeting of the Board of Directors	Organization of the Executive Committee under Section 10, Article IV of the Company's by-laws Presentation and approval of the 2009 Budget Approval of closure of a store Designation of Signatories for various transactions
February 2, 2009 Regular Meeting of the Company's Executive	Authority to represent the Company in a litigation case Transfer of the Company's shares from the Philippine Depository & Trust Corp. to Deutsche Regis Partners, Inc.

¹¹ Please refer to the discussion on Market Price and Dividends for more information on the declaration of cash dividends.

¹² The Board of Directors approved the transfer of the Company's one (1) playing share in the Cebu City Sports Club from Dennis M. Flores to Manuel V. Yap II.

Date	Resolutions
Committee	Opening and updating of bank accounts
February 6, 2009 Regular Meeting of the Board of Directors	Presentation of the Results of Operations for the Fourth Quarter of 2008
March 2, 2009 Regular Meeting of the Company's Executive Committee	Approval of Chinabank's E-Banking Updating of bank accounts Authority to represent the Company in a litigation case Designation of Authorized Signatories for various transactions
April 13, 2009 Regular Meeting of the Company's Executive Committee	Purchase of country club shares ¹³
April 28, 2009 Regular Meeting of the Board of Directors	Presentation of the Audited Financial Statements Declaration of Cash Dividends
April 30, 2009 Special Meeting of the Company's Executive Committee	Approval of the 2008 Audited Financial Statements Designation of Signatory for a transaction
May 12, 2009 Regular Meeting of the Board of Directors	Presentation and Approval of the Results of Operations for the First Quarter of 2009 Setting of Record Date for the Annual Stockholders' Meeting

¹³ The Executive Committee of the Board of Directors authorized the purchase of two (2) shares in The Country Club at Tagaytay Highlands Golf Club, Inc.

ANNEX “C”

AUDITED FINANCIAL STATEMENTS
(For the Fiscal Year Ending December 31, 2008)



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

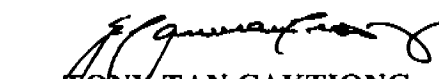
The management of Jollibee Foods Corporation is responsible for all information and representations contained in the financial statements for the years ended December 31, 2007 and 2008. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguard against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

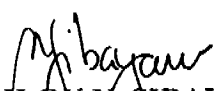
The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:


TONY TAN CAKTIONG
Chairman of the Board
Chief Executive Officer


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


MARILOU N. SIBAYAN
Comptroller



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

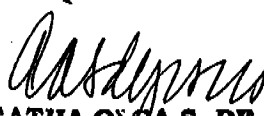
Before me, a notary public in and for the city named above, personally appeared the following:

Name	Competent Evidence of Identity
Ernesto Tanmantiong	CTC No. 26809510 issued on January 30, 2009 at Pasig City and SSS ID No. 03-6292699-0
Ysmael V. Baysa	CTC No. 16903822 issued on March 10, 2009 at Quezon City and SSS ID No. 03-4228219-1
Marilou N. Sibayan	DL No. N02-99-416056 expiry February 19, 2011, LTO East Avenue and SSS ID No. 03-9964176-9

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

Witness my hand and seal this 30th day of April 2009.

Doc. No. 121;
Page No. 26;
Book No. III;
Series of 2009.


AGATHA OLGA S. DE JESUS
NOTARY PUBLIC
UNTIL DECEMBER 31, 2010
Roll Of Attorney's No. 50229
IBF # 765147 December 16, 2003 Pasig
PTR # 5100995 January 6, 2009 Pasig

**JOLLIBEE FOODS CORPORATION
AND SUBSIDIARIES**

FINANCIAL STATEMENTS

31 December 2008

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

(Business Address: No. Street City/Town/Province)

Mr. Ysmael V. Baysa

(Contact Person)

634-1111

(Company Telephone Number)

1	2	3	1
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Month Day
(Fiscal Year)

A	A	C	F	S
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(Form Type)

0	6	1	8
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Month Day
(Annual Meeting)

[illegible]

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

₹2,403,886,894

Domestic

¥118,271,340

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document ID

Cashier

STAMPS

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Jollibee Foods Corporation
10th Floor, Jollibee Plaza Building
No. 10 Emerald Avenue, Ortigas Centre
Pasig City

We have audited the accompanying financial statements of Jollibee Foods Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated statements of income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

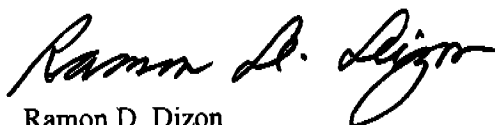
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Jollibee Foods Corporation and Subsidiaries as of December 31, 2008 and 2007, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Ramon D. Dizon

Partner

CPA Certificate No. 46047

SEC Accreditation No. 0077-AR-1

Tax Identification No. 102-085-577

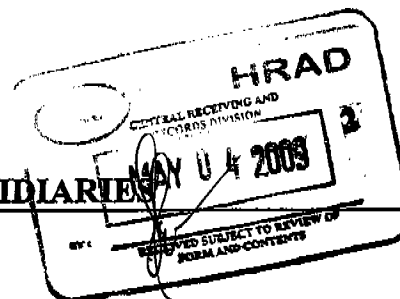
PTR No. 1566425, January 5, 2009, Makati City

April 28, 2009



JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS



	December 31	
	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 31 and 32)	P6,858,849,056	P5,575,943,093
Short-term investments (Notes 31 and 32)	20,002,018	—
Receivables - net (Notes 7, 31 and 32)	1,940,700,399	1,942,450,718
Inventories - net (Note 8)	2,727,464,412	1,629,428,021
Other current assets - net (Notes 9 and 15)	1,497,720,460	1,261,258,621
Total Current Assets	13,044,736,345	10,409,080,453
Noncurrent Assets		
Investments in shares of stock (Note 11)	41,866,500	—
Investment properties - net (Note 12)	306,371,826	214,115,773
Property, plant and equipment - net (Note 13)	8,274,918,781	7,491,045,497
Goodwill (Notes 10 and 14)	3,186,353,082	1,601,606,272
Operating lease receivable (Note 30)	43,621,847	37,789,598
Deferred tax assets (Note 24)	760,124,418	874,166,872
Other noncurrent assets - net (Notes 15, 31 and 32)	1,467,707,707	1,317,197,084
Total Noncurrent Assets	14,080,964,161	11,535,921,096
	P27,125,700,506	P21,945,001,549
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade payables and other current liabilities (Notes 16, 31 and 32)	P8,828,966,051	P7,404,724,470
Income tax payable	82,483,163	83,725,085
Current portion of:		
Provisions (Note 17)	17,039,685	25,394,090
Long-term debt (Notes 18, 31 and 32)	37,769,129	40,549,919
Total Current Liabilities	8,966,258,028	7,554,393,564
Noncurrent Liabilities		
Provisions - net of current portion (Note 17)	29,269,304	32,112,104
Long-term debt - net of current portion (Notes 18, 31 and 32)	2,484,389,105	102,858,308
Accrued benefit liability (Note 26)	400,526,978	443,613,066
Operating lease payable (Note 30)	1,033,055,572	1,028,047,054
Deferred tax liabilities (Note 24)	72,370,098	126,820,592
Other noncurrent liabilities	—	8,819,817
Total Noncurrent Liabilities	4,019,611,057	1,742,270,941
Equity Attributable to Equity Holders of the Parent (Note 31)		
Capital stock (Note 19)	1,040,005,488	1,034,139,179
Subscriptions receivable	(17,177,884)	(17,177,884)
Additional paid-in capital (Notes 19 and 27)	2,245,675,482	2,086,941,086
Cumulative translation adjustments of subsidiaries	22,952,351	151,039,682
Unrealized gain on available-for-sale financial assets (Note 15)	19,880,054	30,895,367
Excess of the acquisition cost over the carrying value of minority interests (Note 10)	(543,978,573)	(543,978,573)
Retained earnings (Note 19):		
Appropriated	1,200,000,000	1,200,000,000
Unappropriated	10,349,648,543	8,884,408,730
	14,317,005,461	12,826,267,587
Less cost of common stock held in treasury (Notes 19 and 27)	180,511,491	183,338,740
	14,136,493,970	12,642,928,847
Minority interests (Note 10)	3,337,451	5,408,197
Total Stockholders' Equity	14,139,831,421	12,648,337,044
	P27,125,700,506	P21,945,001,549

See accompanying Notes to Consolidated Financial Statements.



JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2008	2007	2006
REVENUES			
Net sales	₱41,374,272,795	₱36,221,306,253	₱31,939,209,596
Royalty, franchise fees and others (Notes 12, 20 and 30)	2,517,286,157	2,472,355,491	1,972,008,085
	43,891,558,952	38,693,661,744	33,911,217,681
COST OF SALES (Notes 12 and 21)	35,780,174,124	30,596,612,445	26,918,732,047
GROSS PROFIT	8,111,384,828	8,097,049,299	6,992,485,634
OTHER INCOME - Net (Notes 12, 31 and 32)	419,918,386	113,588,559	389,615,681
EXPENSES (Notes 12, 22 and 27)	(5,423,621,683)	(5,163,143,103)	(4,579,738,446)
FINANCE INCOME (CHARGES)			
Interest income (Note 23)	208,464,081	142,988,980	135,490,812
Interest expense (Note 23)	(105,080,420)	(55,469,288)	(80,407,514)
EXCESS OF FAIR VALUE OF NET ASSETS OVER ACQUISITION COST OF A SUBSIDIARY (Note 10)	-	-	68,415,573
EQUITY IN NET LOSS OF A JOINT VENTURE (Note 11)	-	-	(22,907,585)
INCOME BEFORE INCOME TAX	3,211,065,192	3,135,014,447	2,902,954,155
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 24 and 25)			
Current	829,656,114	853,376,333	609,362,773
Deferred	59,591,960	(106,719,536)	133,433,459
	889,248,074	746,656,797	742,796,232
NET INCOME	₱2,321,817,118	₱2,388,357,650	₱2,160,157,923
Attributable to:			
Equity holders of the Parent	₱2,319,087,864	₱2,386,722,219	₱2,156,618,463
Minority interests	2,729,254	1,635,431	3,539,460
	₱2,321,817,118	₱2,388,357,650	₱2,160,157,923
Earnings Per Share for Net Income Attributable to the Equity Holders of the Parent (Note 29)			
Basic	₱2.268	₱2.364	₱2.161
Diluted	2.253	2.341	2.152

See accompanying Notes to Consolidated Financial Statements.



JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

	Equity Attributable to Equity Holders of the Parent						Minority Interests (Note 10)	Total Stockholders' Equity
	Excess of the							
	Capital Stock (Note 19)	Subscriptions Receivable	Additional Paid-in Capital (Notes 19 and 27)	Cumulative Translation Adjustments of Subsidiaries	Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Cost over the Carrying Value of Minority Interests (Note 10)	Retained Earnings (Note 19)	Cost of Common Stock Held in Treasury (Notes 19 and 27)
Balances at January 1, 2008	P1,034,139,179	(P17,177,884)	P2,086,941,086	P151,039,682	P50,895,367	(P543,978,573)	P8,884,408,730	P183,338,740
Net income for the year	-	-	-	-	-	-	2,319,087,864	-
Translation adjustments during the year	-	-	-	-	-	-	-	-
Change in fair value of available-for-sale financial assets	-	-	-	(128,087,331)	-	-	-	(128,087,331)
Total income for the year	-	-	-	-	(11,015,313)	-	(11,015,313)	-
Subscriptions and issuances of shares	5,866,309	-	-	(128,087,331)	(11,015,313)	-	2,179,985,220	2,729,254
Re-issuances of treasury shares for stock purchase exercised	-	-	79,080,096	-	-	-	-	5,866,309
Cost of stock options granted	-	-	85,654,300	-	-	-	-	75,907,345
Cash dividends	-	-	-	-	-	-	(853,848,051)	-
Balances at December 31, 2008	P1,040,005,488	(P17,177,884)	P2,245,675,482	P22,952,351	P19,800,054	(P543,978,573)	P10,349,648,543	P14,136,493,970
Balances at January 1, 2007	P1,024,182,326	(P17,177,884)	P1,817,488,832	P72,950,363	(P198,091)	(P168,257,659)	P7,303,774,395	(P292,445,970)
Net income for the year	-	-	-	-	-	-	2,386,722,219	-
Translation adjustments during the year	-	-	-	-	-	-	-	-
Change in fair value of available-for-sale financial assets	-	-	-	78,089,319	-	-	-	78,089,319
Total income for the year	-	-	-	78,089,319	-	-	-	-
Subscriptions and issuances of shares	9,956,853	-	-	-	31,093,458	-	-	-
Re-issuances of treasury shares for stock purchase exercised	-	-	188,949,443	-	-	-	-	-
Cost of stock options granted	-	-	80,502,791	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(806,087,884)	-
Acquisition of minority interest (Note 10)	-	-	-	-	-	(375,720,914)	-	-
Balances at December 31, 2007	P1,034,139,179	(P17,177,884)	P2,086,941,086	P151,039,682	P30,895,367	(P543,978,573)	P8,884,408,730	P183,338,740
Balances at January 1, 2006	P1,034,139,179	(P17,177,884)	P2,086,941,086	P151,039,682	P30,895,367	(P543,978,573)	P8,884,408,730	P183,338,740
Net income for the year	-	-	-	-	-	-	2,319,087,864	-
Translation adjustments during the year	-	-	-	-	-	-	-	-
Change in fair value of available-for-sale financial assets	-	-	-	(128,087,331)	-	-	-	(128,087,331)
Total income for the year	-	-	-	-	(11,015,313)	-	(11,015,313)	-
Subscriptions and issuances of shares	5,866,309	-	-	(128,087,331)	(11,015,313)	-	2,179,985,220	2,729,254
Re-issuances of treasury shares for stock purchase exercised	-	-	79,080,096	-	-	-	-	5,866,309
Cost of stock options granted	-	-	85,654,300	-	-	-	-	75,907,345
Cash dividends	-	-	-	-	-	-	(853,848,051)	-
Balances at December 31, 2006	P1,040,005,488	(P17,177,884)	P2,245,675,482	P22,952,351	P19,800,054	(P543,978,573)	P10,349,648,543	P14,136,493,970



	Equity Attributable to Equity Holders of the Parent								Minority Interests (Note 10)	Total Stockholders Equity	
	Excess of the										
	Capital Stock (Note 19)	Subscriptions Receivable (P17,177,884)	Additional Paid-in Capital (Notes 19 and 27)	Cumulative Translation Adjustments of Subsidiaries	Unrealized Gain (Loss) on Available-for-Sale Financial Assets (P316,823)	Cost over the Carrying Value of Minority Interests (Note 10)	Retained Earnings (Note 19)	Cost of Common Stock Held in Treasury (Notes 19 and 22)			
Balance at January 1, 2006	P1,022,700,055	(P17,177,884)	P1,771,347,335	P218,682,039	(P316,823)	P-	P1,200,000,000	(P264,418,912)	P9,656,457,760	P241,524,118	P9,897,981,878
Net income for this year	-	-	-	-	-	-	-	-	2,156,618,463	3,539,460	2,160,157,923
Translation adjustments during the year	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of available-for-sale financial assets	-	-	-	(145,731,676)	-	-	-	-	(145,731,676)	(7,846,639)	(153,578,315)
Total income and expenses for the year	-	-	-	-	118,734	-	-	-	118,734	-	118,734
Subscriptions and issuances of shares	1,482,271	-	19,557,197	-	118,734	-	-	2,156,618,463	2,011,005,521	(4,307,179)	2,006,698,342
Re-issuances of treasury shares for stock purchases exercised	-	-	(10,746,278)	-	-	-	-	-	21,039,468	-	21,039,468
Re-issuances of treasury shares for stock purchased by retirement fund	-	-	-	-	-	-	-	-	57,872,662	47,126,384	47,126,384
Cost of stock options granted	-	-	(2,711,887)	-	-	-	-	-	14,098,280	11,386,393	11,386,393
Cash dividends	-	-	40,042,485	-	-	-	-	-	40,042,485	-	40,042,485
Acquisition of minority interest (Note 10)	-	-	-	-	-	(168,257,659)	-	-	(678,484,020)	-	(678,484,020)
Balance at December 31, 2006	1,482,271	-	46,141,517	-	-	(168,257,659)	-	(678,484,020)	71,970,942	(215,742,341)	(384,000,000)
	P1,024,182,326	(P17,177,884)	P1,817,488,832	P72,950,363	(P198,091)	(P168,257,659)	P1,200,000,000	P7,303,774,395	(P292,445,970)	P10,940,316,332	P21,474,598
									(727,146,949)	(215,742,341)	(942,889,290)

See accompanying Notes to Consolidated Financial Statements.



JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱3,211,065,192	₱3,135,014,447	₱2,902,954,155
Adjustments for:			
Depreciation and amortization (Notes 21 and 22)	1,728,879,763	1,579,558,873	1,573,844,757
Interest income (Note 23)	(208,464,081)	(142,988,980)	(135,490,812)
Interest expense (Note 23)	105,080,420	55,469,288	80,407,514
Stock options expense (Note 27)	85,654,300	85,907,703	40,042,485
Provisions for:			
Impairment in value of receivables and inventories (Note 22)	61,726,457	39,507,137	—
Impairment in value of property, plant and equipment and investment properties (Note 22)	3,792,817	32,308,313	—
Net unrealized foreign exchange loss	39,641,095	1,035,909	12,732,993
Loss on disposals and retirements of property and equipment	11,643,689	31,593,162	33,456,907
Gain on disposal of property and equipment	(8,404,409)	—	—
Reversal of impairment in investment property (Note 12)	(1,950,646)	(61,452,608)	—
Excess of fair value of net assets over acquisition cost of a subsidiary (Note 10)	—	—	(68,415,573)
Mark-to-market gain on derivative asset (Note 32)	—	(21,456,517)	(59,789,200)
Equity in net loss of a joint venture (Note 11)	—	—	22,907,585
Income before working capital changes	5,028,664,597	4,734,496,727	4,402,650,811
Decrease (increase) in:			
Short-term investments	(20,002,018)	230,932,964	43,656,606
Receivables	(28,002,090)	(229,874,271)	(19,666,326)
Inventories	(1,124,886,414)	(377,203,613)	113,717,410
Other current assets	(236,461,839)	(112,737,627)	(146,367,422)
Increase (decrease) in:			
Trade payables and other current liabilities	1,766,114,037	738,688,175	697,621,491
Provisions	(11,197,205)	(17,837,907)	(13,878,455)
Accrued benefit cost	(43,086,088)	153,388,629	56,405,890
Operating lease payable	5,008,518	(37,023,197)	177,466,757
Cash generated from operations	5,336,151,498	5,082,829,880	5,311,606,762
Income taxes paid	(830,898,036)	(778,501,594)	(614,031,740)
Net cash provided by operating activities	4,505,253,462	4,304,328,286	4,697,575,022

(Forward)



	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (Note 13)	(P2,921,797,606)	(P2,055,998,382)	(P1,920,244,179)
Acquisition of a subsidiary - net of cash acquired (Note 10)	(1,584,746,810)	-	25,617,679
Proceeds from disposals of property and equipment	311,707,055	7,375,429	57,418,024
Increase in other noncurrent assets	(295,445,514)	(332,749,634)	(61,062,648)
Interest received	203,340,056	128,571,500	110,853,954
Acquisition of stock	(41,866,500)	-	-
Acquisition of minority interest (Note 10)	-	(413,657,153)	(384,000,000)
Advances to a joint venture (Note 11)	-	-	(37,002,202)
Net cash used in investing activities	(4,328,809,319)	(2,666,458,240)	(2,208,419,372)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends	(1,212,783,181)	(364,548,699)	(659,641,177)
Long-term debt	(49,747,319)	(96,180,410)	(78,484,848)
Liability for acquisition of a business	-	(251,404,641)	(172,303,733)
Proceeds from:			
Long-term debt	2,388,856,231	132,499,138	-
Re-issuances of treasury shares	75,907,397	109,107,230	58,512,778
Issuances of and subscriptions to capital stock	5,866,255	202,236,470	21,039,468
Increase (decrease) in:			
Other noncurrent liabilities	(8,819,817)	(9,803,904)	(21,071,021)
Minority interests	-	20,234,407	7,846,639
Interest paid	(92,817,746)	(24,541,469)	(25,758,710)
Net cash provided by (used in) financing activities	1,106,461,820	(282,401,878)	(869,860,604)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	(1,035,909)	(12,732,993)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,282,905,963	1,354,432,259	1,606,562,053
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,575,943,093	4,221,510,834	2,614,948,781
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	P6,858,849,056	P5,575,943,093	P4,221,510,834

See accompanying Notes to Consolidated Financial Statements.



JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Jollibee Foods Corporation (the Parent Company) was incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as "the Jollibee Group") are involved primarily in the development, operation and franchising of Quick Service Restaurants (QSR) under the trade names "Jollibee," "Chowking," "Greenwich," "Red Ribbon," "Delifrance," "Yonghe King," and "Hongzhuangyuan." The other activities of the Jollibee Group include manufacturing and property leasing in support of the QSR systems and in other independent business activities (see Notes 5 and 10). The shares of stock of the Parent Company are listed in the Philippine Stock Exchange.

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

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 28, 2009.

2. Basis of Preparation

The consolidated financial statements of the Jollibee Group have been prepared on the historical cost basis, except for available-for-sale (AFS) financial assets, which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) issued by the Financial Reporting Standards Council, and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The subsidiaries are presented in Note 10. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealized profits and losses resulting from intra-group transactions are eliminated in full.



Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Jollibee Group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the Jollibee Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed during the year are included in the consolidated statements of income from the date of acquisition or up to the date of disposal, as appropriate.

Minority interests represent the portion of profit or loss and net assets not held by the Jollibee Group and are presented separately in the consolidated statements of income and within stockholders' equity in the consolidated balance sheets, separately from equity attributable to equity holders of the Parent. The acquisition of minority interests is accounted for using the entity concept method, whereby the difference between the cost of acquisition and the carrying value of the share of the net assets acquired is recognized as an equity transaction.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years, except for the adoption of the following amended PAS and Philippine Interpretations from IFRIC, which the Jollibee Group has adopted starting January 1, 2008:

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 7, *Financial Instruments: Disclosures - Reclassification of Financial Assets*, provide guidance on reclassification from held for trading investments to either loans and receivables, AFS financial assets and held-to-maturity (HTM) investments.
- Philippine Interpretation IFRIC 11, PFRS 2 - *Group and Treasury Share Transactions*, requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholders of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent.
- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, covers contractual arrangements arising from public-to-private service concession arrangements if control of the assets remains in public hands but the private sector operator is responsible for construction activities, as well as for operating and maintaining the public sector infrastructure.
- Philippine Interpretation IFRIC 14, PAS 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*.

The amendments and interpretations did not have an impact on the Jollibee Group's financial position or performance as of December 31, 2008.



Future Changes in Accounting Policies

The Jollibee Group did not early adopt the following new and revised standards, Philippine Interpretations and amendments that have been approved but are not yet effective:

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, and PAS 27, *Consolidated and Separate Financial Statements*, become effective for financial years beginning on or after January 1, 2009. The amendment to PFRS 1 allows an entity to determine the "cost" of investments in subsidiaries, jointly controlled entities or associates in its opening PFRS financial statements in accordance with PAS 27 or using a deemed cost. The amendment to PAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the statements of income in the separate financial statements. The adoption of this standard will have no impact on the Jollibee Group's consolidated financial statements.
- Revised PFRS 2, *Share-based Payment*, becomes effective for financial years beginning on or after January 1, 2009. It restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In case the award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The revised standard will have no impact on the Jollibee Group's consolidated financial statements.
- PFRS 3R, *Business Combinations*, and PAS 27R, *Consolidated and Separate Financial Statements*, become effective for financial years beginning on or after July 1, 2009. PFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27R requires that a change in the ownership interest of a subsidiary be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary, as well as the loss of control of a subsidiary. The changes introduced by the revised standards must be applied prospectively and will affect future acquisitions and transactions with minority interests. The Jollibee Group is currently assessing the impact of the revised standards on its consolidated financial statements when it adopts the standards on January 1, 2010.
- PFRS 8, *Operating Segments*, becomes effective for financial years beginning on or after January 1, 2009, and will replace PAS 14, *Segment Reporting*. It adopts a full management approach to reporting segment information. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in balance sheets and statements of income and companies will need to provide explanations and reconciliations of the differences. The Jollibee Group is currently assessing the impact of the standard on its consolidated financial statements when it adopts the standards on January 1, 2010.



- Revised PAS 1, *Presentation of Financial Statements*, becomes effective for financial years beginning on or after January 1, 2009. It separates owner and non-owner changes in equity. The consolidated statements of changes in stockholders' equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income, which presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The Jollibee Group is currently assessing the impact of the revised standard on its consolidated financial statements when it adopts the standard on January 1, 2009.
- Revised PAS 23, *Borrowing Costs*, becomes effective for financial years beginning on or after January 1, 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Jollibee Group is currently assessing the impact of the revised standard on its consolidated financial statements when it adopts the standard on January 1, 2010.
- Amendments to PAS 32, *Financial Instrument: Presentation*, and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*, become effective for financial years beginning on or after January 1, 2009. The amendment to PAS 32 requires certain puttable financial statements and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to PAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The amendment will have no impact on the financial statements.
- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*, becomes effective for financial years beginning on or after July 1, 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Jollibee Group assessed that the amendment will have no impact on its financial position or performance as it has not entered into any such hedges.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, became effective for financial years beginning on or after July 1, 2008. It requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore, part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Jollibee Group expects that this interpretation will have no impact on its financial statements as no such schemes currently exist.



- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, becomes effective for financial years beginning on or after January 1, 2012. The interpretation is to be applied retroactively. It clarifies when and how receipts and related expenses from the sale of real estate should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*. The interpretation will have no significant impact on the financial position or performance of the Jollibee Group.
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in Foreign Operations*, became effective for financial years beginning on or before October 1, 2008. It provides guidance in identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Jollibee Group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The interpretation will have no impact on the consolidated financial statements of the Jollibee Group.

Improvements to Existing Accounting Standards

The Jollibee Group did not early adopt the following improvements to existing accounting standards that have been approved but are not yet effective. The Jollibee Group is currently assessing the impact of the following improvements to existing standards but anticipates that the changes will have no material effect on the consolidated financial statements.

- PFRS 7 removes the reference to “total interest income” as a component of finance costs.
- Revised PAS 1 provides that assets and liabilities classified as held for trading in accordance with PAS 39 are not automatically classified as current in the balance sheets.
- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, clarifies that only the implementation guidance that is an integral part of a PFRS is mandatory when selecting accounting policies.
- PAS 10, *Events after the Balance Sheet Date*, clarifies that dividends declared after the end of the reporting period are not obligations.
- PAS 16, *Property, Plant and Equipment*, replaces the term “net selling price” with “fair value less costs to sell.” It further clarifies that items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventory when rental ceases and they are held for sale.
- PAS 18 replaces the term “direct costs” with “transaction costs” as defined in PAS 39.



- PAS 19 revises the definition of past service costs, return on plan assets and short-term and long-term employee benefits. Amendments to plans that result in reduction in benefits related to future services are accounted for as curtailment. It deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.
- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*, provides that loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Various terms were revised to be consistent with other PFRS.
- Revised PAS 23 revises the definition of borrowing costs to consolidate the types of items that are considered components of borrowing costs- the components interest expense calculated using the effective interest rate method in accordance with PAS 39.
- PAS 27 states that when a parent entity accounts for a subsidiary in accordance with PAS 39 in its financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- PAS 28, *Investments in Associates*, establishes that if an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loan applies.
- PAS 31, *Interests in Joint Ventures*, provides that if a joint venture is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 31 to disclose the commitments of the venturer and the joint venture as well as summary financial information about the assets, liabilities, income and expense will apply.
- PAS 34, *Interim Financial Reporting*, requires that earnings per share be disclosed in interim financial reports if an entity is within the scope of PAS 33, *Earnings per Share*.
- PAS 36, *Impairment of Assets*, provides that if discounted cash flows are used to estimate "fair value less costs to sell", additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate "value in use."
- PAS 38, *Intangible Assets*, requires that expenditure on advertising and promotional activities be recognized as an expense when the Jollibee Group has either the right to access the goods or has received the services.



- PAS 39 clarifies that changes in circumstances relating to derivatives are not reclassification and therefore maybe either removed from, or included in, the fair value through profit or loss (FVPL) classification after initial recognition. It removes the reference to a segment when determining whether an instrument qualifies as a hedge. It further requires the use of the revised effective interest rate when re-measuring a debt instrument on the cessation of fair value hedge accounting.
- PAS 40, *Investment Property*, revises the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. It revises the conditions for a voluntary change in accounting policy to be consistent with PAS 8 and clarifies that the carrying amount of investment property held under lease is the valuation obtained increased by any recognized liability.

3. Summary of Significant Accounting Policies

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 highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months but not exceeding one year and are subject to an insignificant risk of change and value.

Financial Assets and Liabilities

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

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.



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

Determination of Fair Value. The fair value of financial instruments traded in active markets at balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Day 1 Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Jollibee Group recognizes the difference between the transaction price and fair value (a Day 1 profit) in the consolidated statements of income unless it qualifies for recognition as some other type of asset. In cases where data which is not observable is used, the difference between the transaction price and model value is only recognized in the consolidated statements of income 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 profit amount.

Financial Assets

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

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contract. Assets under this category are classified as current assets if expected to be realized within 12 months from balance sheet date and as noncurrent assets if maturity date is more than a year from balance sheet date. Gains or losses on investments held for trading are recognized in the consolidated statements of income.



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

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

The Jollibee Group has no financial assets classified under this category as of December 31, 2008 and 2007.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statements of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets when the Jollibee Group expects to realize or collect the asset within twelve months from balance sheet date. Otherwise, these are classified as noncurrent assets.

The Jollibee Group's cash and cash equivalents, short-term investments, receivables, refundable deposits, employee car plan and receivable from Manila Electric Company (Meralco) are classified under this category (see Note 32).

HTM Investments. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM when there is positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. HTM investments are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in the consolidated statements of income when the investments are derecognized or impaired, as well as through the amortization process. Assets under this category are classified as current assets if maturity is within 12 months from balance sheet date and as noncurrent assets if maturity date is more than a year from balance sheet date.



The Jollibee Group has no investment classified under this category as of December 31, 2008 and 2007.

AFS Financial Assets. AFS financial assets are nonderivative financial assets that are designated in this category or are not classified in any of the other categories. Subsequent to initial recognition, AFS financial assets are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets are reported as net unrealized gain or loss on AFS financial assets in the stockholders' equity section of the consolidated balance sheets until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in stockholders' equity is transferred to the consolidated statements of income. Interest earned on holding AFS financial assets are recognized in the consolidated statements of income using the effective interest method. Assets under this category are classified as current assets if expected to be realized within 12 months from balance sheet date and as noncurrent assets if maturity date is more than a year from balance sheet date.

The Jollibee Group's investments in club shares and other shares of stock are classified under this category (see Note 32).

Financial Liabilities

Financial Liabilities at FVPL. Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Jollibee Group elects to designate a financial liability under this category.

The Jollibee Group has no financial liability classified under this category as of December 31, 2008 and 2007.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

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

This category includes trade payables and other current liabilities and long-term debt (see Note 32).



Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Jollibee Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Jollibee Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Debt Issue Costs

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

Embedded Derivatives

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Jollibee Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

The Jollibee Group has identified and bifurcated embedded currency in relation to its acquisition of RRB Holdings, Inc. (RRBH) (see Note 32).

Derecognition of Financial Assets and Liabilities

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

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



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

Where the Jollibee Group has transferred its rights to receive cash flows from the asset and neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Jollibee Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Jollibee Group could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where 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 statements of income.

Impairment of Financial Assets

The Jollibee Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in the consolidated statements of income.

The Jollibee Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.



If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statements of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Jollibee Group. If in subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the consolidated statements of income under "Other revenue" account. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income under "Provision for (reversal of) impairment losses" account, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

AFS Financial Assets. The Company assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS financial assets, an objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of income, is removed from equity and recognized in the consolidated statements of income. Impairment losses on equity investments are not reversed through the consolidated statements of income; increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount of the asset and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded in the consolidated statements of income. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of income, the impairment loss is reversed through the consolidated statements of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheets.



Inventories

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

- | | |
|--|--|
| Processed inventories | - First-in, first-out basis. Cost includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity. |
| Food supplies, novelty items and packaging, store and other supplies | - Purchase cost on a first-in, first-out basis. |

The 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.

The net realizable value of food supplies, novelty items and packaging, store and other supplies is the current replacement cost.

Investment Properties

Investment properties consist of land and buildings held by the Jollibee Group for capital appreciation and rental income purposes. Investment properties, except land, are carried at cost, including transaction costs, less accumulated depreciation 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.

Depreciation of buildings and building improvements is calculated on a straight-line basis over the estimated useful lives of the assets which is 5 to 20 years.

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

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

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



Property, Plant and Equipment

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

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

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

Land improvements	5 years
Plant and buildings, commercial condominium units and improvements	5-20 years
Leasehold rights and improvements	2-10 years or term of the lease, whichever is shorter
Office, store and food processing equipment	2-15 years
Furniture and fixtures	3-5 years
Transportation equipment	3-5 years

The useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited or charged to current operations.



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

Construction in progress represents structures under construction and is stated at cost. This includes the cost of construction, equipment and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Jollibee Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Jollibee Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Jollibee Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Jollibee Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Jollibee Group's primary or secondary reporting format determined in accordance with PAS 14, *Segment Reporting*.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by discussing the recoverable amount of the cash generating unit (group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash generating unit (group of cash generating units) is less than carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Negative goodwill, which is not in excess of the fair values of acquired identifiable non-monetary assets of subsidiaries, is charged directly to income.



When a business combination involves more than one exchange transaction (occurs in stages), each exchange transaction is treated separately by the acquirer, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of goodwill associated with that transaction. Any adjustment to fair values relating to the previously held interest is a revaluation and is accounted for as such.

Transfers of assets between commonly controlled entities are accounted for under historical cost accounting.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation adjustments and goodwill is recognized in the consolidated statements of income.

Business Combinations Involving Entities under Common Control

The merger between Zenith and Vizmin was accounted for under pooling of interest method. Under this method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements at their carrying amounts as if the combinations had occurred from the date when the acquired companies first became under the control of the Parent Company. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities and historical retained earnings of the acquired companies is considered as "Excess of acquisition cost over the carrying value of minority interest" account in the stockholders equity section of the consolidated balance sheets.

Impairment of Nonfinancial Assets

The carrying values of property, plant and equipment and investment properties 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 cash-generating units 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 cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income.



Treasury Shares

Acquisitions of treasury shares are recorded at cost. The total cost of treasury shares is shown in the consolidated balance sheets as a deduction from the total stockholders' equity. Upon re-issuance or resale of the treasury shares, treasury shares account is credited for the cost of the treasury shares determined using the simple average method. Gains on sale are credited to additional paid-in capital. Losses are charged against additional paid-in capital but only to the extent of previous gains from original issuance, sale or retirement for the same class of stock. Otherwise, losses are charged to retained earnings.

Dividends on Common Shares

Dividends on common shares are recognized as liability and deducted from stockholders' equity when approved by the shareholders of the Parent Company and the subsidiaries. Dividends for the year that are approved after balance sheet date are dealt with as an event after balance sheet date.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Jollibee Group and the amount of revenue can be reliably measured.

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

- Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the customers, which is normally upon delivery. Sales returns and sales discounts are deducted from sales to arrive at net sales shown in the consolidated statements of income.
- Revenue from royalty fees is recognized as the royalty accrues based on certain percentages of the franchisees' net sales.
- Revenue from franchise fees is recognized when all services or conditions relating to the transaction have been substantially performed.
- Dividend income is recognized when the Jollibee Group's right as a shareholder to receive the payment is established.
- Rental income from operating leases is recognized on a straight-line basis over the lease terms. For income tax reporting, rental income is continued to be recognized on the basis of the terms of the lease agreements.
- Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.



Retirement Benefits

The Jollibee Group has a number of funded, non-contributory retirement plans, administered by trustees, covering the permanent employees of the Parent Company and its Philippine-based subsidiaries. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plans at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The past service cost, if any, is recognized as expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a retirement plan, past service cost is recognized immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plans or reductions in the future contributions to the plans.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plans or reductions in the future contributions to the plans. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

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



Share-based Payments

The Jollibee Group has stock option plans granting management and employees of the Jollibee Group, 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 become vested is recognized in the consolidated statements of income over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cost of the options that was granted after November 7, 2002, and not yet vested by January 1, 2005, is measured by reference to the fair value at the date in which they are granted. The fair value is determined using the Black-Scholes Option Pricing Model (see Note 27). 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 the consolidated statements of income or the investment account for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

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

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

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

Research and Development Costs

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

Operating 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. A reassessment is made after inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;



- (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specified asset;
or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting will commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension for scenario (b).

Leases where the lessor retains all the significant risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statements of income on a straight-line basis over the lease terms. For income tax reporting, operating lease payments continue to be recognized as expense on the basis of the terms of the lease agreements.

Borrowing Costs

Borrowing costs are expensed as incurred.

Provisions

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

Foreign Currency Transactions and Translations

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. Each entity in the Jollibee Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are recorded 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 balance sheet date. All differences are taken to the consolidated statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.



The functional currencies of the Jollibee Group's foreign operations are U.S. dollar, Chinese yuan, Indonesia rupiah, Vietnam dong and Hong Kong dollar. As of the reporting date, the assets and liabilities of these foreign subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at balance sheet date while their income and expense accounts are translated at the weighted average exchange rates for the year. The resulting translation differences are included in the consolidated statements of changes in stockholders' equity under the account "Cumulative translation adjustments of subsidiaries." On disposal of a foreign entity, the accumulated exchange differences are recognized in the consolidated statements of income as a component of the gain or loss on disposal.

Income Tax

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 balance sheet date.

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

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

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

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

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



The carrying amount of deferred tax assets is reviewed at each balance sheet 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet 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 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 substantively enacted at balance sheet date.

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. Revenue, expenses and assets are recognized net of the amount of tax, except:

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

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

Business Segments

The Jollibee Group is organized and managed separately according to the nature of business. The three major operating businesses of the Jollibee Group are food service, franchising and leasing. These operating businesses are the basis upon which the Jollibee Group reports its primary segment information presented in Note 5 to the consolidated financial statements.

Earnings Per Share (EPS) Attributable to the Equity Holders of the Parent

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 subsequent stock dividends declared and 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 are stated at the same amount.

Contingencies

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

Events After Balance Sheet Date

Post year-end events that provide additional information about the Jollibee Group's financial position at balance sheet 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 of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. 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.

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.

Asset Retirement Obligation. Management has determined that the Jollibee Group has no material obligation, constructive or legal, for the dismantling and removing items of property upon retirement and restoring the site on which these are located.

Operating Lease Commitments - Jollibee Group as Lessor. The Jollibee Group has entered into commercial property leases on its investment property portfolio. Management has determined, based on an evaluation of the terms and conditions of the arrangements, 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 ₱83.0 million, ₱96.3 million and ₱88.1 million in 2008, 2007 and 2006, respectively (see Note 30).

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

Rent expense amounted to ₱2,723.7 million, ₱2,391.0 million and ₱2,137.2 million in 2008, 2007 and 2006, respectively (see Note 30).

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

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

The allowance for impairment loss on trade receivables as of December 31, 2008 and 2007 amounted to ₱77.1 million and ₱82.6 million, respectively. The carrying value of receivables amounted to ₱1,940.7 million and ₱1,942.4 million as of December 31, 2008 and 2007, respectively (see Note 7).



Impairment of AFS Financial Assets - Calculation of Impairment Losses. The computation for the impairment of AFS debt instruments requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. In the case of AFS equity instruments, the Jollibee Group expands its analysis to consider changes in the investee's industry and sector performance, legal and regulatory framework, changes in technology, and other factors that affect the recoverability of the Jollibee Group's investments.

The carrying values of AFS investments, included under "Other noncurrent assets" account in the consolidated balance sheets, amounted to ₱34.9 million and ₱46.2 million as of December 31, 2008 and 2007, respectively (see Notes 15 and 32).

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 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 balance sheet date to the extent that such events confirm conditions existing at balance sheet 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 of inventories is lower than cost, hence it recognized accumulated impairment losses on inventories amounting to ₱39.9 million and ₱14.1 million as of December 31, 2008 and 2007, respectively. The carrying values of inventories amounted to ₱2,727.5 million and ₱1,629.4 million as of December 31, 2008 and 2007, respectively (see Note 8).

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

There was no change in the estimated useful lives of property, plant and equipment and investment properties in 2008 and 2007. The carrying values of property, plant and equipment amounted to ₱8,274.9 million and ₱7,491.1 million as of December 31, 2008 and 2007, respectively (see Note 13). The carrying values of investment properties were ₱306.4 million and ₱214.1 million as of December 31, 2008 and 2007, respectively (see Note 12).



Impairment of Goodwill. The Jollibee Group determines whether goodwill 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 cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Jollibee Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Management has determined that goodwill is not impaired.

The carrying amount of goodwill as of December 31, 2008 and 2007 amounted to ₱3,186.4 million and ₱1,601.6 million, respectively (see Note 14).

Impairment of Other Nonfinancial Assets. The Jollibee Group performs annual impairment review of non-financial assets (except goodwill) 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 financial condition and performance.

The accumulated impairment losses on investment properties and property, plant and equipment amounted to ₱117.8 million and ₱116.0 million as of December 31, 2008 and 2007, respectively. As of December 31, 2008 and 2007, the aggregate carrying amounts of property, plant and equipment and investment properties amounted to ₱8,581.3 million and ₱7,705.2 million, respectively (see Notes 12 and 13).

Present Value of Defined Benefit Obligation. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions include, among others, discount rate, expected rate of return on plan assets and rate of salary increase. Actual results that differ from the Jollibee Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The assumption of the expected return on plan assets is determined on a uniform basis, taking into consideration the long-term historical returns, asset allocation and future estimates of long-term investment returns.

The Jollibee Group determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Jollibee Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.



While it is believed that the Jollibee Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect pension and other pension obligations.

The accrued benefit liability as of December 31, 2008 and 2007 amounted to ₱400.5 million and ₱443.6 million, respectively. The unrecognized net actuarial losses amounted to ₱53.3 million and ₱20.0 million as of December 31, 2008 and 2007, respectively (see Note 26).

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

Deferred tax assets amounted to ₱760.1 million and ₱874.2 million as of December 31, 2008 and 2007, respectively (see Note 24).

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

The fair value of financial assets and liabilities are discussed in Note 32.

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

Provisions recognized for legal claims, restructuring costs and contingent payments on an acquisition, and others amount to ₱46.3 million and ₱57.5 million (including current portion) as of December 31, 2008 and 2007, respectively (see Note 17).

5. Segment Information

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 QSR 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 Jollibee Group generally accounts for inter-segment sales and transfers at current market prices as if the sales or transfers were to third parties. Those transfers are eliminated at the consolidation.

The Jollibee Group's geographical segments are based on the location of the assets producing the revenues. Sales to external customers disclosed in the geographical segments are based on the geographical location of the customers.

Business Segments

The following tables present certain information on revenue, expenses, assets and liabilities of the different business segments as of December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008:

	2008				
	Food Service	Franchising	Leasing	Eliminations	Total
	(In Thousands)				
Revenue from external customers	₱41,558,956	₱2,220,839	₱111,764	₱-	₱43,891,559
Inter-segment revenue	5,770,314	302,665	232,087	(6,305,066)	-
Segment revenue	47,329,270	2,523,504	343,851	(6,305,066)	43,891,559
Segment expenses	(41,002,154)	-	(201,642)	-	(41,203,796)
Other segment income	419,918	-	-	-	419,918
Segment result	₱6,747,034	₱2,523,504	₱142,209	(₱6,305,066)	3,107,681
Interest income					208,464
Interest expense					(105,080)
Income before income tax					3,211,065
Provision for income tax					(889,248)
Net income					₱2,321,817
Assets and Liabilities					
Segment assets	₱26,015,000	₱-	₱350,577	₱-	₱26,365,577
Deferred tax assets	722,031	-	38,093	-	760,124
Total assets	₱26,737,031	₱-	₱388,670	₱-	₱27,125,701
Segment Liabilities	₱10,070,347	₱-	₱238,511	₱-	₱10,308,858
Deferred tax liabilities	-	-	-	-	72,370
Long-term debt - including current portion	-	-	-	-	2,522,158
Income tax payable	-	-	-	-	82,483
Total liabilities	₱10,070,347	₱-	₱238,511	₱-	₱12,985,869
Other segment information					
Capital expenditures	₱2,910,776	₱-	₱7,498	₱-	₱2,918,274
Depreciation and amortization	1,714,549	-	8,796	-	1,723,345



2007					
	Food Service	Franchising	Leasing	Eliminations	Total
	(In Thousands)				
Revenue from external customers	P36,338,859	P2,024,652	P333,420	P-	P38,696,931
Inter-segment revenue	4,178,741	257,865	305,210	(4,745,085)	(3,269)
Segment revenue	40,517,600	2,282,517	638,630	(4,745,085)	38,693,662
Segment expenses	(35,594,902)	-	(164,854)	-	(35,759,756)
Other segment income	113,589	-	-	-	113,589
Segment result	P5,036,287	P2,282,517	P473,776	(P4,745,085)	3,047,495
Interest income					142,989
Interest expense					(55,469)
Income before income tax					3,135,015
Income tax expense					(746,657)
Net income					P2,388,358
Assets and Liabilities					
Segment assets	P20,764,336	P-	P306,499	P-	P21,070,835
Deferred tax assets	793,594	-	80,573	-	874,167
Total assets	P21,557,930	P-	P387,072	P-	P21,945,002
Segment Liabilities	P8,807,187	P-	P135,524	P-	P8,942,711
Deferred tax liabilities	-	-	-	-	126,821
Long-term debt - including current portion	-	-	-	-	143,408
Provision for income tax	-	-	-	-	83,725
Total liabilities	P8,807,187	P-	P135,524	P-	P9,296,665
Other segment information					
Capital expenditures	P2,050,911	P-	P5,088	P-	P2,055,999
Depreciation and amortization	1,572,591	-	6,968	-	1,579,559
2006					
	Food Service	Franchising	Leasing	Eliminations	Total
	(In Thousands)				
Revenue from external customers	P32,015,218	P1,807,557	P94,388	P-	P33,917,163
Inter-segment revenue	4,391,401	240,729	132,332	(4,770,407)	(5,945)
Segment revenue	36,406,619	2,048,286	226,720	(4,770,407)	33,911,218
Segment expenses	(36,239,852)	-	(191,157)	4,932,538	(31,498,471)
Other segment income	497,868	-	13,033	(121,285)	389,616
Segment result	P664,635	P2,048,286	P48,596	P40,846	2,802,363
Interest income					135,491
Interest expense					(80,408)
Excess of fair value of net assets over acquisition cost of a subsidiary					68,416
Equity in net loss of a joint venture					(22,908)
Income before income tax					2,902,954
Provision for income tax					(742,796)
Net income					P2,160,158
Assets and Liabilities					
Segment assets	P26,913,967	P-	P335,654	(P8,831,654)	P18,417,967
Deferred tax assets	898,179	-	56,465	(104,257)	850,387
Total assets	P27,812,146	P-	P392,119	(P8,935,911)	P19,268,354



	2006				Total
	Food Service	Franchising	Leasing	Eliminations	
	(In Thousands)				
Segment Liabilities	₱9,786,158	₱-	₱354,656	(₱1,950,188)	₱8,190,626
Long-term debt - including current portion	-	-	-	-	107,090
Income tax payable	-	-	-	-	8,850
Total liabilities	₱9,786,158	₱-	₱354,656	(₱1,950,188)	₱8,306,566
Other segment information					
Capital expenditures	₱1,920,244	₱-	₱-	₱-	₱1,920,244
Depreciation and amortization	1,568,320	-	5,525	-	1,573,845

Geographical Segments

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

	Philippines	International	Eliminations	Total
	(In Thousands)			
2008:				
Revenue	₱38,152,337	₱5,739,222	₱-	₱43,891,559
Segment assets	20,168,588	6,957,113	-	27,125,701
Capital expenditures	1,429,459	1,488,815	-	2,918,274
2007:				
Revenue	35,179,857	3,513,805	-	38,693,662
Segment assets	18,421,431	2,649,404	-	21,070,835
Capital expenditures	1,806,309	249,690	-	2,055,999
2006:				
Revenue	33,954,872	4,726,753	(4,770,407)	33,911,218
Segment assets	24,275,590	2,992,434	(8,850,057)	18,417,967
Capital expenditures	1,436,539	483,705	-	1,920,244

6. Cash and Cash Equivalents

This account consists of:

	2008	2007
Cash on hand and in banks	₱3,114,145,957	₱2,627,756,883
Short-term deposits	3,744,703,099	2,948,186,210
	₱6,858,849,056	₱5,575,943,093



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.

7. Receivables

This account consists of:

	2008	2007
Trade	₱1,882,203,843	₱1,900,987,648
Less allowance for impairment loss	77,063,380	82,641,005
	1,805,140,463	1,818,346,643
Advances to employees	73,547,173	66,854,998
Current portion of:		
Employee car plan	44,266,499	36,942,306
Receivable from Meralco (Note 15)	10,135,536	10,963,731
Others	7,610,728	9,343,040
	₱1,940,700,399	₱1,942,450,718

Trade receivables are non interest-bearing and are generally on 7-14 days term.

Advances to employees and the current portion of employee car plan and receivable from Meralco are expected to be collectible within the next financial year.

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

	2008	2007
Beginning	₱82,641,005	₱57,252,238
Provision	34,876,434	25,388,767
Reversal	(38,273,611)	-
Write-off	(2,180,448)	-
	₱77,063,380	₱82,641,005

The provisions in 2008 and 2007 resulted from specific impairment assessments performed by the Parent Company and its subsidiaries.



8. Inventories

This account consists of:

	2008	2007
At cost:		
Food supplies and processed inventories	₱2,353,512,815	₱1,318,587,677
Packaging, store and other supplies	176,028,890	103,310,224
Novelty items	14,075,001	7,269,053
	2,543,616,706	1,429,166,954
At net realizable value:		
Novelty items	183,847,706	100,241,215
Packaging, store and other supplies	—	100,019,852
	183,847,706	200,261,067
Total inventories at lower of cost and net realizable value	₱2,727,464,412	₱1,629,428,021

The cost of inventories carried at net realizable value amounted to ₱223.7 million and ₱214.4 million as of December 31, 2008 and 2007, respectively.

9. Other Current Assets

This account consists of:

	2008	2007
Deposits to suppliers	₱417,005,344	₱349,922,843
Prepaid expenses	395,817,649	222,275,983
Refundable deposits	196,989,193	83,381,117
Others - net of allowance for impairment loss of ₱2.2 million in 2008 and 2007	487,908,274	605,678,678
	₱1,497,720,460	₱1,261,258,621

10. Investments in Subsidiaries

The consolidated financial statements include the accounts of the Parent Company and the following wholly owned and majority owned subsidiaries:

	Country of Incorporation	Principal Activities	Percentage of Ownership		
			2008	2007	2006
Fresh N' Famous Foods, Inc. (Fresh N' Famous) ^(a)	Philippines	Food service	100	100	100
▪ Chowking Food Corporation USA ^(a)	United States of America (USA)	Holding company	100	100	100
Freemont Foods Corporation	Philippines	Food service	100	100	100
RRBH	Philippines	Holding company	100	100	100
▪ Red Ribbon Bakeshop, Inc. (RRBI) ^(b)	Philippines	Food service	100	100	100
▪ Red Ribbon Bakeshop, Inc. (RRBI USA) ^(b)	USA	Food service	100	100	100
Vismin Foods Corporation (Vismin) ^(b)	Philippines	Food service	—	100	100
Zenith Foods Corporation (Zenith) ^(b)	Philippines	Food service	100	100	100



	Country of Incorporation	Principal Activities	Percentage of Ownership		
			2008	2007	2006
Grandworth Resources Corporation (Grandworth)	Philippines	Leasing	100	100	100
▪ Adgraphix, Inc. ^(d)	Philippines	Digital printing	60	60	60
Donut Magic Phils., Inc. (Donut Magic) ^(e)	Philippines	Dormant	100	100	100
Ice Cream Copenhagen Phils., Inc. (ICCP) ^(e)	Philippines	Dormant	100	100	100
Mary's Foods Corporation (Mary's) ^(e)	Philippines	Dormant	100	100	100
Jollibee Foods Corporation USA	USA	Holding company	100	100	100
Honeybee Foods Corporation (Honeybee)	USA	Food service	100	100	100
▪ Tokyo Teriyaki Corporation ^(e)	USA	Food service	100	100	90
Jollibee Worldwide Pte. Ltd. (Jollibee Worldwide)	Singapore	Holding company	100	100	100
▪ Jollibee Worldwide Pte. Ltd.- Regional Headquarters					
▪ Beijing New Hongzhuangyuan F&B Management Co., Ltd. (Hongzhuangyuan) ^(h)	Peoples' Republic of China (PRC)	Food service	100	-	-
▪ Hangzhou Yong He Doujiang Foods and Beverage Co., Ltd. (Hangzhou Yong He) ^(h)	PRC	Food service	100	-	-
▪ Tianjin Yong He King Foods and Beverage Co., Ltd.	PRC	Food service	100	-	-
▪ Kuai Le Feng Food & Beverage (Shenzhen) Co. Ltd. ^(h)	PRC	Food service	100	100	-
▪ Beijing Yong He King Foods and Beverage Co., Ltd. ^(h)	PRC	Food service	100	100	85
▪ Shenzhen Yong He King Foods and Beverage Co., Ltd. ^(h)	PRC	Food service	100	100	85
▪ Hangzhou Yongtong Dinner - Service Co., Ltd. ^(h)	PRC	Food service	100	100	85
▪ Hangzhou Yonghong Foods & Beverage Co., Ltd. ^(h)	PRC	Food service	100	100	85
▪ Shanghai Yong He King Co., Ltd. (Shanghai Yong He) ^(h)	PRC	Food service	100	100	85
▪ Wuhan Yongchang Food and Beverage Co., Ltd. ^(h)	PRC	Food service	100	100	85
▪ Jollibee International (BVI) Ltd. (JIBL) ^(d)	British Virgin Islands (BVI)	Holding company	100	100	100
▪ Jollibee Vietnam Corporation Ltd. ^(h)	Vietnam	Food service	100	100	100
▪ Shanghai Chunlu Co. Ltd. ^(h)	PRC	Food service	100	100	100
▪ PT Chowking Indonesia ^(h)	Indonesia	Food service	100	100	100
▪ Jollibee (Hong Kong) Limited ^(h)	Hong Kong	Food service	85	85	85
▪ Hanover Holdings Limited (Hanover) ^(h)	Hong Kong	Food service	100	100	100
▪ Belmont Enterprises Ventures Limited (Belmont) ^(h)	BVI	Holding company	100	100	85
▪ Yonghe Holdings Co., Ltd. ^(h)	BVI	Holding company	100	100	85
▪ Centenary Ventures Limited ^(h)	BVI	Holding company	100	100	85
▪ Colossus Global Limited ^(h)	BVI	Holding company	100	100	85
▪ Granite Management Limited ^(h)	BVI	Holding company	100	100	85
▪ Cosmic Resources Limited ^(h)	BVI	Holding company	100	100	85
▪ Shanghai Belmont Enterprises Management and Adviser Co., Ltd. ^(h)	PRC	Business management service	100	100	85
▪ All Great Resources Limited ^(h)	BVI	Holding company	100	100	85
▪ Eastpower Resources Limited ^(h)	BVI	Holding company	100	100	85
▪ Shanghai Yongjue Foods & Beverage Co., Ltd. ^(h)	PRC	Food service	100	100	85
▪ Eaglerock Development Limited ^(h)	BVI	Holding company	100	100	85
▪ Gladstone Company Limited ^(h)	BVI	Dormant	100	100	85

(a) On December 29, 2006, the Securities and Exchange Commission (SEC) approved the merger of Fresh N' Famous, Greenwich and Baker Fresh.

(b) Indirectly owned through Red Ribbon.

(c) On June 18, 2004, the stockholders of the Jollibee Group approved the Plan of Merger of the three dormant companies, namely: Donut Magic, ICCP and Mary's with the Parent Company. The application for merger with the SEC, however, remains outstanding as of December 31, 2008.

(d) Indirectly owned through Grandworth.

(e) Indirectly owned through Honeybee.

(f) Indirectly owned through Jollibee Worldwide.

(g) Indirectly owned through Fresh N' Famous.

(h) Indirectly owned through JIBL.

(i) On February 27, 2008, the SEC approved the merger between Zenith and Vismin effective January 1, 2008, with Zenith as the surviving entity.



Acquisition/Establishment of New Subsidiaries

Hongzhuangyuan

On August 23, 2008, Jollibee Worldwide, a wholly-owned subsidiary of the Parent Company, acquired 100% of the issued and outstanding shares of Hongzhuangyuan, which operates the Hongzhuangyuan system in PRC, for a total acquisition cost of ₱1,706.1 million.

The acquisition cost of ₱1,706.1 million was provisionally allocated to the identifiable assets and liabilities of Hongzhuangyuan are as follows:

	Fair Market Value	Carrying Amount
Cash and cash equivalents	₱182,049,407	₱182,049,407
Inventories	3,103,119	3,103,119
Receivables	483,296	483,296
Prepaid and other current assets	57,747,358	57,747,358
Property, plant and equipment - net	185,401,252	172,884,268
Noncurrent assets	11,451,012	11,451,012
Total identifiable assets	440,235,444	427,718,460
Less:		
Accounts payable	29,335,714	29,335,714
Accrued liabilities	59,446,880	59,446,880
Other liabilities	196,821,790	196,821,790
Total identifiable liabilities	285,604,384	285,604,384
Net assets	154,631,060	₱142,114,076
Goodwill arising from acquisition (see Note 14)	1,551,465,536	
Total consideration	₱1,706,096,596	

The net cash outflow on the acquisition are as follows:

	Amount
Cash paid	₱1,706,096,596
Less cash acquired from subsidiary	182,049,407
Net cash outflow	₱1,524,047,189

Hangzhou Yong He

On August 12, 2008, the Shanghai Yong He entered into an Asset Purchase Agreement with Hangzhou Yong He, a third party PRC company operating a fast food business, to purchase the latter's lease right, trade name and other intellectual properties of its eight existing stores in the province of Hangzhou, except for the equipment used in the stores which are owned by another company. The purchase consideration amounted to RMB1.0 million or ₱6.9 million.



The equipment used in the eight stores are owned by Hangzhou Huadong Xianzhi Equipment Marketing Yunbin Machine Equipment Operation Department (Hangzhou Huadong).

Accordingly, in relation to the Asset Purchase Agreement, the Shanghai Yong He entered into an Equipment Purchase Agreement with Hangzhou Huadong to purchase the store equipment for a total consideration of RMB16.0 million or P110.9 million. Pursuant to the Equipment Purchase Agreement, ownership of the store equipment will be transferred to and will be accepted by Shanghai Yong He only upon fulfillment by Hangzhou Yonghe of the following conditions for each store:

- a. Assignment of the lease contracts to the Shanghai Yong He, renewed for at least another five years based on the agreed rent fees; and
- b. Transfer of all related business licenses and certificates to the Shanghai Yong He.

As of December 31, 2008, lease contracts and store equipment of three stores have been transferred to the Shanghai Yong He for a consideration of RMB4.8 million. The Shanghai Yong He also made a deposit of RMB1.6 million which will be applied as payment for the last store to be transferred.

Pursuant to the agreements, the Shanghai Yong He, however, will allow Hangzhou Yonghe to continue the operations of its existing franchise contracts with third parties until the termination of the contracts in 2013. The terms and conditions to continue the operations of the franchise contracts, however, are still under negotiation.

The purchase agreements are accounted for as business combinations. The total consideration paid of RMB4.8 million or P33.3 million, was initially recorded as goodwill pending the completion of the valuation of the identified assets at the date of acquisition.

Baker Fresh

On September 29, 2006, the Parent Company acquired the 50% ownership interest of Delifrance Asia Ltd. (DAL) in Baker Fresh, a joint venture with the Jollibee Group in 2005 (see Note 11), for a Singapore dollar (SG\$)1. As part of the Sale and Purchase Agreement, the Parent Company also converted its receivables from Baker Fresh totaling P141.1 million into additional paid-in capital of Baker Fresh. Of the total receivables converted to additional paid-in capital of Baker Fresh, P84.7 million forms part of the total consideration. As a result of the acquisition, Baker Fresh became a wholly owned subsidiary of the Jollibee Group.

The total consideration consists of the following:

Conversion of receivables	P84,699,123
Cash paid (SG\$1)	32
<u>Total consideration</u>	<u>P84,699,155</u>



The fair value of the identifiable assets and liabilities of Baker Fresh as of the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair Market Value	Carrying Amount
Cash and cash equivalents	₱25,617,711	₱25,617,711
Receivables	19,809,893	19,809,893
Inventories	19,706,006	19,706,006
Prepaid expenses and other current assets	5,413,664	5,413,664
Property and equipment	82,434,400	71,019,627
Deferred tax assets	70,803,148	—
Other noncurrent assets	22,164,013	22,164,013
Total identifiable assets	245,948,835	163,730,914
Less:		
Accounts payable and other current liabilities	63,472,332	63,472,332
Due to related parties	6,789,896	6,789,896
Operating lease payable	14,679,538	14,679,538
Accrued benefit cost	4,467,909	4,467,909
Deferred tax liability	3,424,432	—
Total identifiable liabilities	92,834,107	89,409,675
Net assets	153,114,728	₱74,321,239
Negative goodwill arising from acquisition	68,415,573	
Total consideration	₱84,699,155	

The negative goodwill from the acquisition of Baker Fresh amounting to ₱68.4 million was recognized under "Excess of fair value of net assets over acquisition cost of a subsidiary" account in the 2006 consolidated statement of income.

The cash inflows on acquisition in 2006 were as follows:

Cash paid	(₱32)
Less cash acquired from the subsidiary	25,617,711
	₱25,617,679

Acquisition of Minority Interest

Belmont

On June 18, 2007, the Parent Company through its international subsidiary, JIBL, acquired the 15% interest of Academy Resources Ltd. in Belmont for ₱413.7 million. The acquisition resulted to Belmont becoming a wholly owned subsidiary of JIBL.

The difference between the acquisition cost and the carrying value of the minority interest at the date of acquisition amounting to ₱375.7 million was recognized under "Excess of the acquisition cost over the carrying value of minority interests," a separate component of stockholders' equity in the consolidated balance sheets.



Greenwich

On January 13, 2006, the Parent Company acquired the 20% interest of Greenfoods Franchising, Inc. in Greenwich for ₱384.0 million. The acquisition resulted to Greenwich becoming a wholly owned subsidiary of the Parent Company.

The difference between the acquisition cost and the carrying value of the minority interest at the date of acquisition amounting to ₱168.3 million was recognized as "Excess of the acquisition cost over the carrying value of minority interests," a separate component of stockholders' equity in the consolidated balance sheets.

11. Investment in Shares of Stock

On July 18, 2008, the Parent Company, through its international subsidiary Jollibee Worldwide, acquired 12% equity share in Chow Fun Holdings, LLC for \$0.9 million or ₱41.9 million.

12. Investment Properties

The movements in this account follow:

	2008		
	Land and Land Improvements	Buildings and Building Improvements	Total
	<i>(In Thousands)</i>		
Cost:			
Beginning balance	₱252,501	₱208,860	₱461,361
Disposals	(21,535)	(2,645)	(24,180)
Reclassifications/Transfers (Note 13)	61,264	70,139	131,403
Ending balance	₱292,230	₱276,354	₱568,584
Accumulated depreciation:			
Beginning balance	—	201,790	201,790
Depreciation	—	5,535	5,535
Disposals	—	(2,645)	(2,645)
Reclassifications/Transfers (Note 13)	—	14,028	14,028
Ending balance	—	218,708	218,708
Accumulated impairment losses:			
Beginning balance	45,455	—	45,455
Reversal of impairment	(1,951)	—	(1,951)
Ending balance	43,504	—	43,504
Net book value	₱248,726	₱57,646	₱306,372



	2007		
	Land and Land Improvements	Buildings and Building Improvements	Total
	<i>(In Thousands)</i>		
Cost:			
Beginning and ending balance	₱252,501	₱208,860	₱461,361
Accumulated depreciation:			
Beginning balance	—	198,359	198,359
Depreciation	—	3,431	3,431
Ending balance	—	201,790	201,790
Accumulated impairment losses:			
Beginning balance	79,687	—	79,687
Provision for impairment (see Note 22)	27,221	—	27,221
Reversal of impairment	(61,453)	—	(61,453)
Ending balance	45,455	—	45,455
Net book value	₱207,046	₱7,070	₱214,116

The allowance for impairment in value of land amounting to ₱43.5 million and ₱45.5 million as of December 31, 2008 and 2007, respectively, represents the excess of the carrying values over the estimated recoverable amount of non income-generating investment properties. The estimated recoverable amount is the estimated selling price less cost to sell.

The cost of fully depreciated buildings still being leased out by the Jollibee Group amounted to ₱176.21 million and ₱172.52 million as of December 31, 2008 and 2007, respectively.

The parcels of land have aggregate fair values of ₱1,194.69 million as of December 31, 2008 as determined by an independent appraiser. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation in accordance with International Valuation Standards.

Rental income derived from income-generating properties amounted to ₱68.56 million, ₱58.35 million and ₱52.51 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Direct operating costs relating to the investment properties that generated rental income recognized under "Cost of sales" and "General and administrative expenses" account amounted to ₱42.07 million, ₱41.87 million and ₱46.66 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Direct operating costs relating to the investment properties that did not generate rental income recognized under "Cost of sales" and "General and administrative expenses" account amounted to ₱4.8 million, ₱1.3 million and ₱1.6 million for the years ended December 31, 2008, 2007 and 2006, respectively.



13. Property, Plant and Equipment

The details of property and equipment are as follows:

2008								
	Land and Improvements	Plant and Buildings, Commercial Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
(In Thousands)								
Cost:								
Beginning balance	P732,072	P894,607	P6,063,437	P6,376,953	P430,496	P277,457	P174,999	P14,950,021
Additions	-	31,819	1,110,515	1,125,117	87,712	40,155	522,956	2,918,274
Retirements and disposals	-	(171)	(274,022)	(305,448)	(36,055)	(18,802)	(2,052)	(636,550)
Reclassifications	(61,157)	(15,489)	212,667	165,942	21,578	19,195	(487,054)	(144,318)
Ending balance	670,915	910,766	7,112,597	7,362,564	503,731	318,005	208,849	17,087,427
Accumulated depreciation:								
Beginning balance	-	540,455	2,698,145	3,662,225	307,956	179,682	-	7,388,463
Depreciation and amortization	-	52,906	770,537	793,885	60,259	45,758	-	1,723,345
Retirements and disposals	-	(171)	(208,786)	(96,228)	(22,791)	(15,162)	-	(343,138)
Reclassifications	-	(8,014)	(111,905)	66,818	13,841	8,793	-	(30,467)
Ending balance	-	585,176	3,147,991	4,426,790	359,265	219,071	-	8,738,203
Accumulated impairment loss								
Beginning balance	-	-	49,740	-	-	-	20,773	70,513
Impairment loss	-	-	-	-	-	-	3,793	3,793
Ending balance	-	-	49,740	-	-	-	24,566	74,306
Net book value	P670,915	P325,590	P3,914,566	P2,935,864	P144,466	P98,934	P184,283	P8,274,918

2007								
	Land and Improvements	Plant and Buildings, Commercial Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
(In Thousands)								
Cost:								
Beginning balance	P724,703	P795,597	P5,750,717	P5,754,887	P501,799	P259,196	P299,426	P14,086,325
Additions	200	53,770	368,014	938,634	28,484	52,883	614,014	2,055,999
Retirements and disposals	-	(139)	(587,480)	(132,468)	(32,358)	(5,456)	(24,862)	(782,763)
Reclassifications	7,169	45,379	532,186	(184,100)	(67,429)	(29,166)	(713,579)	(409,540)
Ending balance	732,072	894,607	6,063,437	6,376,953	430,496	277,457	174,999	14,950,021
Accumulated depreciation:								
Beginning balance	-	408,803	2,790,969	3,298,994	329,315	136,046	-	6,964,127
Depreciation and amortization	-	65,061	631,818	778,942	53,591	46,714	-	1,576,126
Retirements and disposals	-	(42)	(579,852)	(132,084)	(30,809)	(1,007)	-	(743,794)
Reclassifications	-	66,633	(144,790)	(283,627)	(44,141)	(2,071)	-	(407,996)
Ending balance	-	540,455	2,698,145	3,662,225	307,956	179,682	-	7,388,463
Accumulated impairment loss								
Beginning balance	-	-	49,740	-	-	-	15,685	65,425
Impairment loss (Note 22)	-	-	-	-	-	-	5,088	5,088
Ending balance	-	-	49,740	-	-	-	20,773	70,513
Net book value	P732,072	P354,152	P3,315,352	P2,714,728	P122,540	P97,775	P154,226	P7,491,045

The cost of fully depreciated assets still in use by the Jollibee Group amounted to P4,086.9 million and P3,871.4 million as of December 31, 2008 and 2007, respectively.

14. Goodwill

Goodwill acquired through business combinations are allocated as follows:

	Red Ribbon	Belmont	Hongzhuangyuan	Hangzhou Yonghe	Total
Balance at December 31, 2007	P1,172,590,156	P429,016,116	P-	P-	P1,601,606,272
Additions (see Note 10)	-	-	1,551,465,536	33,281,274	1,584,746,810
Balance at December 31, 2008	P1,172,590,156	P429,016,116	P1,551,465,536	P33,281,274	P3,186,353,082



Impairment testing of goodwill

The recoverable amounts of goodwill from Red Ribbon and Belmont have been determined based on value in use calculations using cash flow projections based on financial budgets approved by senior management covering a ten-year period. The pre-tax discount rate applied to cash flow projections is 18%.

The calculation of value in use is most sensitive to the following assumptions: a) gross margin, b) discount rate and c) growth rate.

15. Other Noncurrent Assets

This account consists of:

	2008	2007
Refundable deposits	₱648,899,059	₱504,555,973
Deposit for acquisition of real property	375,250,000	375,250,000
Deferred rent expense	59,427,921	61,167,252
Noncurrent portion of:		
Employee car plan	74,464,709	70,993,342
Receivable from Meralco	8,769,643	17,134,633
AFS financial assets	34,890,714	46,164,343
Deferred compensation - employee car plan	17,249,918	15,765,087
Others - net of allowance for impairment loss of ₱144.7 million in 2008 and 2007	248,755,743	226,166,454
	₱1,467,707,707	₱1,317,197,084

Refundable deposits represent deposits for operating leases entered into by the Jollibee Group as lessee. The refundable deposits are recoverable from the lessors at the end of the lease term. The refundable deposits are presented at amortized cost in accordance with PAS 39. The discount rates used range from 5% to 22% in 2008 and 6% to 21% in 2007. The difference between the fair value at initial recognition and the notional amount of the refundable deposits is charged to "Deferred rent expense" account and amortized on straight-line basis over the lease terms under PAS 17.

The "Employee car plan" account is in relation to the Jollibee Group's car plan benefits and are presented at amortized cost in accordance with PAS 39. The difference between the fair value at initial recognition and the notional amount of the advances is charged to "Deferred compensation - employee car plan" account, which is amortized using the effective interest method over the credit period. The discount rates used range from 5% to 8% in 2008 and 4% to 17% in 2007.

The receivable from Meralco arises from a refund scheme agreed upon by Meralco and the Energy Regulatory Commission. Under the scheme, the refund may be received through postdated checks or as a fixed monthly credit to bills with cash option. The Jollibee Group intends to recover the refund through receipt of quarterly postdated checks of equal amount over 5.25 years until 2010. The receivable was discounted using an effective interest rate of 12%.



The movements in unamortized deferred interest income are as follows:

	2008		
	Refundable Deposits	Employee Car Plan	Receivable from Meralco
Beginning	₱98,465,525	₱15,765,087	₱4,889,197
Additions	10,778,615	12,168,989	—
Interest accretion	(12,695,120)	(9,541,921)	(2,584,289)
Disposals/pre-terminations	(3,534,465)	(1,142,237)	—
	₱93,014,555	₱17,249,918	₱2,304,908

	2007		
	Refundable Deposits	Employee Car Plan	Receivable from Meralco
Beginning	₱97,504,840	₱9,896,154	₱8,770,458
Additions	7,501,543	13,343,876	—
Interest accretion	(6,085,395)	(4,603,373)	(3,728,712)
Disposals/pre-terminations	(455,463)	(2,871,570)	(152,549)
	₱98,465,525	₱15,765,087	₱4,889,197

As of December 31, 2008 and 2007, other noncurrent assets include AFS financial assets representing investments in shares of stock and club shares amounting to ₱28.3 million and ₱6.6 million, and ₱39.6 million and ₱6.6 million, respectively. The Jollibee Group recognized ₱11.0 million unrealized loss and ₱22.4 million unrealized gain from fair value adjustments in investments for the years 2008 and 2007, respectively. As there were no disposals in 2008 and 2007, no amount was taken out of stockholders' equity in both years.

16. Trade Payables and Other Current Liabilities

This account consists of:

	2008	2007
Trade	₱3,508,731,554	₱2,257,255,629
Accruals for:		
Salaries, wages and allowances	874,531,272	902,638,625
Local and other taxes	764,422,261	596,270,170
Advertising and promotions	435,456,652	364,343,928
Rent	222,682,237	164,150,137
Retention payable	46,893,647	112,288,700
Short-term loans	407,197,154	157,461,779
Dividends payable	339,160,893	693,296,023
Output VAT	194,610,969	266,842,771
Deposits	186,157,262	186,893,865
Others	1,849,122,150	1,703,282,843
	₱8,828,966,051	₱7,404,724,470

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



Short-term loans consist of secured and unsecured bank loans of Belmont.

In 2008, secured bank loans amounting to RMB25.03 million, equivalent to ₱173.5 million, are fully guaranteed by the Parent Company.

In 2007, the secured bank loan was collateralized by a pledge of Belmont's bank deposits of US\$500,000, equivalent to ₱20.6 million. The secured bank loans matured on January 16, 2008. The pledged bank deposits earned interest at the average bank deposit rates of 2.9%. Interest on the secured bank loans was charged on the outstanding balance at a rate of 7.3% per annum in 2008 and 5.4% per annum in 2007.

The unsecured bank loans are short-term loans availed from banks with maturity of one year or less. The interest rate on unsecured bank loans is 6.4% and 5.8% in 2008 and 2007, respectively.

Accruals, dividends payable, deposits and output VAT are expected to be settled within the next financial year.

Other current liabilities include accruals for economic value added compensation, building improvements, stale checks and gift certificates issued to customers of the Jollibee Group and other liabilities relating to store operations. These liabilities are normally settled within the next financial year.

17. Provisions

	2008				2007
	Legal Claims	Restructuring Costs	Others	Total	
Balance at beginning of year	₱32,112,104	₱6,156,799	₱19,237,291	₱57,506,194	₱75,344,101
Additions during the year	18,259,410	-	2,212,310	20,471,720	-
Payments during the year	(21,102,210)	(4,925,464)	(5,641,251)	(31,668,925)	(17,837,907)
Balance at end of year	29,269,304	1,231,335	15,808,350	46,308,989	57,506,194
Less current portion	-	1,231,335	15,808,350	17,039,685	25,394,090
	₱29,269,304	₱-	₱-	₱29,269,304	₱32,112,104

The provisions for legal claims include estimates of legal services, settlement amount and other costs on claims made against the Jollibee Group. Other information on the claims is not disclosed as this may prejudice the Jollibee Group's position as regards to these claims. Management, after consultations with its legal counsel, believes that the provision recognized is sufficient to meet the costs related to the claims.

The provision for restructuring costs relates to the Parent Company's Cost Improvement Program to improve the quality of services and reduce the costs of backroom operations for its various QSR systems.



18. Long-term Debt

	2008	2007
Peso-denominated:		
Loan 1	P=	P8,181,819
Loan 2	-	2,727,270
US dollar-denominated:		
Loan 3	44,029,133	55,728,000
Loan 4	74,242,207	76,771,138
CNY-denominated -		
Loan 5	2,403,886,894	
	2,522,158,234	143,408,227
Less current portion	37,769,129	40,549,919
	P2,484,389,105	P102,858,308

Peso-denominated loans of RRBI:

Loan 1 consists of long-term loans acquired from a local bank in June 2005 with interest rates of 9% and 11.75%. The principals are payable in 11 quarterly installments commencing on December 16, 2005 up to May 2, 2008, the date of maturity.

Loan 2 consists of a long-term loan acquired from a local bank in May 2005 amounting to P15.0 million with an interest rate of 9.75%. The principal is payable in 11 quarterly installments commencing on November 4, 2005 up to May 2, 2008, the date of maturity.

US dollar-denominated loans of RRBI USA:

Loan 3 consists of a 3-year loan acquired from a foreign bank in December 2007 amounting to US\$1.35 million with interest rate of 6.50%. The principal is payable in 36 monthly installments commencing on January 17, 2008 up to December 17, 2010, the date of maturity.

Loan 4 consists of a 5-year loan acquired from a foreign bank in December 2007 amounting to US\$1.9 million with an interest rate of 6.50%. The principal is payable in 60 monthly installments commencing on January 1, 2008 up to January 1, 2013, the date of maturity.

CNY-denominated loan of the Parent Company:

On September 8, 2008, the Parent Company entered into a Synthetic Credit Facility Agreement with several financial institutions to finance its investments in the People's Republic of China. The agreement covers a three-year loan denominated in RMB amounting to CNY700 million at fixed interest rates for the Parent Company and at 2.25% above Libor floating rate for the lenders. The difference between the rates is covered by a notional swap subject to the same 2002 ISDA Master Agreement.

Loan 5 consists of Tranches A and B for CNY350 million each. On September 26, 2008, the Parent Company drew the full amount of Tranche A at 6.85% fixed interest rate using CNY6.82:1USD as initial exchange rate.

The loan is payable in full in US dollar using the spot rate five business days before September 8, 2011.



As of December 31, 2008, the long-term debt amounted to ₱2,522.2 million as follows:

Principal	₱2,546,768,666
Less unamortized debt issue cost	24,610,432
	<u>₱2,522,158,234</u>

The repayment schedule of the outstanding long-term debt as of December 31, 2008 follows:

Year	Loan 3	Loan 4	Loan 5	Total
2009	₱21,361,618	₱16,407,511	₱—	₱37,769,129
2010	22,667,515	17,506,325	—	40,173,840
2011	—	18,678,781	2,428,497,326	2,447,176,107
2012	—	19,929,745	—	19,929,745
2013	—	1,719,845	—	1,719,845
	<u>₱44,029,133</u>	<u>₱74,242,207</u>	<u>₱2,428,497,326</u>	<u>₱2,546,768,666</u>

19. Stockholders' Equity

a. Capital Stock

The movements in the number of shares in 2008 and 2007 follows:

	Number of Shares	
	2008	2007
Authorized - ₱1 par value	<u>1,450,000,000</u>	<u>1,450,000,000</u>
Issued:		
Balance at beginning of year	1,032,129,882	1,022,173,029
Issuances	5,866,309	9,956,853
Balance at end of year	<u>1,037,996,191</u>	<u>1,032,129,882</u>
Subscribed:		
Balance at beginning of year	2,009,297	2,009,297
Subscriptions	5,866,309	9,956,853
Issuances	(5,866,309)	(9,956,853)
Balance at end of year	<u>2,009,297</u>	<u>2,009,297</u>
	<u>1,040,005,488</u>	<u>1,034,139,179</u>

b. Treasury Shares

	Number of Shares	
	2008	2007
Common stock held in treasury (Note 27):		
Balance at beginning of year	16,692,150	22,734,028
Re-issuances for stock purchase exercised	(244,810)	(6,041,878)
Balance at end of year	<u>16,447,340</u>	<u>16,692,150</u>



Treasury shares were re-issued to cover the stock purchase rights exercised by the employee participants in the Jollibee Group's Tandem Stock Purchase and Option Plan II (see Note 27).

c. Retained Earnings

On November 28, 2008, the BOD approved the declaration of cash dividends of ₱0.48 a share in favor of the stockholders of record as of November 28, 2008, payable on December 18, 2008. The BOD also approved on April 14, 2008 the declaration of cash dividends of ₱0.30 a share in favor of stockholders of record as of May 2, 2008. This was paid on May 28, 2008.

On November 28, 2007, the BOD approved the declaration of cash dividends of ₱0.46 a share in favor of the stockholders of record as of December 14, 2007, payable on January 4, 2008. The BOD also approved on April 11, 2007 the declaration of cash dividends of ₱0.34 a share in favor of stockholders of record as of April 27, 2007. This was paid on May 24, 2007.

The unappropriated retained earnings is restricted for the payment of dividends to the extent of: (a) the undistributed net earnings of the subsidiaries amounting to ₱1,652.2 million and ₱1,132.61 million as of December 31, 2008 and 2007, respectively; and (b) cost of common shares held in treasury amounting to ₱180.5 million and ₱183.3 million as of December 31, 2008 and 2007, respectively.

20. Royalty and Franchise Fees

The Parent Company and four of its subsidiaries have existing Royalty and Franchise Agreements with independent franchisees for the latter to operate QSR outlets under the "Jollibee," "Chowking," "Greenwich," "Delifrance," "Yonghe King" and "Red Ribbon" concepts and trade names. In consideration thereof, the franchisees agree to pay franchise fees and monthly royalty fees equivalent to certain percentages of the franchisees' net sales.

The Jollibee Group also charges the franchisees a share in the network advertising and promotional activities. These are also based on certain percentages of the franchisees' net sales.

21. Cost of Sales

This account consists of:

	2008	2007	2006
Cost of inventories	₱20,867,044,942	₱17,878,964,134	₱15,287,365,939
Personnel costs:			
Salaries, wages and benefits	5,428,599,202	4,588,476,833	3,724,283,110
Retirement benefits (Note 26)	85,298,371	108,281,404	47,287,480
Rent (Note 30)	2,751,207,602	2,192,579,879	2,005,199,365
Electricity and water	1,862,476,746	1,746,714,091	1,616,880,563
Depreciation and amortization (see Notes 12 and 13)	1,570,869,765	1,376,155,592	1,364,645,995
Supplies	1,053,362,489	935,052,357	700,409,592

(Forward)



	2008	2007	2006
Freight	₱576,891,935	₱432,547,827	₱977,050,733
Repairs and maintenance	399,622,914	437,468,866	358,305,578
Security and janitorial	217,615,854	195,509,983	139,120,211
Communication	107,192,628	92,885,415	54,324,887
Professional fees	90,893,405	69,296,351	58,202,996
Entertainment, amusement and recreation (EAR)	19,059,695	17,434,361	12,293,301
Others	750,038,576	525,245,352	573,362,297
	₱35,780,174,124	₱30,596,612,445	₱26,918,732,047

22. Expenses

This account consists of:

	2008	2007	2006
General and administrative expenses	₱4,295,692,017	₱3,985,019,306	₱3,743,488,260
Advertising and promotions (see Note 20)	1,062,410,392	1,106,308,347	829,241,413
Provisions	65,519,274	71,815,450	7,008,773
	₱5,423,621,683	₱5,163,143,103	₱4,579,738,446

The general and administrative expenses consist of:

	2008	2007	2006
Personnel costs:			
Salaries, wages and benefits	₱1,976,108,533	₱1,894,832,515	₱1,940,051,486
Stock options expense	85,654,300	84,895,128	32,008,199
Retirement benefits (Note 26)	60,393,611	72,537,479	49,834,864
Professional fee	429,327,973	203,740,268	62,542,529
Taxes and licenses	538,841,273	303,222,981	292,386,861
Transportation and travel	347,142,269	155,562,358	127,084,481
Depreciation and amortization	158,009,998	203,403,281	209,198,762
Rent (see Note 30)	151,548,685	198,424,514	131,980,154
Communication	68,528,787	58,939,755	53,435,433
Supplies	57,711,424	73,551,598	54,229,829
Electricity and water	53,597,374	69,884,621	73,428,361
EAR	47,234,312	42,493,374	28,835,754
Training	45,269,836	26,814,833	35,700,145
Security and janitorial	43,695,410	34,400,596	32,543,982
Donation	42,457,680	30,000,000	-
Repairs and maintenance	34,754,003	60,345,187	57,688,153
Insurance	10,243,369	22,961,799	26,160,455
Others	145,173,180	449,009,019	536,378,812
	₱4,295,692,017	₱3,985,019,306	₱3,743,488,260



The provisions consist of:

	2008	2007	2006
Impairment in value of:			
Receivables and inventories (Notes 7 and 8)	P61,726,457	P39,507,137	P7,008,773
Property, plant and equipment and investment properties (Notes 12 and 13)	3,792,817	32,308,313	-
	<u>P65,519,274</u>	<u>P71,815,450</u>	<u>P7,008,773</u>

23. Finance Income (Charges)

These accounts consist of:

	2008	2007	2006
Interest income:			
Money market placements	P127,765,395	P104,285,248	P71,860,068
Cash in banks	23,518,116	16,953,116	22,303,143
Accretion of interest on financial assets (Note 15)	24,092,552	14,417,480	27,794,598
Loan and advances	33,088,018	7,333,136	13,533,003
	<u>P208,464,081</u>	<u>P142,988,980</u>	<u>P135,490,812</u>
Interest expense:			
Accretion of interest on financial liabilities (Notes 10 and 18)	P1,411,233	P30,927,819	P54,648,804
Long-term loans	103,669,187	24,491,469	4,977,009
Short-term loans	-	50,000	20,781,701
	<u>P105,080,420</u>	<u>P55,469,288</u>	<u>P80,407,514</u>

24. Income Tax

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

	2008	2007
Regular income tax	P344,359,514	P450,068,940
Final tax withheld on royalty and interest income	485,296,600	403,307,393
	<u>P829,656,114</u>	<u>P853,376,333</u>



The components of the Jollibee Group's deferred tax assets and liabilities follow:

	2008	2007
Deferred tax assets:		
Operating lease payable	₱337,807,069	₱353,129,197
Accrued retirement and other benefits	162,797,707	154,648,221
MCIT	73,596,216	33,549,526
Provision for impairment in value of property, plant and equipment, investment properties, and other non-financial assets	56,916,096	46,014,199
NOLCO	29,565,610	88,420,281
Allowance for inventory losses	16,788,061	8,488,671
Allowance for impairment losses	13,979,836	16,776,321
Provisions for legal claims and restructuring costs	9,593,198	19,405,647
Unamortized past service costs	6,356,627	3,912,692
Others	52,723,998	149,822,117
	₱760,124,418	₱874,166,872
Deferred tax liabilities:		
Operating lease receivable	₱45,845,271	₱47,063,623
Income from Meralco refund	5,671,553	10,514,094
Excess of fair value over book value of property, plant and equipment of acquired businesses	—	837,205
Others	20,853,274	68,405,670
	₱72,370,098	₱126,820,592

As of December 31, 2008, NOLCO and MCIT of the Philippine-based entities that can be claimed as deductions from taxable income and income tax due, respectively, are as follows:

Year Incurred/Paid	Carry Forward Benefit Up to	NOLCO	MCIT
December 31, 2008	December 31, 2011	₱—	₱40,046,689
December 31, 2007	December 31, 2010	—	4,905,086
December 31, 2006	December 31, 2009	189,742,363	28,644,441
December 31, 2005	December 31, 2008	49,921,668	17,002,487
		239,664,031	90,598,703
Less:			
Applied against regular taxable income in 2008		141,111,998	—
Expired in 2008		—	17,002,487
Balance at year end		₱98,552,033	₱73,596,216



As of December 31, 2008, the following tax losses represent Belmont's tax losses available for offset against future taxable income. Belmont operates in the PRC where the income tax rate is 33%.

Year Incurred/Paid	Carry Forward Benefit Up to	Tax Losses
December 31, 2008	December 31, 2013	84,769,818
December 31, 2007	December 31, 2012	34,892,190
December 31, 2006	December 31, 2011	15,420,379
December 31, 2005	December 31, 2010	6,400,222
December 31, 2004	December 31, 2009	7,737,296
		¥149,219,905
Less expired in 2008		2,312,569
Balance at year end		¥146,907,336

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

	2008	2007	2006
Provision for income tax at statutory	¥1,123,872,818	¥1,097,255,056	¥1,016,033,954
Income tax effects of:			
Effect of different tax rate for royalty fees and interest	(371,579,442)	(333,250,076)	(298,888,559)
Incentives availed by Zenith (Note 25)	—	(105,910,147)	(83,704,389)
Effects of changes in tax rates	46,286,375	29,096,536	22,502,898
Nondeductible expenses	40,828,955	31,366,946	18,596,686
Expired/applied NOLCO and MCIT	—	13,272,704	2,193,039
Others	49,839,368	14,825,778	66,062,603
	¥889,248,074	¥746,656,797	¥742,796,232

The deferred income taxes and the provision for current income tax include the effect of the change in tax rates. Under Republic Act No. 9337, regular corporate income tax rate for domestic corporations and resident and nonresident foreign corporations is increased to 35% (from 32%) beginning November 1, 2005 and the rate will be reduced to 30% beginning January 1, 2009.

25. Registration with the Board of Investments (BOI)

Zenith, a wholly owned subsidiary, is registered with the BOI as a domestic producer of processed food on a non-pioneer status in accordance with the provisions of the Omnibus Investments Code of 1987. Under the terms of its registration, the subsidiary is entitled to certain tax and non-tax incentives, including among others, income tax holiday (ITH) for a four-year period on processed food from March 2003 or actual start of commercial operations, whichever is earlier; exemption from wharfage dues and any export tax, duty, import and fees for a ten-year period; employment of foreign nationals in supervisory, technical or advisory positions for a five-year period; importation of consigned equipment for a ten-year period; and additional deduction from taxable income of 50% of the wages of corresponding to the investment in number of direct labor in the year of availment.



Zenith's registration with the BOI expired in November 2007.

Incentives availed of by the subsidiary amounted to ₱105.9 million and ₱83.7 million in 2007 and 2006, respectively (see Note 24).

26. Retirement Benefits

Defined Benefit Plan

The Parent Company and certain Philippine-based subsidiaries have funded, independently administered, non-contributory defined benefit retirement plans covering all permanent and regular employees with benefits based on years of service and latest compensation.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the plans.

Net benefit expense:

	2008	2007	2006
Current service cost	₱91,054,355	₱111,560,548	₱64,264,487
Interest cost on benefit obligation	88,432,474	94,272,700	63,029,401
Expected return on plan assets	(34,803,756)	(43,777,679)	(29,272,369)
Net actuarial loss	1,008,909	18,763,314	269,400
Effect of consolidation of Baker Fresh (Note 10)	—	—	(1,168,575)
	₱145,691,982	₱180,818,883	₱97,122,344

Accrued benefit cost:

	2008	2007
Present value of defined benefit obligation	₱985,573,966	₱896,922,683
Fair value of plan assets	(531,760,226)	433,325,653
Present value of unfunded obligation	453,813,740	463,597,030
Unrecognized net actuarial losses	(53,286,762)	(19,983,964)
	₱400,526,978	₱443,613,066

The movements in the present value of benefit obligation are as follows:

	2008	2007
At January 1	₱896,922,683	₱1,208,554,155
Current service cost	91,054,355	111,560,548
Interest cost on benefit obligation	88,432,474	94,272,700
Actual benefits paid	(90,835,546)	(70,412,849)
Actuarial loss on benefit obligation	—	(447,051,871)
At December 31	₱985,573,966	₱896,922,683



The movements in the fair value of plan assets are as follows:

	2008	2007
At January 1	₱433,325,653	₱430,319,438
Contributions	155,752,809	6,621,695
Expected return on plan assets	34,803,756	43,777,679
Actual benefits paid	(57,810,284)	(4,920,700)
Benefits payable to Parent Company and Jollibee Worldwide Services (reimbursement)	—	(44,683,589)
Actuarial gain (loss) on plan assets	(34,311,708)	2,211,130
At December 31	₱531,760,226	₱433,325,653
Actual return on plan assets	₱492,048	₱41,490,051

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2008	2007
Government securities	39.04%	26.94%
Special savings deposits	30.79	5.19
Investments in shares of stock	22.99	32.80
Investments in debt securities	4.26	—
Loans/notes receivable	1.88	2.28
Cash and cash equivalents	—	30.69
Other receivables	1.04	2.10
	100.00%	100.00%

The Jollibee Group will contribute a substantial part of the unfunded defined benefit obligation in 2009.

The overall expected rate of return on plan assets is determined based on the market prices, prevailing on that date, applicable to the period within which the obligation is to be settled. The latest actuarial valuation of the defined benefit retirement plan is as of December 31, 2007.

As of December 31, 2008 and 2007, the principal actuarial assumptions used to determine retirement benefits obligations follow:

	2008	2007
Discount rate	10.15%	10.15%
Salary increase rate	8.00%	8.00%
Rate of return on plan assets	8.00%	8.00%



The amounts for the current and previous periods are as follows:

	2008	2007	2006
Defined benefit obligation	₱985,573,966	₱896,922,683	₱1,208,554,155
Plan assets	531,760,226	433,325,653	430,319,438
Deficit	₱453,813,740	₱463,597,030	₱778,234,717
Experience adjustments on:			
Plan obligation	₱-	(₱220,551,925)	₱28,704,737
Plan assets	(34,311,708)	2,211,130	103,583,944

Defined Contribution Plan

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

The contributions made to the scheme and recognized as retirement expense amounted to ₱2.93 million, ₱1.94 million and ₱57.3 million in 2008, 2007 and 2006, respectively.

27. Stock Option Plans

Tandem Stock Purchase and Option Plans

On January 1, 2002, the SEC approved the Parent Company's Stock Purchase and Option Plan II (Plan II). Under Plan II, the number of shares an eligible participant can purchase shall be based on the particular tranche to which such eligible participant belongs, to be determined in accordance with the formula provided for in Plan II. The exercise price per share shall not be less than 50% to 75% of the fair market value at the time of the commencement of the tranche, as computed by the Compensation Committee. There are three tranches available for the option exercise. The options vest and become exercisable after three years of continuous employment provided the employee is still employed by the Jollibee Group and a joint venture at the exercise date. In addition, an eligible participant has the option to purchase a maximum of two shares for every fully paid share under an accepted purchase offer.

A total of 12,651,052 shares have been subscribed and fully paid by December 31, 2004 by the employee participants under the Purchase portion of Plan II. As discussed in Note 19, the Parent Company's BOD has approved the use of the treasury shares to cover the stock purchase exercised. The excess of the cost of the treasury shares issued over the purchase exercise price amounting to ₱24.8 million was deducted against additional paid-in capital resulting from treasury share transactions.



In accordance with Plan II, a total of 25,426,904 shares became available for the Option portion equivalent to two shares for every fully paid share under the Purchase portion. The options become exercisable as these become vested provided the employee is still employed by the Jollibee Group. One-third of the shares available for the Option portion will end its vesting period each year starting January 28, 2005 until January 30, 2007. Thus, the maximum option shares exercisable each year from January 28, 2005 until January 30, 2007 is one-third of the shares available for the Option portion. The unexercised option shares will expire on January 30, 2008.

The movements in the number of stock option for Plan II in 2008 and 2007 follow:

	Number of Shares	
	2008	2007
Balance at beginning of year	6,072,004	13,469,891
Options exercised during the year	(4,389,786)	(7,394,604)
Options of resigned employees	-	(3,283)
Forfeited shares	(1,682,218)	-
	-	6,072,004

As of December 31, 2008, a total of 1,682,218 option shares were not exercised, consequently, forfeited. The number of option shares exercisable as of December 31, 2007 is 6,072,004. The option shares available are divided into three tranches. Tranche 1 has an exercise price of ₱10.00 a share, ₱12.00 a share for Tranche 2 and ₱15.75 a share for Tranche 3. The options that were exercised in 2008 and 2007 are as follows:

	Tranche 1	Tranche 2	Tranche 3	Total
2008	4,184,358	155,291	50,137	4,389,786
2007	5,679,315	1,480,248	235,041	7,394,604

The weighted average share price of options exercised was ₱10.14.

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 European style since the exercise is on a fixed maturity date. The inputs to the model used for the option granted on January 1, 2002 are shown below. Tranche 1 is disregarded from the computation since Tranche 1 was issued before November 7, 2002 and has already vested as of January 28, 2005. The Jollibee Group has availed of the allowed exemption on the application of PFRS 2 for Tranche 1.

	Tranche 2	Tranche 3
Dividend yield	1.3%	1.3%
Expected volatility	40.2%	40.2%
Risk-free interest rate	5.5%	5.9%
Expected life of the option	2-4 years	1-3 years



The expected life of the option is based on management's best estimate at the date of the grant and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated in the measurement of fair value.

Senior Management Stock Option and Incentive Plan

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

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

The MSOP is a yearly stock option grant program. Each option cycle refers to the period commencing on the MSOP grant date and ending on the last day of the MSOP exercise period. On July 1, 2004, the Compensation Committee of the Parent Company granted 2,385,000 options under the 1st MSOP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted on each anniversary of the MSOP grant date. Vested MSOP may be exercised starting July 1, 2006 and will expire on June 30, 2013. On July 1, 2005 and 2006, 2,577,000 and 2,556,000 options under the 2nd MSOP cycle and 3rd MSOP cycle were granted to eligible participant. On July 1, 2007, 3,014,700 options under the 4th MSOP cycle were granted to eligible participants. Likewise, an additional 675,500 options under the 3rd MSOP cycle were granted. The options vest similar to the 1st MSOP cycle.

The movements in 2008 and 2007 in the number of stock options outstanding for the 1st, 2nd, 3rd and 4th MSOP cycles follow:

	1st MSOP Cycle	2nd MSOP Cycle	3rd MSOP Cycle	4th MSOP Cycle	Total
Balance at December 31, 2005	2,289,235	2,577,000	-	-	4,866,235
Options granted during the year	-	-	2,556,000	-	2,556,000
Options exercised during the year	(214,574)	(143,769)	-	-	(358,343)
Balance at December 31, 2006	2,074,661	2,433,231	2,556,000	-	7,063,892
Option exercised during the year	(299,032)	(362,504)	(286,145)	-	(947,681)
Balance at December 31, 2007	1,775,629	2,070,727	2,269,855	-	6,116,211
Options exercised during the year	(130,765)	(268,330)	(255,418)	-	(654,513)
Options granted during the year	-	-	675,500	3,014,700	3,690,200
Balance at December 31, 2008	1,644,864	1,802,397	2,689,937	3,014,700	9,151,898

The weighted average share price of options exercised was ₱27.86.



The fair value as at the date of grant of the share options under MSOP 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 option granted on July 1, 2004 for 1st MSOP cycle, July 1, 2005 for 2nd MSOP cycle, July 1, 2006 for 3rd MSOP cycle and July 1, 2007 for 4th MSOP cycle are shown below:

	1st MSOP Cycle	2nd MSOP Cycle	3rd MSOP Cycle	4th MSOP Cycle
Dividend yield	1.7%	1.7%	1.7%	1.7%
Expected volatility	36.9%	36.9%	36.9%	30.4%
Risk-free interest rate	6.2%	6.0%	6.2%	3.8%
Expected life of the option	5-7 years	5-7 years	5-7 years	5-7 years
Stock price on grant date	₱24.00	₱29.00	₱35.00	₱52.50
Exercise price	₱20.00	₱27.50	₱32.32	₱50.77

On July 1, 2007, the Compensation Committee of the Parent Company granted 22,750,000 options under ELTIP to eligible participants. The options will vest at the rate of one-third of the total options granted on each anniversary of the ELTIP grant date. Vested ELTIP may be exercised starting July 1, 2007 and will expire on June 30, 2012.

The movements in 2008 in the number of outstanding stock options follow:

Options granted in 2007	22,750,000
Options exercised in 2007	(1,479,168)
Balance at December 31, 2007	21,270,832
Options exercised in 2008	(3,500,001)
Balance at December 31, 2008	17,770,831

The fair value as at the date of grant of the share options under ELTIP 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 option granted on July 1, 2007 are shown below:

Dividend yield	1.7%
Expected volatility	36.9%
Risk-free interest rate	6.2%
Expected life of the option	5 years
Stock price on grant date	₱24.00
Exercise price	₱20.00



The cost of the stock options charged to operations under "General and administrative expenses - personnel costs" account amounted to ₱85.6 million, ₱85.9 million and ₱40.0 million in 2008, 2007 and 2006, respectively (see Note 22).

28. Related Party Transactions

The Jollibee Group has transactions within and among the consolidated entities and. PAS 24, *Related Party Disclosures*, defines a related party as an entity that has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Transactions between members of the Jollibee Group and the related balances are eliminated in the consolidation and are no longer included in the disclosures.

Compensation of Key Management Personnel of the Jollibee Group

The aggregate compensation and benefits to key management personnel of the Jollibee Group for the years ended December 31, 2008, 2007 and 2006 are as follows:

	2008	2007	2006
Salaries and short-term benefits	₱372,814,600	₱295,501,721	₱220,798,970
Retirement expense from defined benefit plan	22,636,807	33,765,090	13,246,147
Employee car plan and other long-term benefits	24,509,655	14,033,389	12,092,466
Stock options expense	85,654,300	84,895,128	32,008,199
	<u>₱505,615,362</u>	<u>₱428,195,328</u>	<u>₱278,145,782</u>

29. Earnings Per Share Computation

Basic and diluted EPS are computed as follows:

	2008	2007	2006
(a) Net income attributable to the equity holders of the Parent	<u>₱2,319,087,864</u>	<u>₱2,386,722,219</u>	<u>₱2,156,618,463</u>
(b) Weighted average number of shares - basic	1,022,431,961	1,009,526,325	997,857,977
Weighted average number of shares exercisable under the stock option plan	15,250,887	14,985,242	6,763,355
Weighted average number of shares that would have been purchased at fair market value	(8,551,814)	(5,113,222)	(2,593,210)
(c) Adjusted weighted average shares - diluted	<u>1,029,131,034</u>	<u>1,019,398,345</u>	<u>1,002,028,122</u>
Earnings per share:			
Basic (a/b)	₱2.268	₱2.364	₱2.161
Diluted (a/c)	2.253	2.341	2.152



30. 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. Rental payments in accordance with the terms of the lease agreements amounted to ₱2,723.7 million, ₱2,391.0 million and ₱2,137.2 million in 2008, 2007 and 2006, respectively.

The future minimum rentals payable for the noncancellable periods of the operating leases follow:

	2008	2007
Within one year	₱848,088,729	₱638,552,582
After one year but not more than five years	3,706,473,909	2,942,218,031
More than five years	3,082,036,952	2,861,963,964
	₱7,636,599,590	₱6,442,734,577

PAS 17 requires the recognition of rental expense for the noncancellable portion of the operating leases on a straight-line basis. The amounts by which rental expense recognized under the straight-line method exceeded the rental amounts due in accordance with the terms of the lease agreements are charged to "Operating lease payable" account. Rent expense recognized on a straight-line basis amounted to ₱2,723.7 million, ₱2,391.0 million and ₱2,137.2 million in 2008, 2007 and 2006, respectively.

b. Operating lease commitments - Jollibee Group as lessor

The Jollibee Group entered into commercial property leases for its investment property units. Noncancellable periods of the lease range from 3 to 20 years, mostly containing renewal options. All leases include a clause to enable upward revision of the rental charges on an annual basis based on prevailing market conditions. Rental income in accordance with the terms of the lease agreements amounted to ₱89.8 million, ₱101.6 million and ₱38.7 million in 2008, 2007 and 2006, respectively.

The future minimum rentals receivable for the noncancellable portions of the operating leases follow:

	2008	2007
Within one year	₱51,911,745	₱30,203,165
After one year but not more than five years	102,659,383	71,791,612
More than five years	47,236,932	29,583,522
	₱201,808,060	₱131,578,299



PAS 17 requires the recognition of rental income for the noncancellable portion of the operating leases on a straight-line basis. The amounts by which rental income recognized under the straight-line method exceeded the rental amounts receivable in accordance with the terms of the lease agreements are included under "Operating lease receivable" account. Rental income recognized on a straight-line basis amounted to ₱83.0 million, ₱96.3 million and ₱88.1 million in 2008, 2007 and 2006, 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 results of operations of the Jollibee Group.

31. Financial Risk Management Objectives and Policies

The Jollibee Group is exposed to a variety of financial risks which result from both its operating and investing 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 does not actively engage in trading of financial assets for speculative purposes.

The Jollibee Group's principal instruments are cash and cash equivalents, short-term investments and long-term debt. The main purpose of these financial instruments is to raise financing for the Jollibee Group's operations. The Jollibee Group has various other financial assets and liabilities such as receivables, employee car plan, refundable deposits, receivable from Meralco, AFS financial assets and trade payable and other current liabilities.

The main risks arising from the Jollibee Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The Jollibee Group's BOD and management review and agree on the policies for managing each of these risks as summarized below.

Foreign Currency Risk

The Jollibee Group's exposure to foreign currency risk arises as the Parent Company has investments outside of the Philippines, which are mainly in the PRC and in the USA. While the foreign business has been rapidly growing, the net assets of foreign business accounts for only 10.7% and 15.5% of the consolidated net assets of the Jollibee Group as of December 31, 2008 and 2007, respectively. Therefore, the total exposure to foreign exchange risk of the Jollibee Group is still not significant.

The Jollibee Group also has transactional foreign currency exposures. Such exposure arises from cash in banks, short-term deposits and receivables in foreign currencies.

To manage its foreign exchange risk, the Jollibee Group normally buys forward foreign currency contracts representing 50% of its payables in foreign currency arising mainly from importation of raw materials and equipment. Thus, the movements in foreign exchange rates basically have minimal impact on its short-term transactions. The Jollibee Group did not engage in any forward currency contracts in 2008 and 2007.



The following table shows the Jollibee Group's foreign currency-denominated monetary assets and liabilities and their peso equivalents:

December 31, 2008						
	Philippine Operations			Foreign Operations		
	USD	RMB	PHP	RMB	USD	PHP
Assets						
Cash and cash equivalents	11,373,730	—	540,479,650	113,757,148	9,855,203	1,256,656,272
Receivables	4,250,152	—	201,967,223	18,097,816	2,918,847	264,121,463
	15,623,882	—	742,446,873	131,854,964	12,774,050	1,520,777,735
Liabilities						
Payables	—	(350,000,000)	(2,425,500,000)	(109,151,414)	(10,063,669)	(1,234,644,833)
Loans	—	—	—	(58,728,100)	(2,504,796)	(526,013,651)
	15,623,882	(350,000,000)	(1,683,053,127)	(36,024,550)	205,585	(239,880,749)

December 31, 2007					
	Philippine Operations			Foreign Operations	
	USD	PHP	RMB	USD	PHP
Assets					
Cash and cash equivalents	2,300,079	94,947,272	33,710,323	4,845,537	390,750,027
Receivables	2,612,794	107,856,151	8,538,092	1,636,702	115,869,893
	4,912,873	202,803,423	42,248,415	6,482,239	506,619,920
Less payables	(65,262)	(2,693,997)	(97,272,932)	(21,982,230)	(1,457,780,976)
	4,847,611	200,109,426	(55,024,517)	(15,499,991)	(951,161,056)

The Jollibee Group has recognized in its consolidated statements of income, foreign exchange gain included under "Other income" account in the consolidated statements of income of ₱71.6 million, ₱25.0 million and ₱12.7 million on its net foreign currency-denominated assets and liabilities for the years ended December 31, 2008, 2007 and 2006, respectively. This resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Peso to	
	RMB	US Dollar
December 31, 2008	6.93	47.52
December 31, 2007	5.66	41.28

The following table demonstrates the sensitivity to a reasonably possible change in US dollar 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):

December 31, 2008		
	Increase (Decrease) in ₱ to	Effect on Income Before Income Tax
USD		
	₱1.50	₱23,435,823
	(1.50)	(23,435,823)
	1.00	15,623,882
	(1.00)	(15,623,882)
RMB		
	₱0.95	(₱332,500,000)
	(0.95)	332,500,000
	0.63	(220,500,000)
	(0.63)	220,500,000



December 31, 2007

	Increase (Decrease) in ₱ to	Effect on Income Before Income Tax
USD		
	₱1.50	₱7,271,417
	(1.50)	(7,271,417)
	1.00	4,847,611
	(1.00)	(4,847,611)

The impact on the Jollibee Group's consolidated statements of changes in stockholders' equity already excludes the impact on the transactions affecting the consolidated statements of income.

Credit Risk

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

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

Credit Quality. The table below shows the credit quality by class of financial assets, based on the Jollibee Group's credit rating system.

December 31, 2008

December 31, 2006					
	Total	Neither Past Due nor Impaired			Past Due or Impaired
		A	B	C	
(In Millions)					
Cash and cash equivalents	₱6,858.8	₱6,858.8	₱—	₱—	₱—
Short-term investments	20.0	20.0	—	—	—
Trade	1,882.2	588.0	287.0	27.0	980.2
Advances to officers and employees	73.5	73.5	—	—	—
Current portion of:					
Employee car plan	44.3	44.3	—	—	—
Receivable from Meralco	10.1	10.1	—	—	—
Others	7.6	7.6	—	—	—
Receivables	2,017.7	723.5	287.0	27.0	980.2
Noncurrent portion of:					
Refundable deposits	648.9	648.9	—	—	—
Employee car plan	74.5	74.5	—	—	—
Receivable from Meralco	8.8	8.8	—	—	—
Other noncurrent assets	732.2	732.2	—	—	—
	₱9,628.7	₱8,334.5	₱287.0	₱27.0	₱980.2



December 31, 2007

	Total	Neither Past Due nor Impaired			Past Due or Impaired
		A	B	C	
(In Millions)					
Cash and cash equivalents	₱5,576.9	₱5,576.9	₱—	₱—	₱—
Trade	1,901.0	940.2	118.1	10.7	832.0
Advances to officers and employees	66.9	66.9	—	—	—
Current portion of:					
Employee car plan	36.9	36.9	—	—	—
Receivable from Meralco	11.0	11.0	—	—	—
Others	9.3	9.3	—	—	—
Receivables	2,025.1	1,064.3	118.1	10.7	832.0
Noncurrent portion of:					
Refundable deposits	504.6	504.6	—	—	—
Employee car plan	71.0	71.0	—	—	—
Receivable from Meralco	17.1	17.1	—	—	—
Other noncurrent assets	592.7	592.7	—	—	—
	₱8,194.7	₱7,233.9	₱118.1	₱10.7	₱832.0

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

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

The aging analyses of receivables are as follows:

December 31, 2008

December 31, 2008							
		Neither Past Due nor Impaired	Past Due but not Impaired (Age in Days)				
	Total		1-30	31-60	61-120	Over 120	Impaired
(In Millions)							
Trade	₱1,882.2	₱902.0	₱204.4	₱68.7	₱77.0	₱553.0	₱77.1
Advances to officers and employees	73.5	73.5	—	—	—	—	—
Current portion of:							
Employee car plan	44.3	44.3	—	—	—	—	—
Receivable from Meralco	10.1	10.1	—	—	—	—	—
Others	7.6	7.6	—	—	—	—	—
Total	₱2,017.7	₱1,037.5	₱204.4	₱68.7	₱77.0	₱553.0	₱77.1



December 31, 2007							
		Neither Past Due nor Impaired	Past Due but not Impaired (Age in Days)				
	Total	Impaired	1-30	31-60	61-120	Over 120	Impaired
(In Millions)							
Trade	1,901.0	₱1,069.0	₱253.7	₱109.3	₱188.2	₱198.2	₱82.6
Advances to officers and employees	66.9	66.9	-	-	-	-	-
Current portion of: Employee car plan	36.9	36.9	-	-	-	-	-
Receivable from Meralco	11.0	11.0	-	-	-	-	-
Others	9.3	9.3	-	-	-	-	-
Total	₱2,025.1	₱1,193.1	₱253.7	₱109.3	₱188.2	₱198.2	₱82.6

Credit Risk Exposure and Concentration. The table below shows the maximum exposure to credit risk of the Jollibee Group per business segment as of December 31, 2008 and 2007, without considering the effects of collaterals and other credit risk mitigation techniques.

	2008	2007
Cash and cash equivalents (exclude cash on hand)	₱6,804,429,400	₱5,562,133,723
Short-term investments	20,002,018	-
Receivables	1,940,700,399	1,942,450,718
Other noncurrent assets -		
Noncurrent portion of:		
Refundable deposits	648,899,059	504,555,973
Employee car plan	74,464,709	70,993,342
Receivable from Meralco	8,769,643	17,134,633
	₱9,497,265,228	₱8,097,268,389

The Jollibee Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

The Jollibee Group has no significant concentration of credit risk with counterparty since it has short credit terms to franchisees, which it implements consistently. In addition, the Jollibee Group's franchisee profile is such that no single franchisee accounts for more than 5% of the total systemwide sales of the Jollibee Group.

With respect to credit risk arising from financial assets of Jollibee Group, which comprise cash and cash equivalents, short-term investments and AFS financial assets, the Jollibee Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.



Interest Rate Risk

The Jollibee Group's exposure to changes in market interest rates relates primarily to the long-term debt obligations of the Parent Company and Red Ribbon, with fixed interest rates. Thus, the changes in interest rates will have no impact on the Jollibee Group's consolidated statements of income.

The following table sets out the carrying amount, by maturity, of the Jollibee Group's financial instruments that are exposed to interest rate risk:

December 31, 2008					
	Fixed Interest Rate	Within 1 year	2-3 years	4-5 years	Total
US dollar-denominated:					
Loan 3	6.50%	₱23,629,082	₱23,496,596	₱-	₱47,125,678
Loan 4	6.50%	20,750,179	41,500,309	22,479,336	84,729,824
CNY-denominated -					
Loan 5	6.85%	166,355,973	2,761,209,319	-	2,927,565,292
		₱210,735,234	₱2,826,206,224	₱22,479,336	₱3,059,420,794
December 31, 2007					
	Fixed Interest Rate	Within 1 year	2-3 years	4-5 years	Total
Peso-denominated:					
Loan 1	9% and 11.75%	₱8,181,819	₱-	₱-	₱8,181,819
Loan 2	9.75%	2,727,270	-	-	2,727,270
US dollar-denominated:					
Loan 4	6.50%	17,362,908	38,365,092	-	55,728,000
Loan 5	6.50%	12,277,922	29,460,501	35,032,715	76,771,138
		₱40,549,919	₱67,825,593	₱35,032,715	₱143,408,227

Liquidity Risk

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 during the years ended December 31, 2008 and 2007.



The table below summarizes the maturity profile of the Jollibee Group's financial liabilities based on the contractual undiscounted payments:

	December 31, 2008				Total
	On demand	Within 1 year	2-3 years	4-5 years	
Trade payables and other current liabilities*	₱7,394,861,649	₱559,722,919	₱5,137,910	₱-	₱7,959,722,478
Long-term debt (including current portion)	-	210,735,234	2,826,206,224	22,479,336	3,059,420,794
	₱7,394,861,649	₱770,458,153	₱2,831,344,134	₱22,479,336	₱11,019,143,272

*Excluding output VAT, local and other taxes and other liabilities to government agencies.

	December 31, 2007				Total
	On demand	Within 1 year	2-3 years	4-5 years	
Trade payables and other current liabilities*	₱739,489,465	₱5,796,449,584	₱-	₱-	₱6,535,939,049
Long-term debt (including current portion)	-	49,697,910	77,103,321	37,552,891	164,354,122
	₱739,489,465	₱5,846,147,494	₱77,103,321	₱37,552,891	₱6,700,293,171

*Excluding output VAT, local and other taxes and other liabilities to government agencies.

Capital Management

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

The Jollibee Group generates cash flows from operations sufficient to finance its organic growth. It declares cash dividends representing about 1/3 of its consolidated net income, a ratio that would still leave some additional cash for future acquisitions. If needed, the Jollibee Group would borrow money for acquisitions of new businesses.

As of December 31, 2008 and 2007, the Jollibee Group's ratio of debt to equity and ratio of net debt to total equity are as follows:

Debt to equity

	2008	2007
Total debt (a)	₱12,985,869,085	₱9,296,664,505
Total equity attributable to equity holders of the Parent	14,136,494,022	12,642,928,847
Total interest-bearing debt and equity attributable to equity holders of the Parent (b)	₱27,122,363,107	₱21,939,593,352
Debt to equity ratio (a/b)	48%	42%



Net debt to equity

	2008	2007
Total debt	₱12,985,869,085	₱9,296,664,505
Less cash and cash equivalents and short-term deposits	6,878,851,074	5,575,943,093
Net debt (a)	6,107,018,011	3,720,721,412
Total equity attributable to equity holders of the Parent	14,136,494,022	12,642,928,847
Total net debt and equity attributable to equity holders of the Parent (b)	₱20,243,512,033	₱16,363,650,259
Net debt to equity ratio (a/b)	30%	23%

32. Fair Value of Financial Assets and Liabilities

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities, by category and by class, as of December 31, 2008 and 2007. There are no material unrecognized financial assets and liabilities as of December 31, 2008.

	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and Receivables:				
Cash and cash equivalents	₱6,858,849,056	₱6,858,849,056	₱5,575,943,093	₱5,575,943,093
Short-term investments	20,002,018	20,002,018	—	—
Receivables	1,940,700,399	1,940,700,399	1,942,450,718	1,942,450,718
Other noncurrent assets –				
Noncurrent portion of:				
Refundable deposits	648,899,059	656,566,215	504,555,973	512,967,595
Employee car plan	74,464,709	76,796,313	70,993,342	72,384,757
Receivable from Meralco	8,769,643	9,082,735	17,134,633	18,992,548
	9,551,684,884	9,561,996,736	8,111,077,759	8,122,738,711
AFS financial assets:				
Shares of stock	28,290,714	28,290,714	39,554,343	39,554,343
Club shares	6,600,000	6,600,000	6,610,000	6,610,000
	34,890,714	34,890,714	46,164,343	46,164,343
	₱9,586,575,598	₱9,596,887,450	₱8,157,242,102	₱8,168,903,054
Other Financial Liabilities				
Trade payables and other current liabilities*	₱3,590,914,485	₱3,590,914,485	₱6,535,939,049	₱6,535,939,049
Long-term debt (including current portion)	2,508,999,532	2,071,450,886	143,408,227	128,684,746
	₱6,099,914,017	₱5,662,365,371	₱6,679,347,276	₱6,664,623,795

*Excluding output VAT, local and other taxes and other liabilities to government agencies.

Financial instruments whose carrying amounts approximate fair value. Management has determined that the carrying amounts of cash and cash equivalents, short-term investments, receivables and trade payables and other current liabilities reasonably approximate their fair values because of their short-term maturities.



Financial instruments carried at other than fair value. Management has determined that the estimated fair value of refundable deposits, employee car plan, receivable from Meralco, and long-term debt are based on the discounted value of future cash flows using applicable rates, as follows:

	2008	2007
Receivable from Meralco	7%-8%	7%-8%
Employee car plan	5%-8%	4%-6%
Refundable deposits	7%-8%	5%-8%
Long-term debt	6%-7%	5%-6%

AFS financial assets. The fair value of investments that are actively traded in organized financial markets are determined by reference to quoted market bid prices at the close of business at balance sheet date.

Bifurcated Embedded Currency Forward

The Jollibee Group's derivative relates to the embedded currency forward or a foreign exchange adjustment provision in its acquisition of Red Ribbon (see Note 10) on the balance purchase price amounting to ₱0.5 billion. These currency forwards have various maturity dates up to October 27, 2008 but the Parent Company opted to early settle the liability on September 27, 2007. The fair value of the embedded derivative amounted to ₱86.6 million and ₱65.2 million as of September 27, 2007 and December 31, 2006, respectively. Mark-to-market gain on embedded derivative, recognized under "Other income" account in the consolidated statements of income, amounted to ₱21.4 million in 2007.

33. Events After Balance Sheet Date

Dividend Declaration

The BOD of the Parent Company approved on April 28, 2009 a cash dividend of ₱0.37 a share of common stock to all stockholders of record as of May 14, 2009. This will be distributed on June 5, 2009. This cash dividend is 2.8% higher than that declared in the same period last year.

Acquisition of a Business

On January 1, 2009, Jollibee Worldwide, a wholly-owned subsidiary of the Company, acquired 70% of the issued and outstanding shares of Lao Dong Pte. Ltd. based in Taipei, Republic of China for a total acquisition cost of New Taiwan dollar (NT)42 million (₱61.1 million) and additional capital infusion of NT21 million (₱30.6 million).



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Jollibee Foods Corporation
10th Floor, Jollibee Plaza Building
No. 10 Emerald Avenue, Ortigas Centre
Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Jollibee Foods Corporation and Subsidiaries as of December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008, included in this Form 17-A and have issued our report thereon dated April 28, 2009. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68.1 and Securities and Exchange Commission Memorandum Circular No. 11, Series of 2008, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Ramon D. Dizon
Partner
CPA Certificate No. 46047
SEC Accreditation No. 0077-AR-1
Tax Identification No. 102-085-577
PTR No. 1566425, January 5, 2009, Makati City

April 28, 2009

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES**SCHEDULE L - RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2008**

Unappropriated consolidated retained earnings, beginning of year	₱8,884,408,730
Less: Accumulated earnings of subsidiaries	1,132,605,798
Deferred tax assets, beginning	334,030,461
	1,466,636,259
Unappropriated retained earnings of the Parent Company, as adjusted to available for dividend declaration, beginning	7,417,772,471
Consolidated net income actually earned during the year	2,319,087,864
Less: Net income of subsidiaries	522,307,095
Net income actually earned by the Parent Company during the year, as reported	1,796,780,769
Less unrealized income net of tax:	
Interest income from accretion	67,482,927
Unrealized foreign exchange gain - net	15,164,969
	82,647,896
Net income actually earned by the Parent Company during the year, as adjusted	1,714,132,873
Unappropriated retained earnings of the Parent Company before adjustments during the year	9,131,905,344
Less: Dividend declaration during the year	853,848,051
Treasury shares	180,511,490
Unappropriated retained earnings of the Parent Company as adjusted to available for dividend declaration, end	₱8,097,545,803

JOLLIBEE FOODS CORPORATION

FINANCIAL STATEMENTS

31 December 2008

COVER SHEET

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SEC Registration Number

JOLLIBEE FOODS CORPORATION

(Company's Full Name)

10th Floor, Jollibee Plaza Building,
No. 10 Emerald Avenue, Ortigas
Centre, Pasig City

(Business Address: No. Street City/Town/Province)

Mr. Ysmael V. Baysa

(Contact Person)

634-1111

(Company Telephone Number)

1 2 3 1
Month Day
(Fiscal Year)A A P F S
(Form Type)0 6 2 6
Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

P2,403,886,898

Domestic

P-

Foreign

To be accomplished by SEC Personnel concerned

File Number

Document ID

STAMPS

BUREAU OF INTERNAL REVENUE LARGE TAXPAYERS SERVICE DIVISION 1	
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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Jollibee Foods Corporation
10th Floor, Jollibee Plaza Building
No. 10 Emerald Avenue, Ortigas Centre
Pasig City

We have audited the accompanying parent company financial statements of Jollibee Foods Corporation which comprise the parent company balance sheets as at December 31, 2008 and 2007, and the parent company statements of income, parent company statements of changes in stockholders' equity and parent company statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

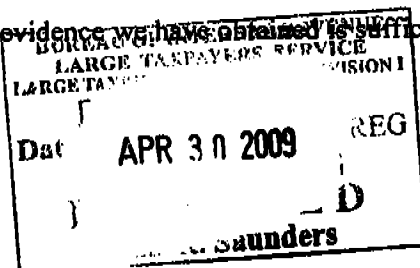
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

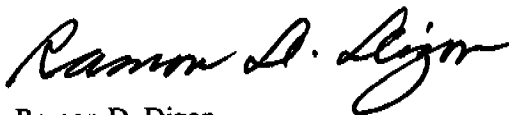
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

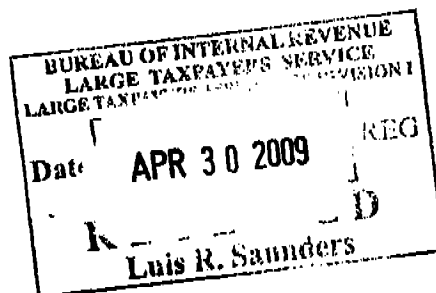
In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Jollibee Foods Corporation as of December 31, 2008 and 2007, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

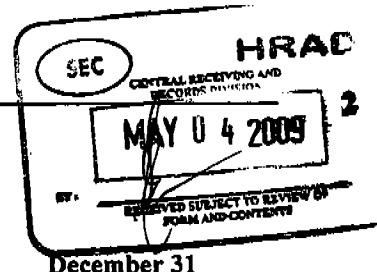


Ramon D. Dizon
Partner
CPA Certificate No. 46047
SEC Accreditation No. 0077-AR-1
Tax Identification No. 102-085-577
PTR No. 1566425, January 5, 2009, Makati City

April 28, 2009

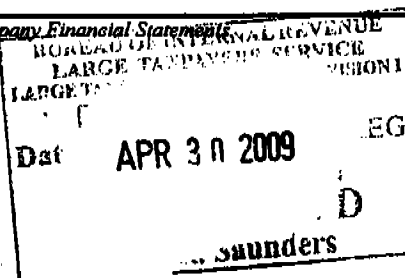


JOLLIBEE FOODS CORPORATION
PARENT COMPANY BALANCE SHEETS



	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 22, 29 and 30)	P2,563,347,650	P2,612,971,000
Short-term investment (Notes 22, 29 and 30)	20,002,018	-
Receivables - net (Notes 6, 27, 29 and 30)	1,928,661,330	1,481,933,467
Advances to subsidiaries (Notes 9, 22, 27, 29 and 30)	4,734,771,275	1,661,263,624
Inventories - net (Note 7)	955,399,559	584,274,193
Other current assets - net (Notes 8, 29 and 30)	485,077,284	463,385,833
Total Current Assets	10,687,259,116	6,803,828,117
Noncurrent Assets		
Investments in subsidiaries - net (Note 9)	7,210,520,707	7,145,658,550
Property, plant and equipment - net (Note 10)	1,609,941,889	1,520,846,198
Investment properties - net (Note 11)	406,777,769	410,678,247
Deferred tax assets - net (Note 24)	285,375,307	334,030,461
Other noncurrent assets - net (Notes 12, 28, 29 and 30)	878,073,333	879,740,523
Total Noncurrent Assets	10,390,689,005	10,290,953,979
	P21,077,948,121	P17,094,782,096
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade payables and other current liabilities (Notes 13, 27, 28, 29 and 30)	P4,857,304,663	P4,331,783,596
Income tax payable (Note 24)	28,225,235	30,738,004
Current portion of provisions (Note 14)	1,231,335	6,156,799
Total Current Liabilities	4,886,761,233	4,368,678,399
Noncurrent Liabilities		
Noncurrent portion of provisions (Note 14)	29,269,304	31,450,000
Operating lease payable (Note 28)	574,554,889	591,845,032
Loans payable (Notes 15, 23, 29 and 30)	2,403,886,898	-
Accrued benefit liability (Note 25)	183,723,806	202,675,041
Other noncurrent liabilities	-	5,163,140
Total Noncurrent Liabilities	3,191,434,897	831,133,213
Stockholders' Equity (Note 29)		
Capital stock (Notes 16 and 26)	1,040,005,488	1,034,139,179
Subscriptions receivable	(17,177,884)	(17,177,884)
Additional paid-in capital (Notes 9 and 26)	2,245,675,482	2,086,941,086
Unrealized gain on available-for-sale financial assets (Note 12)	14,295,492	22,603,911
Retained earnings (Note 17)	9,897,464,904	8,951,802,932
	13,180,263,482	12,078,309,224
Less cost of common stock held in treasury (Notes 16, 17 and 26)	(180,511,491)	(183,338,740)
Total Stockholders' Equity	12,999,751,991	11,894,970,484
	P21,077,948,121	P17,094,782,096

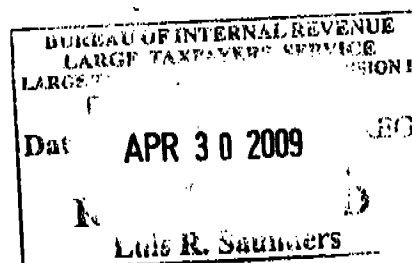
See accompanying Notes to Parent Company Financial Statements



JOLLIBEE FOODS CORPORATION
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31	
	2008	2007
REVENUES		
Net sales (Note 27)	₱19,812,420,160	₱16,853,067,844
Royalty, franchise fees and others (Notes 11, 18, 27 and 28)	2,085,171,667	1,861,733,440
	<u>21,897,591,827</u>	<u>18,714,801,284</u>
COST OF SALES (Notes 20 and 27)	<u>17,324,424,530</u>	<u>14,572,525,886</u>
GROSS PROFIT	4,573,167,297	4,142,275,398
OTHER INCOME - Net (Notes 19 and 30)	550,013,925	1,184,479,797
EXPENSES		
General and administrative (Notes 21 and 28)	(2,417,434,274)	(1,974,041,411)
Advertising and promotions (Note 18)	(393,463,784)	(431,771,453)
FINANCE INCOME (CHARGES)		
Interest income (Note 22)	96,404,181	56,043,369
Interest expense (Notes 15 and 23)	(48,129,421)	(30,152,192)
INCOME BEFORE INCOME TAX	<u>2,360,557,924</u>	<u>2,946,833,508</u>
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)		
Current	512,392,747	526,308,608
Deferred	48,655,154	(24,362,082)
	<u>561,047,901</u>	<u>501,946,526</u>
NET INCOME	<u>₱1,799,510,023</u>	<u>₱2,444,886,982</u>

See accompanying Notes to Parent Company Financial Statements.



JOLLIBEE FOODS CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Capital Stock (Notes 16 and 26)	Subscriptions Receivable (Note 16)	Additional Paid-in Capital (Notes 9 and 26)	Unrealized Gain (Loss) on Available-for- Sale Financial Assets (Note 12)	Retained Earnings (Note 17)	Cost of Common Stock Held in Treasury (Notes 16, 17 and 26)	Total Stockholders' Equity
Balance at January 1, 2008	P1,034,139,179	(P17,177,884)	P2,086,941,086	P22,603,911	P1,200,000,000	(P183,338,740)	P11,894,970,484
Net income	-	-	-	-	1,799,510,023	-	1,799,510,023
Change in fair value of available-for-sale financial assets	-	-	-	(8,308,419)	-	-	(8,308,419)
Total income (loss) for the year	-	-	-	(8,308,419)	1,799,510,023	-	1,791,201,604
Subscriptions and issuances of shares (Note 16)	5,866,309	-	-	-	-	-	5,866,309
Re-issuances for stock purchased exercised	-	-	73,080,096	-	-	2,827,249	75,907,345
Cost of stock options granted	-	-	85,654,300	-	-	-	85,654,300
Cash dividends - P0.84 a share (Note 17)	-	-	-	-	(853,848,051)	-	(853,848,051)
Balance at December 31, 2008	P1,040,005,488	(17,177,884)	P2,245,675,482	P14,295,492	P1,200,000,000	(P180,511,491)	P12,999,751,991
Balance at January 1, 2007	P1,024,182,326	(P17,177,884)	P1,817,488,852	(P198,091)	P1,200,000,000	(P292,445,969)	P9,844,853,068
Net income	-	-	-	-	2,444,886,982	-	2,444,886,982
Change in fair value of available-for-sale financial assets	-	-	-	22,802,002	-	-	22,802,002
Total income for the year	-	-	-	22,802,002	2,444,886,982	-	2,467,688,984
Subscriptions and issuances of shares (Note 16)	9,956,853	-	-	-	-	-	9,956,853
Re-issuances for stock purchased exercised	-	-	188,949,443	-	-	109,107,229	298,056,672
Cost of stock options granted	-	-	80,502,791	-	-	-	80,502,791
Cash dividends - P0.80 a share (Note 17)	-	-	-	-	(806,087,884)	-	(806,087,884)
Balance at December 31, 2007	P1,034,139,179	(P17,177,884)	P2,086,941,086	P22,603,911	P1,200,000,000	(P183,338,740)	P11,894,970,484

See accompanying Notes to Parent Company Financial Statements.

LARGE TAXPAYERS SERVICE
LARGE TAXPAYER DIVISION I

Date APR 30 2009 REG

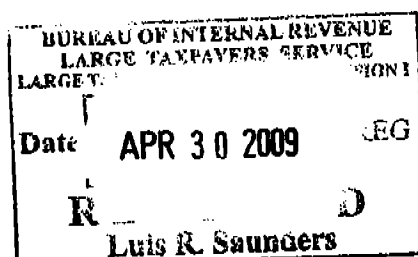
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JOLLIBEE FOODS CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

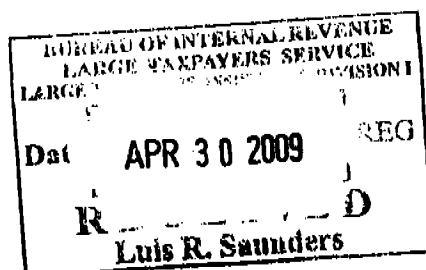
	Years Ended December 31	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P2,360,557,924	P2,946,833,508
Adjustments for:		
Depreciation and amortization (Notes 20 and 21)	494,378,441	494,779,663
Dividend income (Note 19)	(100,018,000)	(910,000,000)
Interest income (Note 22)	(96,404,181)	(56,043,369)
Share-based compensation expense (Note 26)	83,989,193	80,502,791
Interest expense (Note 23)	48,129,421	30,152,192
Net unrealized foreign exchange loss (gain)	(21,664,220)	14,831,713
Provisions for (Note 21):		
Inventory obsolescence	43,512,144	12,994,079
Impairment loss on receivables	3,877,062	11,811,993
Loss on disposals and retirements of property and equipment	4,021,594	17,978,428
Reversal of impairment in value of investment properties (Note 19)	—	(57,500,000)
Mark-to-market gain on derivative asset (Note 19)	—	(21,456,517)
Income before working capital changes	2,820,379,378	2,564,884,481
Decrease (increase) in:		
Receivables	(453,611,418)	(387,993,053)
Short-term investment	(20,002,018)	—
Inventories	(414,637,510)	(113,361,809)
Other current assets	(11,740,109)	(268,784,618)
Increase (decrease) in:		
Trade payables and other current liabilities	695,895,221	496,494,025
Provisions, including noncurrent portion	(7,106,160)	(17,837,907)
Operating lease payable	(17,290,143)	53,313,657
Accrued benefit liability	(18,951,235)	77,914,386
Other noncurrent liabilities	(5,163,140)	—
Net cash generated from operations	2,567,772,866	2,404,629,162
Income taxes paid	(515,234,604)	(418,353,228)
Net cash provided by operating activities	2,052,538,262	1,986,275,934
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from subsidiaries	100,018,000	910,000,000
Additions to property, plant and equipment and investment properties (Note 10)	(576,344,187)	(527,736,068)
Decrease (increase) in:		
Advances to subsidiaries	(3,009,361,807)	(724,835,351)
Investments in subsidiaries (Notes 9 and 31)	(64,862,157)	(5,404,912)
Other noncurrent assets	5,677,084	(367,104,192)
Interest received	74,463,614	46,207,750
Proceeds from disposals of property and equipment	2,098,939	198,894
Net cash used in investing activities	(3,468,310,514)	(668,673,879)

(Forward)



	Years Ended December 31	
	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends	(P1,106,312,054)	(P367,882,034)
Liability for acquisition of a business	-	(251,404,640)
Proceeds from:		
Loans (Note 14)	2,388,856,231	-
Issuances of and subscriptions to capital stock	80,611,512	207,641,382
Re-issuances of treasury shares	2,827,249	109,107,229
Net cash provided by (used in) financing activities	1,365,982,938	(302,538,063)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	165,964	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(49,623,350)	1,015,063,992
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,612,971,000	1,597,907,008
CASH AND CASH EQUIVALENTS AT END OF YEAR	P2,563,347,650	P2,612,971,000

See accompanying Notes to Parent Company Financial Statements.



JOLLIBEE FOODS CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Jollibee Foods Corporation (the Company) is a Philippine company primarily involved in the development, operation and franchising of Quick Service Restaurants (QSR) under the "Jollibee" trade name mainly in the Philippines.

The operation and franchising of Jollibee QSR outside the Philippines are handled through subsidiaries. The Company also has subsidiaries engaged in the development, operation and franchising of QSR under the trade names "Greenwich", "Chowking", "Yonghe King", "Delifrance", "Red Ribbon" and "Hongzhuangyuan." Other subsidiaries are engaged in the manufacturing and property leasing activities in support of the systems of the Company and its subsidiaries and in other independent business activities (see Note 9 for the list of the subsidiaries).

The Company's shares of stock are listed in the Philippine Stock Exchange.

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

The accompanying parent company financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 28, 2009.

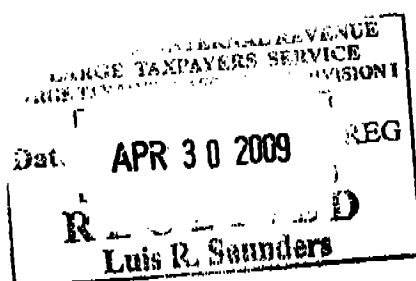
2. Basis of Preparation

The accompanying parent company financial statements have been prepared on the historical cost basis, except for available-for-sale (AFS) financial assets, which have been measured at fair value. The parent company financial statements are presented in Philippine peso, which is the Company's functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The parent company financial statements, which are prepared for submission to the Securities and Exchange Commission (SEC) and the Bureau of Internal Revenue, have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) issued by the Financial Reporting Standards Council, and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

The Company also prepared and issued consolidated financial statements for the same period as the parent company financial statements presented, in compliance with PFRS. These may be obtained at the registered office address of the Company or at the SEC.



Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following Philippine Interpretations from IFRIC effective January 1, 2008:

- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*, requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholders of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent.
- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, covers contractual arrangements arising from public-to-private service concession arrangements if control of the assets remains in public hands but the private sector operator is responsible for construction activities as well as for operating and maintaining the public sector infrastructure.
- Philippine Interpretation IFRIC 14, *PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*.

The adoption of the above interpretations did not have any impact on the financial position or performance of the Company.

Future Changes in Accounting Policies

The Company did not early adopt the following new, revised or amended standards and Philippine Interpretations that have been approved but are not yet effective:

- Revised PFRS 2, *Share-based Payment*, becomes effective for financial years beginning on or after January 1, 2009. It restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In case the award does not vest as a result of the failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, it must be accounted for as a cancellation.
- Revised PFRS 3, *Business Combinations*, and Revised PAS 27, *Consolidated and Separate Financial Statements*, become effective for financial years beginning on or after July 1, 2009. The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The revised PAS 27 requires that a change in the ownership interest of a subsidiary be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary, as well as the loss of control of a subsidiary. The changes introduced by the revised PFRS 3 must be applied prospectively and will affect future acquisitions and transactions with minority interests, while the revised PAS 27 must be applied retrospectively subject to certain exceptions.

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Luis R. Saunders



- PFRS 8, *Operating Segments*, becomes effective for financial years beginning on or after January 1, 2009, and will replace PAS 14, *Segment Reporting*. It adopts a full management approach to reporting segment information. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the parent company balance sheets and parent company statements of income and companies will need to provide explanations and reconciliations of the differences.
- Revised PAS 1, *Presentation of Financial Statements*, becomes effective for financial years beginning on or after January 1, 2009. It separates owner and non-owner changes in equity. The parent company statements of changes in stockholders' equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income, which presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single statement, or in two linked statements.
- Revised PAS 23, *Borrowing Costs*, becomes effective for financial years beginning on or after January 1, 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.
- Amendment to PAS 32, *Financial Instrument: Presentation*, and Amendment to PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*, become effective for financial years beginning on or after January 1, 2009. The amendment to PAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to PAS 1 requires disclosure of certain information relating to puttable instruments classified as equity.
- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*, becomes effective for financial years beginning on or after July 1, 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, became effective for financial years beginning on or after July 1, 2008. It requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore, part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled.
- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, becomes effective for financial years beginning on or after January 1, 2012. The interpretation is to be applied retroactively. It clarifies when and how receipts and related expenses from the sale of real estate should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*.

DEPARTMENT OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE DIVISION I
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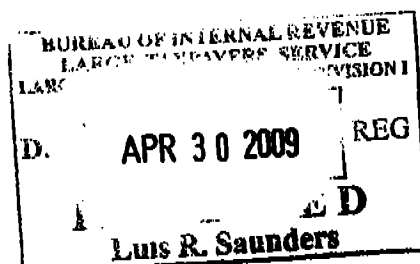
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in Foreign Operations*, became effective for financial years beginning on or after October 1, 2008. It provides guidance in identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Company the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

The Company is currently evaluating the effect of the new, amended and revised accounting standards and interpretations in its parent company financial statements. The new and revised accounting treatments and disclosures required by these accounting standards and interpretations will be included in the parent company financial statements, as applicable when the standards and interpretation are adopted on their effective dates.

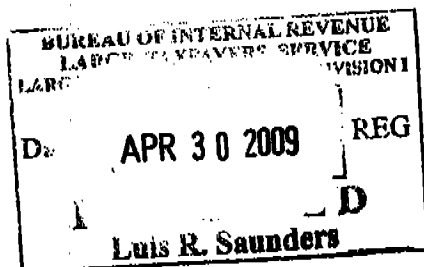
Improvements to Existing Accounting Standards

The Company did not early adopt the following improvements to existing accounting standards that have been approved but are not yet effective. The Company is currently assessing the impact of the following improvements to existing standards but anticipates that the changes will have no material effect on the parent company financial statements.

- PFRS 7, *Financial Instruments: Disclosures*, removes the reference to "total interest income" as a component of finance costs.
- PAS 1 provides that assets and liabilities classified as held for trading in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, are not automatically classified as current in the parent company balance sheets.
- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, clarifies that only implementation guidance that is an integral part of a PFRS is mandatory when selecting accounting policies.
- PAS 10, *Events after the Balance Sheet Date*, clarifies that dividends declared after the end of reporting period are not obligations.
- PAS 16, *Property, Plant and Equipment*, replaces the term "net selling price" with "fair value less costs to sell." It further clarifies that items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventory when rental ceases and they are held for sale.
- PAS 18 replaces the term "direct costs" with "transaction costs" as defined in PAS 39.
- PAS 19 revises the definition of past service costs, return on plan assets and short-term and long-term employee benefits. Amendments to plans that result in reduction in benefits related to future services are accounted for as curtailment. It deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.



- PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, provides that loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Various terms were revised to be consistent with other PFRS.
- PAS 23 revises the definition of borrowing costs to consolidate the two types of items that are considered components of borrowing costs into one – the interest expense calculated using the effective interest rate method calculated in accordance with PAS 39.
- PAS 27 states that when a parent entity accounts for a subsidiary in accordance with PAS 39 in its parent company financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- PAS 28, *Investments in Associates*, establishes that if an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.
- PAS 31, *Interests in Joint Ventures*, provides that if a joint venture is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 31 to disclose the commitments of the venturer and the joint venture as well as summary financial information about the assets, liabilities, income and expense will apply.
- PAS 34, *Interim Financial Reporting*, requires that earnings per share be disclosed in interim financial reports if an entity is within the scope of PAS 33, *Earnings per Share*.
- PAS 36, *Impairment of Assets*, provides that if discounted cash flows are used to estimate “fair value less costs to sell,” additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate “value in use.”
- PAS 38, *Intangible Assets*, requires that expenditure on advertising and promotional activities is recognized as an expense when the Company has either the right to access the goods or has received the services.
- PAS 39 clarifies that changes in circumstances relating to derivatives are not reclassification and therefore maybe either removed from, or included in, the fair value through profit or loss (FVPL) classification after initial recognition. It removes the reference to a segment when determining whether an instrument qualifies as a hedge. It further requires the use of the revised effective interest rate when re-measuring a debt instrument on the cessation of fair value hedge accounting.



- PAS 40, *Investment Property*, revises the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. It revises the conditions for a voluntary change in accounting policy to be consistent with PAS 8 and clarifies that the carrying amount of investment property held under lease is the valuation obtained increased by any recognized liability.

3. Summary of Significant Accounting Policies

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

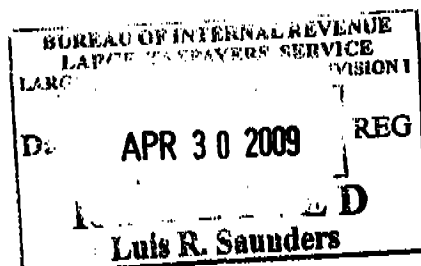
Short-term investments are highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months but not exceeding one year and are subject to an insignificant risk of change in value.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the parent company balance sheets when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

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



The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at FVPL when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

Determination of Fair Value. The fair value of financial instruments traded in active markets at balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

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

Day 1 Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a Day 1 profit) in the parent company statements of income unless it qualifies for recognition as some other type of asset. In cases where data which is not observable is used, the difference between the transaction price and model value is only recognized in the parent company statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the Day 1 profit amount.

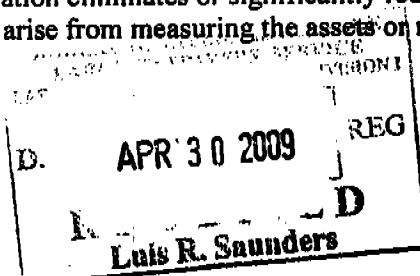
Financial Assets

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

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held-for-trading unless they are designated and effective hedging instruments. Gains or losses on investments held-for-trading are recognized in the parent company statements of income.

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;



- the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial asset contains an embedded derivative that would need to be separately recorded.

The Company accounts for its embedded derivative transactions under this category with fair value changes being reported directly to the parent company statements of income, except when the derivative is treated as an effective accounting hedge.

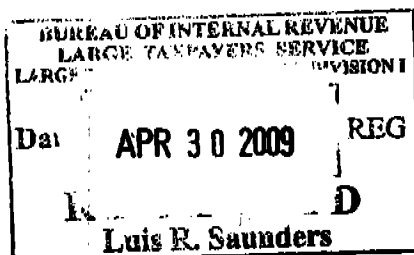
The Company has no financial assets classified under this category as of December 31, 2008 and 2007.

HTM Investments. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM when there is positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. HTM investments are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in the parent company statements of income when the investments are derecognized or impaired, as well as through the amortization process.

The Company has no financial assets classified under this category as of December 31, 2008 and 2007.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the parent company statements of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets when the Company expects to realize or sell the asset within twelve months from balance sheet date. Otherwise, these are classified as noncurrent assets.

The Company's cash and cash equivalents, short-term investment, receivables, advances to subsidiaries, refundable deposits, employee car plan and receivable from Manila Electric Company (Meralco) (classified under "Other current assets" and "Other noncurrent assets" account in the parent company balance sheets) are classified under this category (see Note 30).



AFS Financial Assets. AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the parent company statements of income. Assets under this category are classified as current assets if maturity is within 12 months from balance sheet date and as noncurrent assets if maturity date is more than a year from balance sheet date.

The Company's investments in shares of stocks and club shares are classified under this category (see Note 30).

Financial Liabilities

Financial Liabilities at FVPL. Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Company elects to designate a financial liability under this category.

The Company has no financial liability designated as at FVPL as of December 31, 2008 and 2007.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

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

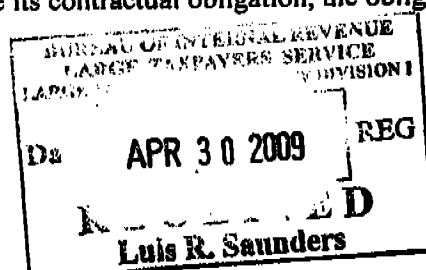
This category includes trade payables and other current liabilities, refundable lease deposits payable and loans payable (see Note 30).

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.



Debt Issue Costs

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

Embedded Derivative

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Company has identified and bifurcated embedded currency forward or a foreign exchange adjustment provision in its acquisition of Red Ribbon Holdings, Inc. (Red Ribbon) on the balance of the purchase price (see Note 30).

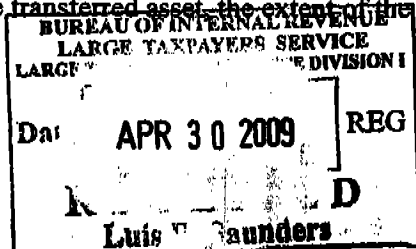
Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Company determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

Derecognition of Financial Assets and Liabilities

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

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

Where the Company has transferred its rights to receive cash flows from the asset and neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Company could be required to pay. Where the continuing involvement takes the form of a written and/or purchased option (including a cash-settled option) or similar provision on the transferred asset, the extent of the Company's continuing involvement is the



amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where 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 parent company statements of income.

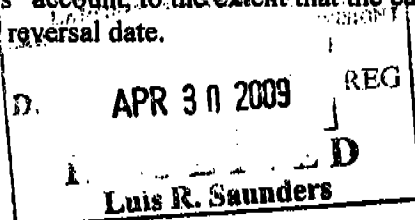
Impairment of Financial Assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in the parent company statements of income.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the parent company statements of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the parent company statements of income under "Other revenue" account. Any subsequent reversal of an impairment loss is recognized in the parent company statements of income under "Provision for (reversal of) impairment losses" account, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.



Assets Carried at Cost. If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets. The Company assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS financial assets, an objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the parent company statements of income, is removed from equity and recognized in the parent company statements of income. Impairment losses on equity investments are not reversed through the parent company statements of income; increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount of the asset and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded in the parent company statements of income. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the parent company statements of income, the impairment loss is reversed through the parent company statements of income.

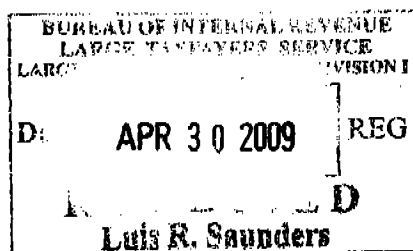
Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the parent company balance sheets.

Inventories

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

- | | |
|--|--|
| Processed inventories | - First-in, first-out basis. Cost includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity. |
| Food supplies, novelty items and packaging, store and other supplies | - Purchase cost on a first-in, first-out basis. |



The 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.

The net realizable value of food supplies, novelty items and packaging, store and other supplies is the current replacement cost.

Investments in Subsidiaries

The Company's investments in subsidiaries are accounted for under the cost method as provided for under PAS 27. Distributions from retained earnings of the investee arising after the date of acquisition are recognized as income from the investments. Any distributions in excess of the investee's retained earnings are regarded as a recovery of investments and are recognized as a reduction of the costs of the investments.

Property, Plant and Equipment

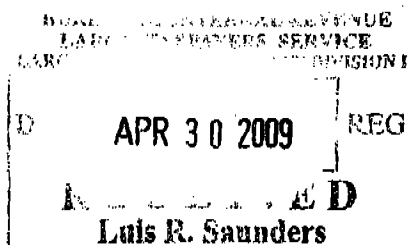
Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of property, plant and equipment at the time that cost is incurred, if the recognition criteria are met,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

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

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

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

The useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.



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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

When assets are retired or otherwise disposed, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited or charged respectively to current operations.

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

Construction in progress represents structures under construction and is stated at cost less any impairment in value. This includes cost of construction, property and equipment, 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 are ready for use.

Investment Properties

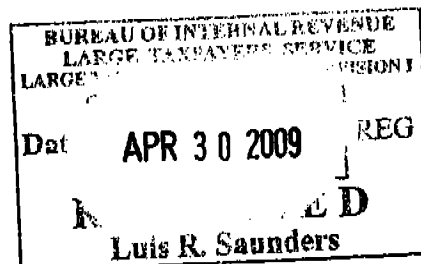
Investment properties consist of land and buildings held by the Company for capital appreciation and rental. Investment properties, except land, are carried at cost, including transaction costs, less accumulated depreciation and amortization and any impairment in value. Cost also includes the cost of 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 and amortization of buildings and building improvements are calculated on a straight-line basis over the estimated useful lives of the assets which is 5 to 20 years.

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

Investment property is derecognized when either it has been disposed 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 the parent company statements of income in the year of retirement or disposal.

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



Impairment of Nonfinancial Assets

The carrying values of investments in subsidiaries, property, plant and equipment and investment properties 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 cash-generating units 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 cash-generating unit to which the asset belongs. Impairment losses are recognized in the parent company statements of income in those expense categories consistent with the function of the impaired asset.

Treasury Shares

Acquisitions of treasury shares are recorded at cost. The total cost of treasury shares is shown in the parent company balance sheets as a deduction from the total stockholders' equity. Upon re-issuance or resale of the treasury shares, treasury shares account is credited for the cost of the treasury shares determined using the simple average method. Gains on sale of treasury shares are credited to additional paid-in capital. Losses are charged against additional paid-in capital but only to the extent of previous gains from original issuance, sale or retirement for the same class of stock. Otherwise, losses are charged to retained earnings.

Dividends on Common Shares

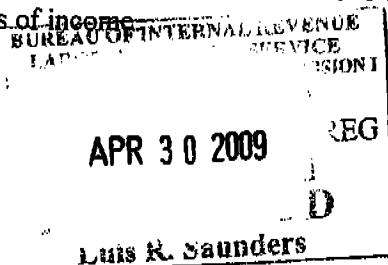
Dividends on common shares are recognized as liability and deducted from stockholders' equity when approved by the stockholders of the Company. Dividends for the year that are approved after balance sheet date are dealt with as an event after balance sheet date.

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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statements of income.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

- Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the customers, which is normally upon delivery. Sales returns and sales discounts are deducted from sales to arrive at net sales shown in the parent company statements of income.



- Revenue from royalty fees is recognized based on certain percentages of the franchisees' net sales.
- Revenue from franchise fees is recognized when all services or conditions relating to the transaction have been substantially performed.
- Dividend income is recognized when the Company's right as a shareholder to receive the payment is established.
- Rent income from operating leases is recognized on a straight-line basis over the lease terms. For income tax reporting, rent income is continued to be recognized on the basis of the terms of the lease agreements.
- Interest income is recognized as the interest accrues, taking into account the effective yield on the related asset.

Retirement Benefits

The Company has a funded, non-contributory retirement plan, administered by a trustee bank, covering the permanent employees of the Company. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plans at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The past service cost, if any, is recognized as expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a retirement plan, past service cost is recognized immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plans or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in

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the form of refunds from the plans or reductions in the future contributions to the plans. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

Share-based Payments

The Company has stock option plans granting 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 Company's management and employees that become vested is recognized in the parent company statements of income over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cost of the options granted to the personnel of the joint venture that became vested were recognized as additional investments over the vesting period with a corresponding credit to additional paid-in capital in the stockholders' equity section of the parent company balance sheets.

The fair value is determined using the Black-Scholes Option Pricing Model (see Note 26). 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 Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in the parent company statements of income or the investment account for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

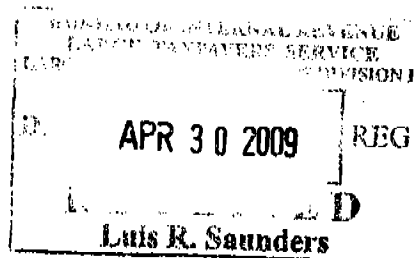
No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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

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

Research and Development Costs

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



Operating 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. A reassessment is made after inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting will commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension for scenario (b).

For arrangements entered into prior to January 1, 2005, the date of inception is deemed to be January 1, 2005 in accordance with the transitional requirements of Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*.

Leases where the lessor retains all the significant risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the parent company statements of income on a straight-line basis over the lease terms. For income tax reporting, operating lease payments continue to be recognized as expense on the basis of the terms of the lease agreements.

Borrowing Costs

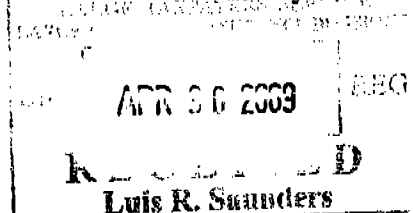
Borrowing costs are expensed as incurred.

Provisions

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

Foreign Currency Transactions and Translations

The parent company financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are recorded 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 balance sheet date. All differences are taken to the parent company statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Income Tax

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 balance sheet date.

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

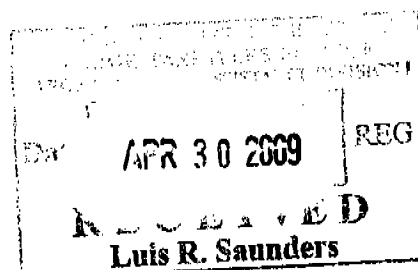
Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

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



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

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. Revenue, expenses and assets are recognized net of the amount of tax, except:

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Trade payables and other current liabilities" accounts in the parent company balance sheets.

Contingencies

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

Events after Balance Sheet Date

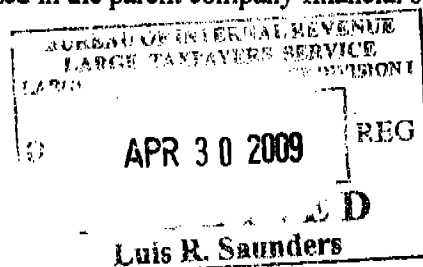
Post year-end events that provide additional information about the Company's financial position at balance sheet date (adjusting events) are reflected in the Company's financial statements. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. 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.

Judgments

In the process of applying the Company'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 parent company financial statements.



Functional Currency. Management has determined that the functional and presentation currency of the Company is the Philippine peso, being the currency of the primary environment in which the Company operates.

Asset Retirement Obligation. Management has determined that the Company has no material obligation, constructive or legal, for the dismantling and removing items of property upon retirement and restoring the site on which these are located.

Operating Leases-Company as Lessor. The Company has entered into commercial property leases on its investment property portfolio. Management has determined, based on an evaluation of the terms and conditions of the arrangements, that the Company retains all 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 ₱74.5 million and ₱48.6 million in 2008 and 2007, respectively (see Note 28).

Operating Leases-Company as Lessee. The Company has entered into commercial property leases for its QSR and offices as the lessee. Management has determined that all significant risks and benefits of ownership of these properties, which the Company leases under operating lease arrangements, remain with the lessor. Accordingly, the leases are accounted for as operating leases.

Rent expense amounted to ₱831.8 million and ₱753.0 million in 2008 and 2007, respectively (see Note 28).

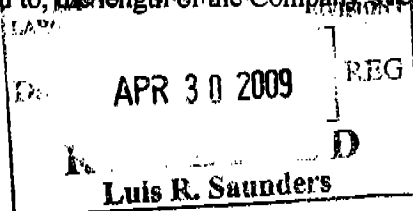
Impairment of AFS Financial Assets - Significant or Prolonged Decline in Fair Value. The Company determines that an AFS financial assets is impaired when there has been a significant or prolonged decline in the fair value below its cost. The Company determines that a decline in fair value of greater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

No impairment loss for AFS financial assets was recognized in 2008 and 2007. The carrying values of AFS financial assets amounted to ₱26.5 million and ₱35.0 million as of December 31, 2008 and 2007, respectively (see Note 12).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment Loss on Receivables. The Company maintains an allowance for impairment loss at a level considered adequate to provide for potential uncollectible receivables. The level of allowance is evaluated on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers and counterparties,



average age of accounts and collection experience. The Company performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss. The review is accomplished using a combination of specific and collective assessments. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance account would increase general and administrative expenses and decrease current assets.

The allowance for impairment loss as of December 31, 2008 and 2007 amounted to ₱21.3 million and ₱20.0 million, respectively (see Note 6). The carrying value of receivables amounted to ₱1,928.7 million and ₱1,481.9 million as of December 31, 2008 and 2007, respectively (see Note 6).

Net Realizable Value of Inventories. The Company writes down inventories to net realizable value, through the use of an allowance account, whenever the net realizable value of inventories becomes lower than 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 balance sheet date to the extent that such events confirm conditions existing at balance sheet date. The allowance account is reviewed on a regular basis to reflect the accurate valuation in the financial records.

The Company assessed that the net realizable value of inventories is lower than cost. The allowance for inventory obsolescence as of December 31, 2008 and 2007 amounted to ₱43.5 million and ₱13.0 million, respectively. The carrying value of inventories amounted to ₱955.4 million and ₱584.3 million as of December 31, 2008 and 2007, respectively (see Note 7).

Impairment of AFS Financial Assets - Calculation of Impairment Losses. The computation for the impairment of AFS debt instruments requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. In the case of AFS equity instruments, the Company expands its analysis to consider changes in the investee's industry and sector performance, legal and regulatory framework, changes in technology, and other factors that affect the recoverability of the Company's investments.

No impairment loss for AFS financial assets was recognized in 2008 and 2007. The carrying values of AFS financial assets amounted to ₱26.5 million and ₱35.0 million as of December 31, 2008 and 2007, respectively (see Note 12).

Estimated Useful Lives of Property, Plant and Equipment and Investment Properties. The Company estimated the useful lives of property, plant and equipment and investment properties based on the period over which the property, plant and equipment and investment properties are expected to be available for use and on the collective assessment of the industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property, plant and equipment and investment properties are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits in the use of property, plant and equipment and investment

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properties. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amount and timing of recording the depreciation and amortization for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment and investment properties would increase the recorded depreciation and amortization and decrease the noncurrent assets.

There was no change in the estimated useful lives of property, plant and equipment and investment properties in 2008 and 2007. The carrying values of the Company's property, plant and equipment were ₱1,609.9 million and ₱1,520.8 million as of December 31, 2008 and 2007, respectively (see Note 10). The carrying values of investment properties were ₱406.8 million and ₱410.7 million as of December 31, 2008 and 2007, respectively (see Note 11).

Impairment of Investments in Subsidiaries. Impairment review of investments in subsidiaries is performed when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires management to make an estimate of the expected future cash flows from the investments and to choose a suitable discount rate in order to calculate the present value of those cash flows.

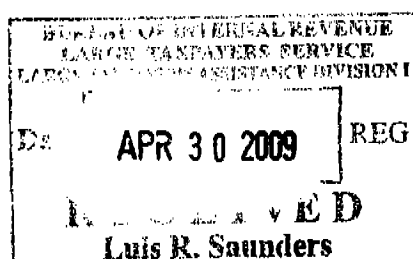
Allowance for impairment losses amounted to ₱13.1 million as of December 31, 2008 and 2007. The carrying values of investments in subsidiaries amounted to ₱7,210.5 million and ₱7,145.7 million as of December 31, 2008 and 2007, respectively (see Note 9).

Impairment of Nonfinancial Assets. The Company performs annual impairment review of non-financial assets (except goodwill) 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 Company to make estimates and assumptions that can materially affect the parent company financial statements. Future events could cause the Company to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and performance.

The accumulated impairment loss on investment properties amounted to ₱12.0 million as of December 31, 2008 and 2007. As of December 31, 2008 and 2007, the aggregate carrying amounts of property, plant and equipment and investment properties amounted to ₱2,016.7 million and ₱1,931.5 million, respectively (see Notes 10 and 11).

Present Value of Defined Benefit Obligation. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions include, among others, discount rate, salary increase rate and expected rate of return on plan assets. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The assumption of the expected return on plan assets is determined on a uniform basis, taking into consideration the long-term historical returns, asset allocation and future estimates of long-term investment returns.



The Company determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

While it is believed that the Company's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect pension and other pension obligations.

The accrued benefit liability as of December 31, 2008 and 2007 amounted to ₱183.7 million and ₱202.7 million, respectively. The unrecognized net actuarial gains amounted to ₱56.7 million and ₱83.8 million as of December 31, 2008 and 2007, respectively (see Note 25).

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

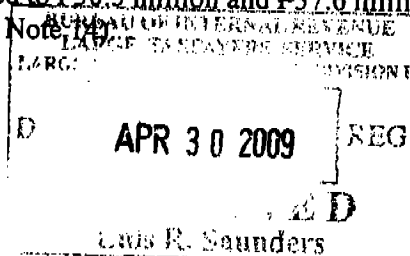
Deferred tax assets amounted to ₱354.6 million and ₱389.6 million as of December 31, 2008 and 2007, respectively (see Note 24).

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

The fair value of financial assets and liabilities are discussed in Note 30.

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

Provisions recognized for legal claims and restructuring costs and others (including current portion) amounted to ₱30.5 million and ₱37.6 million as of December 31, 2008 and 2007, respectively (see Note 19).



5. Cash and Cash Equivalents

This account consists of:

	2008	2007
Cash on hand and in banks	₱971,011,664	₱1,003,143,714
Short-term deposits	1,592,335,986	1,609,827,286
	₱2,563,347,650	₱2,612,971,000

Cash in banks earns 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 Company, and earn interests at the respective short-term deposit rates.

Interest income earned from cash in banks and short-term deposits amounted to ₱53.4 million and ₱45.6 million in 2008 and 2007, respectively (see Note 22).

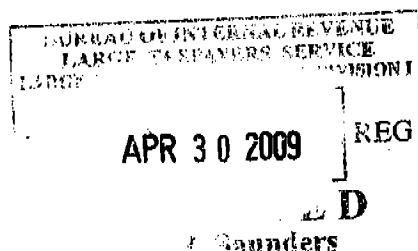
6. Receivables

This account consists of:

	2008	2007
Trade:		
Franchisees and others (Note 18)	₱1,110,421,116	₱783,572,868
Subsidiaries (Note 27)	777,241,845	648,558,433
	1,887,662,961	1,432,131,301
Less allowance for impairment loss	21,268,090	20,052,400
	1,866,394,871	1,412,078,901
Current portion of (Note 12):		
Advances to employees	28,148,297	42,164,743
Employee car plan	25,431,872	20,443,860
Receivable from Meralco	8,686,290	7,245,963
	₱1,928,661,330	₱1,481,933,467

Trade receivables are generally on 7-14 days term.

The current portions of advances to employees, employee car plan and receivable from Meralco are expected to be collectible within the next financial year.



The movements in the allowance for impairment loss as of December 31 follow:

	2008	2007
Balance at beginning of year	₱20,052,400	₱8,879,834
Provision during the year (Note 21)	3,877,062	11,811,993
Collections from previously impaired receivables	(1,684,731)	-
Write-off during the year	(976,641)	(639,427)
	₱21,268,090	₱20,052,400

The provisions in 2008 and 2007 resulted from specific impairment assessments performed by the Company.

7. Inventories

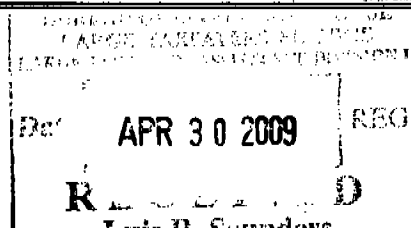
This account consists of:

	2008	2007
At cost		
Food supplies and processed inventories	₱747,852,916	₱474,775,597
Packaging, store and other supplies	22,551,230	17,759,988
	770,404,146	492,535,585
At net realizable value		
Novelty items at cost	228,507,557	104,732,687
Less allowance for inventory obsolescence	43,512,144	12,994,079
	184,995,413	91,738,608
Total inventories at lower of cost and net realizable value	₱955,399,559	₱584,274,193

8. Other Current Assets

This account consists of:

	2008	2007
Receivables from:		
Employees	₱169,377,672	₱198,991,337
Suppliers and customers	47,131,770	18,761,957
Insurance companies	24,510,170	69,171,518
Deposits to suppliers	66,357,988	68,185,011
Prepaid expenses	41,687,433	28,426,013
Current portion of prepaid car plan (Notes 12 and 22)	24,731,483	25,837,427
Interest receivable (Notes 29 and 30)	7,402,471	5,145,626
Dividends receivable (Notes 29 and 30)	1,163,000	-
Others (net of allowance for impairment loss of ₱2.0 million in 2008 and 2007)	102,715,297	48,866,944
	₱485,077,284	₱463,385,833



9. Investments in Subsidiaries

The details of this account follow:

	2008	2007
Acquisition costs:		
Balance at beginning of year	₱7,158,773,550	₱7,153,368,638
Additional investments	70,000,000	—
Reclassification to advances to subsidiaries	(6,802,950)	—
Share-based payments (Note 26)	1,665,107	5,404,912
Balance at end of year	7,223,635,707	7,158,773,550
Less impairment losses	13,115,000	13,115,000
	₱7,210,520,707	₱7,145,658,550

Additional Investments in Existing Subsidiaries

RRB Holdings, Inc. (RRBH)

On April 14, 2008, the BOD approved the ₱65.0 million additional capital infusion to RRBH by way of conversion of receivables to additional investment.

Belmont Enterprises Ventures Limited (Belmont)

On June 18, 2007, the Company, through its international subsidiary Jollibee International (BVI) Ltd. (JIBL), acquired 15% interest of Academy Resources Ltd. in Belmont for ₱413.7 million. The acquisition resulted to Belmont becoming a wholly owned subsidiary of JIBL.

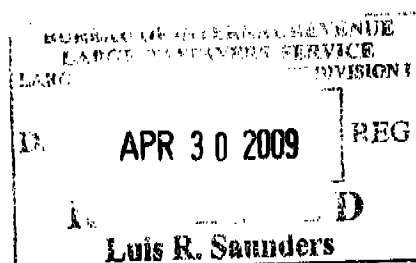
Acquisition of New Subsidiary

Beijing New Hongzhuangyuan Food & Beverage Management CO., LTD. (Hong Zhuang Yuan)

On October 1, 2008, the Company, through its wholly owned international subsidiary Jollibee Worldwide Pte. Ltd. (Jollibee Worldwide), acquired 100% interest in Hong Zhuang Yuan for ₱1,706.1 million. The acquisition resulted to Hong Zhuang Yuan becoming a wholly owned subsidiary of Jollibee Worldwide.

Merger of Zenith Foods Corporation (Zenith) and Vismin Foods Corporation (Vismin)

On February 7, 2008, the SEC approved the merger of Vismin and Zenith with the latter as the surviving entity. Zenith absorbed all the assets, liabilities, privileges and rights of Vismin. Since both entities involved in the merger are wholly owned subsidiaries, the Company subscribed to an additional 50,000 shares of the Company amounting to ₱5.0 million.



The Company's subsidiaries are the following:

	Country of Incorporation	Principal Activities	Percentage of Ownership	
			2008	2007
Fresh N' Famous Foods, Inc. (Fresh N' Famous)	Philippines	Food service	100	100
▪ Chowking Food Corporation USA ^(f)	United States of America (USA)	Holding company	100	100
Freemont Foods Corporation (Freemont)	Philippines	Food service	100	100
RRBH	Philippines	Holding company	100	100
▪ Red Ribbon Bakeshop, Inc. (RRBI) ^(d)	Philippines	Food service	100	100
▪ Red Ribbon Bakeshop, Inc. (RRBI USA) ^(d)	USA	Food service	100	100
Zenith ^(b)	Philippines	Food service	100	100
Vismin ^(b)	Philippines	Food service	—	100
Grandworth Resources Corporation (Grandworth)	Philippines	Leasing	100	100
▪ Adgraphix, Inc. ^(c)	Philippines	Digital printing	60	60
Donut Magic Phils., Inc. (Donut Magic) ^(b)	Philippines	Dormant	100	100
Ice Cream Copenhagen Phils., Inc. (ICCP) ^(b)	Philippines	Dormant	100	100
Mary's Foods Corporation (Mary's) ^(b)	Philippines	Dormant	100	100
Jollibee Foods Corporation USA	USA	Holding company	100	100
Honeybee Foods Corporation (Honeybee)	USA	Food service	100	100
▪ Tokyo Teriyaki Corporation ^(d)	USA	Food service	100	100
Jollibee Worldwide	Singapore	Holding company	100	100
▪ Hong Zhuang Yuan ^(e)	Peoples' Republic of China (PRC)	Food service	100	—
▪ Hangzhou Yong He Doujiang Foods and Beverage Co., Ltd. ^(g)	PRC	Food service	100	—
▪ Tianjin Yong He King Foods and Beverage Co., Ltd.	PRC	Food service	100	—
▪ Kuai Le Feng Food & Beverage (Shenzhen) Co. Ltd. ^(g)	PRC	Food service	100	100
▪ Beijing Yong He King Soy Bean Milk Food and Beverage Co., Ltd. ^(g)	PRC	Food service	100	100
▪ Shenzhen Yongnan Restaurant Co., Ltd. ^(g)	PRC	Food service	100	100
▪ Hangzhou Yongtong Foods and Beverage Co., Ltd. ^(g)	PRC	Food service	100	100
▪ Hangzhou Yonghong Foods and Beverage Co., Ltd. ^(g)	PRC	Food service	100	—
▪ Shanghai Yong He King Co., Ltd. ^(g)	PRC	Food service	100	100
▪ Wuhan Yongchang Food and Beverage Co., Ltd. ^(g)	PRC	Food service	100	100
▪ Jollibee International (BVI) Ltd. (JIBL) ^(d)	British Virgin Islands (BVI)	Holding company	100	100
▪ Jollibee Vietnam Corporation Ltd. ^(d)	Vietnam	Food service	100	100
▪ Shanghai Chunlu Co. Ltd. ^(g)	PRC	Food service	100	100
▪ PT Chowking Indonesia ^(d)	Indonesia	Food service	100	100
▪ Jollibee (Hong Kong) Limited ^(d)	Hong Kong	Food service	85	85
▪ Hanover Holdings Limited (Hanover) ^(d)	Hong Kong	Food service	100	100
▪ Belmont ^(d)	BVI	Holding company	100	100
▪ Yonghe Holdings Co., Ltd. ^(d)	BVI	Holding company	100	100
▪ Centenary Ventures Limited ^(d)	BVI	Holding company	100	100
▪ Colossus Global Limited ^(d)	BVI	Holding company	100	100
▪ Granite Management Limited ^(d)	BVI	Holding company	100	100
▪ Cosmic Resources Limited ^(d)	BVI	Holding company	100	100
▪ Shanghai Belmont Enterprises Management and Adviser Co., Ltd. ^(d)	PRC	Business management service	100	100
▪ All Great Resources Limited ^(d)	BVI	Holding company	100	100
▪ Eastpower Resources Limited ^(d)	BVI	Holding company	100	100
▪ Shanghai Yongjue Foods & Beverage Co., Ltd. ^(d)	PRC	Food service	100	100
▪ Eaglerock Development Limited ^(d)	BVI	Holding company	100	100
▪ Gladstone Company Limited ^(d)	BVI	Dormant	100	100

(a) Indirectly owned through RRBH.

(b) On June 18, 2004, the stockholders of the Jollibee Group approved the Plan of Merger of the three dormant companies, namely: Donut Magic, ICCP and Mary's with the Parent Company. However, the application for merger with the SEC remains outstanding as of December 31, 2008.

(c) Indirectly owned through Grandworth.

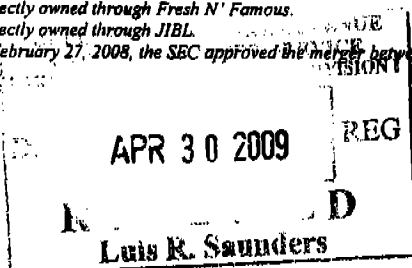
(d) Indirectly owned through Honeybee.

(e) Indirectly owned through Jollibee Worldwide.

(f) Indirectly owned through Fresh N' Famous.

(g) Indirectly owned through JIBL.

(h) On February 27, 2008, the SEC approved the merger between Zenith and Vismin effective January 1, 2008, with Zenith as the surviving entity.



The individual balances of investments in each subsidiary follow:

	2008	2007
Fresh N' Famous	₱2,290,587,690	₱2,289,311,108
RRBH	1,794,413,464	1,729,024,939
Jollibee Worldwide	1,564,283,711	1,564,283,711
Zenith	857,057,104	831,994,660
Honeybee	374,248,180	381,051,130
Grandworth	270,000,000	270,000,000
Freemont	59,930,558	59,930,558
Vismin	-	20,062,444
	₱7,210,520,707	₱7,145,658,550

10. Property, Plant and Equipment

The movements in this account follow:

2008							
	Land	Plant and Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress
(In Thousands)							
Cost:							
Beginning balance	₱18,586	₱480,996	₱1,647,408	₱1,797,714	₱160,199	₱145,860	₱12,781
Additions	-	-	-	240,899	32,796	14,089	297,910
Disposals/retirements	-	-	(7,637)	(44,375)	(2,718)	(7,973)	(993)
Transfers	-	-	-	-	-	817	-
Reclassifications	-	36,484	257,199	6,088	8	2,176	(301,958)
Others	-	3,647	7,597	(28,973)	1,424	2,573	-
Ending balance	18,586	521,127	1,904,567	1,971,353	191,709	157,542	7,743
Accumulated depreciation and amortization:							
Beginning balance	-	313,003	1,056,524	1,157,004	122,310	93,857	-
Additions	-	27,451	156,066	264,080	21,644	21,234	-
Disposals/retirements	-	-	(9,588)	(34,062)	(2,452)	(7,946)	-
Transfers	-	-	-	-	-	817	-
Others	-	5,980	696	(23,676)	501	(758)	-
Ending balance	-	346,434	1,203,698	1,363,346	142,003	107,204	-
Net book value	₱18,586	₱174,693	₱700,869	₱608,007	₱49,706	₱50,338	₱7,743
2007							
	Land	Plant and Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress
(In Thousands)							
Cost:							
Beginning balance	₱18,586	₱481,207	₱1,528,684	₱1,594,013	₱144,593	₱137,472	₱39,154
Additions	-	-	81,219	276,389	22,252	17,828	130,048
Disposals/retirements	-	-	(43,360)	(15,892)	(1,342)	(7,537)	-
Transfers	-	-	(33,602)	(93,884)	(12,240)	(1,903)	-
Reclassifications	-	-	114,467	35,076	6,878	-	(156,421)
Others	-	(211)	-	2,012	58	-	-
Ending balance	18,586	480,996	1,647,408	1,797,714	160,199	145,860	12,781
Accumulated depreciation and amortization:							
Beginning balance	-	287,100	931,401	944,677	106,189	77,150	-
Additions	-	25,903	161,901	260,686	17,735	20,721	-
Disposals/retirements	-	-	(36,246)	(14,825)	(1,309)	(3,047)	-
Transfers	-	-	(280)	(41,017)	(433)	(853)	-
Others	-	-	(252)	7,483	128	(114)	-
Ending balance	-	313,003	1,056,524	1,157,004	122,310	93,857	-
Net book value	₱18,586	₱167,993	₱590,884	₱640,710	₱37,889	₱52,003	₱12,781

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The cost of fully depreciated assets still in use by the Company amounted to ₱1,828.50 million and ₱2,086.5 million as of December 31, 2008 and 2007, respectively.

11. Investment Properties

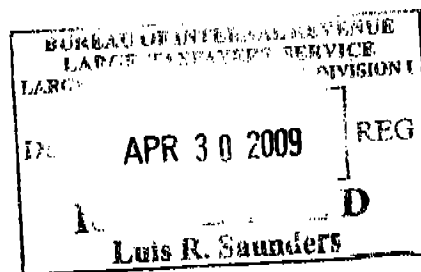
The movements in this account follow:

2008			
	Land	Buildings and Building Improvements	Total
Cost			
Balance at beginning and end of year	₱365,833,470	₱182,510,942	₱548,344,412
Accumulated Depreciation and Amortization			
Balance at beginning of year	--	125,666,165	125,666,165
Depreciation	--	3,900,478	3,900,478
Balance at end of year	--	129,566,643	129,566,643
Accumulated Impairment Loss			
Balance at beginning and end of year	12,000,000	--	12,000,000
	₱353,833,470	₱52,944,299	₱406,777,769

2007			
	Land	Buildings and Building Improvements	Total
Cost			
Balance at end of year	₱365,833,470	₱182,510,942	₱548,344,412
Accumulated Depreciation and Amortization			
Balance at beginning of year	--	117,833,435	117,833,435
Depreciation	--	7,832,730	7,832,730
Balance at end of year	--	125,666,165	125,666,165
Accumulated Impairment Loss			
Balance at beginning of year	69,500,000	--	69,500,000
Reversal of impairment loss (Note 19)	(57,500,000)	--	(57,500,000)
Balance at end of year	12,000,000	--	12,000,000
	₱353,833,470	₱56,844,777	₱410,678,247

The allowance for impairment in value of land amounting to ₱12.0 million represents the excess of the carrying value over the estimated recoverable amount of non income-generating investment properties. The estimated recoverable amount is the estimated selling price less cost to sell.

The cost of fully depreciated buildings still being leased out by the Company amounted to ₱104.2 million and ₱103.5 million as of December 31, 2008 and 2007, respectively.



The parcels of land have aggregate fair values of ₱798.5 million as of December 31, 2008 and 2007 as determined by an independent appraiser. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation.

The Company recognized the reversal of impairment loss pertaining to a vacant, commercial land located at Sta. Rosa, Laguna, amounting to ₱57.5 million, to the extent of its fair value less cost to sell. The acquisition cost and fair value less cost to sell of the vacant land amounted to ₱82.5 million and ₱70.5 million, respectively. In determining the fair value of the investment property as of December 31, 2007, the independent appraiser considered the local market conditions, the extent, character and utility of the land and the highest and best use of the property.

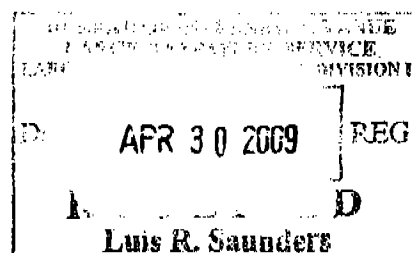
Rent income derived from income-generating properties on the straight-line method under PAS 17, *Leases*, totaled ₱10.1 million and ₱21.4 million for the years ended December 31, 2008, and 2007, respectively. The carrying values of non income-generating properties representing land and building not used in operations totaled ₱139.8 million and ₱138.3 million as of December 31, 2008 and 2007, respectively.

Direct operating costs relating to the investment properties recognized under "Cost of sales" and "General and administrative expenses" account amounted to ₱5.2 million and ₱8.8 million for the years ended December 31, 2008 and December 31, 2007, respectively.

12. Other Noncurrent Assets

This account consists of:

	2008	2007
Deposit for acquisition of real property	₱375,250,000	₱375,250,000
Refundable deposits (Notes 29 and 30)	217,505,582	229,197,183
Prepaid lease (net of allowance for losses of ₱55.0 million in 2008 and ₱84.0 million in 2007)	74,019,642	71,722,708
Noncurrent portion of:		
Prepaid car plan	55,448,536	46,245,487
Employee car plan (Notes 6, 29 and 30)	53,999,995	47,204,747
Receivable from Meralco (Notes 6, 29 and 30)	7,464,702	14,792,283
Deferred lease expense	33,440,987	35,852,316
AFS financial assets (Note 30)	26,497,022	35,009,382
Deferred compensation - car plan	11,480,290	9,968,041
Operating lease receivable (Note 28)	10,526,293	13,240,719
Refundable containers	3,312,683	126,275
Others	9,127,601	1,131,382
	₱878,073,333	₱879,740,523



Other noncurrent assets include AFS financial assets in shares of stock and club shares amounting ₱19.6 million and ₱6.9 million and ₱28.5 million and ₱6.5 million, as of December 31, 2008 and 2007, respectively. The Company recognized ₱8.3 million unrealized loss and ₱22.8 million unrealized gain from fair value changes in investments for the years ended December 31, 2008 and 2007, respectively.

The movements in "AFS financial assets" account are as follows:

	2008	2007
At beginning of year	₱35,009,382	₱12,207,380
Additions	100,000	-
Disposals	(303,941)	-
Change in fair value of AFS financial assets	(8,308,419)	22,802,002
At end of year	₱26,497,022	₱35,009,382

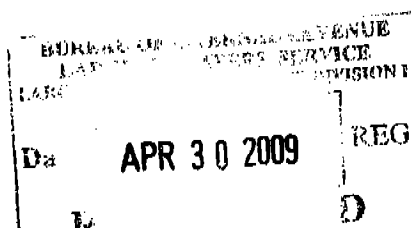
Refundable deposits represent the Company's deposits for operating leases entered into by the Company as a lessee. The refundable deposits are recoverable from the lessors at the end of the lease terms. The refundable deposits are presented at amortized cost in accordance with PAS 39. The discount rates used range from 5% to 22% in 2008 and 6% to 21% in 2007. The difference between the fair value at initial recognition and the notional amount of the refundable deposits is charged to "Deferred lease expense" account and amortized on straight-line basis over the lease terms under PAS 17.

The receivable from Meralco arises out of a refund scheme agreed upon by Meralco and the Energy Regulation Commission. In 2005, the Company recognized a receivable from Meralco and an income from the refund amounting to ₱30.3 million. The receivable was discounted using an effective interest rate of 13%. The portion of the receivable expected to be recovered within one year is included under "Receivables" account in the parent company balance sheets.

The Company's employee car plan is presented at amortized cost in accordance with PAS 39. The account "Deferred compensation - car plan" pertains to the aggregate difference between the fair value (transaction price) at initial recognition of the Company's receivables - employee car plan and its determined amount using net present value technique that is yet to be recognized in the parent company statements of income. Such account is also carried at amortized cost using the effective interest method. The discount rates used range from 4% to 13% in 2008 and 5% to 13% in 2007.

The movements in the unaccrued discount consist of:

	2008			
	Car Plan	Refundable Deposit	Meralco Refund	Total
Beginning	₱9,968,041	₱55,233,696	₱4,249,640	₱69,451,377
Additions	8,149,912	2,637,133	-	10,787,045
Accretion (Note 22)	(6,560,519)	(5,757,794)	(2,219,782)	(14,538,095)
Disposals	(77,144)	(185,682)	-	(262,826)
	₱11,480,290	₱51,927,353	₱2,029,858	₱65,437,501



2007				
	Car Plan	Refundable Deposit	Meralco Refund	Total
Beginning	₱5,992,048	₱56,130,520	₱7,418,440	₱69,541,008
Additions	7,454,949	3,348,485	—	10,803,434
Accretion (Note 22)	(2,212,390)	—	(2,890,072)	(5,102,462)
Disposals	(1,266,566)	(4,245,309)	(278,728)	(5,790,603)
	₱9,968,041	₱55,233,696	₱4,249,640	₱69,451,377

13. Trade Payables and Other Current Liabilities

This account consists of:

	2008	2007
Trade payables:		
Suppliers	₱1,752,503,268	₱1,364,794,523
Subsidiaries (Note 27)	553,019,067	217,571,274
Salaries, wages and employee benefits	653,745,523	582,158,225
Local and other taxes	542,546,772	408,835,391
Accrued expenses	418,548,790	257,559,483
Dividends payable (Note 17)	334,360,893	689,962,690
Advertising and promotions	267,012,262	378,748,820
Rent (Notes 27 and 28)	116,240,756	207,482,919
Customers' deposits	88,624,014	98,653,307
Others	130,703,318	126,016,964
	₱4,857,304,663	₱4,331,783,596

Trade payables are noninterest-bearing and are settled within 30-day term.

The terms and conditions of payables to related parties are further discussed in Note 27.

Accrued expenses, local and other taxes, salaries, wages and employee benefits, liabilities for dividends, advertising and promotions, rent, customers' deposits and other liabilities are normally settled within the next financial year.

14. Provisions

This account consists of:

	2008			2007
	Legal Claims	Restructuring Costs	Total	
Balance at beginning of year	₱31,450,000	₱6,156,799	₱37,606,799	₱55,444,706
Payments during the year	2,180,696	4,925,464	7,106,160	17,837,907
Balance at end of year	29,269,304	1,231,335	30,500,639	37,606,799
Less current portion	—	1,231,335	1,231,335	6,156,799
	₱29,269,304	₱—	₱29,269,304	₱31,450,000

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

The provision for restructuring costs relates to the Company's Cost Improvement Program to improve the quality of services and reduce the costs of backroom operations for its various QSR systems.

15. Loans Payable

On September 8, 2008, the Company entered into a Synthetic Credit Facility Agreement with several financial institutions to finance its investments in the People's Republic of China. The agreement covers a three-year loan denominated in Renminbi (CNY) amounting to CNY700 million at fixed interest rates for the Company and at 2.25% above LIBOR floating rate for the lenders. The difference between the rates is covered by a notional swap subject to the same 2002 ISDA Master Agreement.

The loan consists of Tranches A and B for CNY350 million each. On September 26, 2008, the Company drew the full amount of Tranche A at 6.85% fixed interest rate using CNY6.82:1USD as initial exchange rate.

The loan is payable in full in US dollar using the spot rate five business days before September 8, 2011. As of December 31, 2008, the loans payable amounted as follows:

	Amount
Principal	¥2,428,497,326
Less unamortized debt issue cost	24,610,428
	<u>¥2,403,886,898</u>

The accrued interest expense amounted to ¥48.1 million as of December 31, 2008 (see Note 23).

16. Capital Stock

The movements in the number of shares in 2008 and 2007 follow:

	2008	2007
Authorized - P1 par value	<u>1,450,000,000</u>	<u>1,450,000,000</u>
Issued:		
Balance at beginning of year	1,032,129,882	1,022,173,029
Issuances	5,866,309	9,956,853
Balance at end of year	<u>1,037,996,191</u>	<u>1,032,129,882</u>
Subscribed:		
Balance at beginning of year	2,009,297	2,009,297
Subscriptions	5,866,309	9,956,853
Issuances	(5,866,309)	(9,956,853)
Balance at end of year	<u>2,009,297</u>	<u>2,009,297</u>
	<u>1,040,005,488</u>	<u>1,034,139,179</u>

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	2008	2007
Common stock held in treasury (Note 26):		
Balance at beginning of year	16,692,150	22,734,028
Re-issuances for stock purchased exercised	(244,810)	(6,041,878)
Balance at end of year	16,447,340	16,692,150

Treasury shares were re-issued to cover the stock purchase rights exercised by the employee participants in the Company's Tandem Stock Purchase and Option Plan II.

17. Retained Earnings

The unappropriated retained earnings is restricted for the payment of dividends to the extent of ₱1,392.3 million and ₱1,383.3 million as of December 31, 2008 and 2007, respectively, representing appropriations of ₱1,200.0 million as of December 31, 2008 and 2007 and the cost of common stock held on treasury amounting to ₱192.3 million and ₱183.3 million as of December 31, 2008 and 2007, respectively.

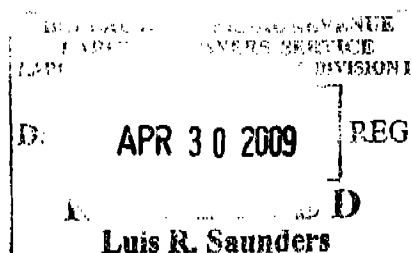
On November 11, 2008, the BOD approved the declaration of cash dividends of ₱0.48 a share in favor of the stockholders of record as of November 28, 2008. This was paid on December 18, 2008. The BOD also approved on April 14, 2008, the declaration of cash dividends of ₱0.36 a share in favor of stockholders of record as of May 2, 2008. This was paid on May 28, 2008.

On November 28, 2007, the BOD approved the declaration of cash dividends of ₱0.46 a share in favor of the stockholders of record as of December 14, 2007, payable on January 4, 2008. The BOD also approved on April 11, 2007 the declaration of cash dividends of ₱0.34 a share in favor of stockholders of record as of April 27, 2007. This was paid on May 24, 2007.

18. Royalty and Franchise Fees

The Company has existing Royalty and Franchise Agreements with certain subsidiaries and independent franchisees for the latter to operate QSR outlets under the "Jollibee" concept and trade name. In consideration thereof, the franchisees agree to pay franchise fees and monthly royalty fees equivalent to certain percentages of the franchisees' net sales.

The Company also charges the franchisees a share in the network advertising and promotional activities based on certain percentages of the latter's net sales.



19. Other Income (Charges)

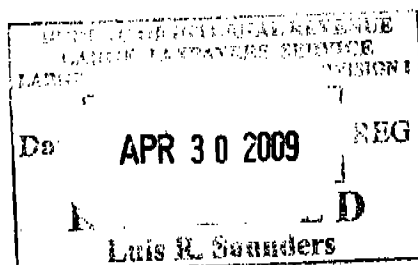
This account consists of:

	2008	2007
Management fees (Note 27)	₱179,471,249	₱140,214,491
Dividend income	100,018,000	910,000,000
Foreign exchange gain (loss)	54,268,360	(25,851,907)
Scrap sales	26,595,913	32,650,628
Reversal of impairment in value of investment properties (Note 11)	—	57,500,000
Mark-to-market gain on derivative asset (Note 30)	—	21,456,517
Others	189,660,403	48,510,068
	₱550,013,925	₱1,184,479,797

20. Cost of Sales

This account consists of:

	2008	2007
Cost of inventories	₱12,472,835,626	₱10,150,369,943
Personnel costs:		
Salaries, wages and benefits	1,681,273,095	1,480,589,383
Retirement benefits (Note 25)	20,907,231	32,155,774
Rent (Note 28)	754,754,329	697,516,689
Electricity and other utilities	675,327,910	666,668,518
Depreciation and amortization (Notes 10 and 11)	401,764,192	409,156,933
Supplies	306,833,125	279,525,318
Freight	285,045,667	190,452,317
Repairs and maintenance	158,461,231	135,642,589
Security and janitorial	86,757,466	79,527,108
Professional fees	51,550,474	38,618,325
Transportation and travel	45,089,825	40,904,771
Taxes and licenses	38,081,364	36,299,434
Communication	33,436,092	25,691,024
Entertainment, amusement and recreation (EAR)	9,420,882	7,824,907
Others	302,886,021	301,582,853
	₱17,324,424,530	₱14,572,525,886



21. General and Administrative Expenses

This account consists of:

	2008	2007
Personnel expenses:		
Salaries, wages and benefits	₱1,096,202,839	₱828,465,333
Stock options expense (Note 26)	83,989,193	80,502,791
Retirement benefits (Note 25)	37,075,348	45,758,612
Taxes and licenses	225,596,296	194,311,266
Transportation and travel	115,331,237	85,119,927
Professional fees	90,978,321	75,409,576
Depreciation and amortization (Notes 10 and 11)	92,614,249	85,622,730
Rent (Note 28)	77,089,450	55,489,231
Provisions for:		
Inventory obsolescence (Note 7)	43,512,144	12,994,079
Impairment loss on receivables (Note 6)	3,877,062	11,811,993
Donations	42,457,680	30,000,000
Repairs and maintenance	34,220,967	28,450,528
Utilities	30,679,332	22,425,050
EAR	29,635,697	24,762,112
Communication	26,274,119	22,571,268
Security and janitorial	19,945,250	13,974,567
Supplies	19,879,143	17,530,700
Loss on early settlement of liability	—	40,919,056
Others	348,075,947	297,922,592
	₱2,417,434,274	₱1,974,041,411

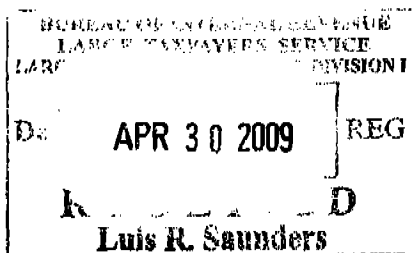
Included in "others" are the Company's charges relating to insurance, training costs and other employee-related expenses.

22. Interest Income

This account consists of interest earned from:

	2008	2007
Short-term deposits and investment (Note 5)	₱44,356,197	₱40,943,399
Advances to subsidiaries	28,261,060	5,374,003
Accretion of financial assets (Note 12)	14,538,095	5,102,462
Cash in banks (Note 12)	9,248,829	4,623,505
	₱96,404,181	₱56,043,369

Interest income from short-term deposits and investment includes an interest of ₱0.2 million from short-term, unquoted investment, with maturity period of about 275 days from the date of acquisition. The investment bears an interest of 6.12% per annum.



23. Interest Expense

This account consists of interest incurred on:

	2008	2007
Loans payable	₱48,129,421	₱-
Accretion of financial liabilities	-	30,152,192
	<u>₱48,129,421</u>	<u>₱30,152,192</u>

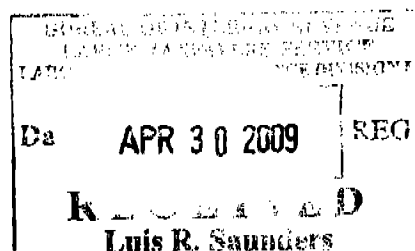
24. Income Tax

The provision for current income tax consists of:

	2008	2007
Final taxes on:		
Royalty income	₱370,391,662	₱329,452,134
Interest income	10,218,392	9,070,509
Regular corporate income tax	131,782,693	187,785,965
	<u>₱512,392,747</u>	<u>₱526,308,608</u>

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

	2008	2007
Deferred tax assets:		
Operating lease payable	₱172,366,467	₱179,158,823
Accrued benefit liability	55,117,142	70,936,264
Accrued bonuses	42,000,000	49,000,000
Unrealized foreign exchange losses	16,924,812	5,191,100
Unaccreted discount on:		
Refundable deposits	15,578,206	17,286,464
Car loans to employees	3,444,087	1,317,157
Provisions for:		
Inventory losses	13,053,643	4,547,928
Legal claims and restructuring costs	9,150,192	19,405,647
Allowance for impairment losses on:		
Prepaid leases	16,397,316	29,417,411
Receivables	6,380,427	7,743,557
Investment properties	3,600,000	4,900,000
Other receivables	621,614	-
Unearned rent income	-	650,944
Total Carried Forward	<u>354,633,906</u>	<u>389,555,295</u>



	2008	2007
Total Brought Forward	₱354,633,906	₱389,555,295
Deferred tax liabilities:		
Unrealized forex gain	23,424,078	—
Prepaid rent	22,486,375	24,586,664
Deferred lease expense	10,032,296	9,320,166
Receivable from Meralco	4,845,298	8,393,055
Prepaid compensation expense - car plan to employees	3,444,087	3,531,044
Operating lease receivable	3,157,888	4,634,252
Unamortized discount on other liabilities- customers' deposits	1,259,620	2,088,338
Deferred interest income	608,957	1,619,697
Interest income from banks	—	931,618
Unearned franchise fee	—	420,000
	69,258,599	55,524,834
	₱285,375,307	₱334,030,461

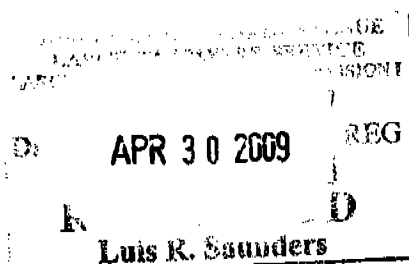
The Company's deferred tax asset on MCIT paid in 2004 amounting to ₱39.4 million was applied against the 2007 income tax payable.

The reconciliation between provision for income tax computed at the statutory tax rate with the provision for income tax as shown in the parent company statements of income follows:

	2008	2007
Provision for income tax at statutory income tax rate	₱826,195,273	₱1,031,391,728
Adjustments to provision for income tax for:		
Effect of different tax rate for royalty and interest income	(285,871,307)	(254,031,523)
Non-deductible expenses	38,267,218	29,820,327
Non-taxable income	(35,006,300)	(318,500,000)
Effect of lower change in tax rate on deferred tax	17,463,017	13,265,994
	₱561,047,901	₱501,946,526

On May 24, 2005, Republic Act No. 9337 (the R.A.) was enacted into law which took effect on November 1, 2005. The R.A. introduced changes in regular corporate income tax rate for domestic corporations, and resident and non-resident foreign corporations from 32% to 35% beginning November 1, 2005 and from 35% to 30% beginning January 1, 2009.

The change in enacted tax rate effective January 1, 2009 was included in the above computation of deferred tax assets and liabilities.



25. Retirement Benefits

The Company has a funded, independently administered, non-contributory defined benefit retirement plan covering all permanent and regular employees with benefits based on years of service and latest compensation.

The following tables summarize the components of net benefit expense recognized in the parent company statements of income and the funded status and amounts recognized in the parent company balance sheets for the plan.

Net benefit expense:

	2008	2007
Current service cost	P40,741,695	P50,610,921
Interest cost on benefit obligation	46,017,800	54,284,779
Expected return on plan assets	(26,750,916)	(35,699,614)
Net actuarial loss (gain) recognized during the year	(2,026,000)	8,718,300
Net benefit expense	P57,982,579	P77,914,386
Actual return on plan assets	P1,671,143	P39,391,314

Accrued benefit liability:

	2008	2007
Present value of defined benefit obligation	P486,965,586	P453,243,698
Fair value of plan assets	(359,953,803)	(334,386,453)
Present value of unfunded obligation	127,011,783	118,857,245
Unrecognized net actuarial gains	56,712,023	83,817,796
	P183,723,806	P202,675,041

The movements in the present value of defined benefit obligation are as follows:

	2008	2007
At January 1	P453,243,698	P700,448,755
Interest cost	46,017,800	54,284,779
Current service cost	40,741,695	50,610,921
Benefits paid	(53,037,607)	(43,493,104)
Transferred liability from Chowking retirement plan	-	8,196,149
Transferred liability to Jollibee Worlwide Pte. Ltd - Regional Operating Headquarters (JWPL - ROHQ) and Freemont retirement plans	-	(9,704,234)
Actuarial loss on benefit obligation:		
Due to experience adjustments	-	(143,739,169)
Due to change in assumptions	-	(163,360,399)
At December 31	P486,965,586	P453,243,698

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The movements in the fair value of plan assets are as follows:

	2008	2007
At January 1	P334,386,453	P339,996,328
Expected return on plan assets	26,750,916	35,699,614
Contributions	58,000,000	-
Benefits paid	(34,103,793)	-
Receivable from Chowking retirement plan	8,196,149	8,196,149
Payable to retirement plans of JWPL - ROHQ and Freemont	(26,703,472)	(53,197,338)
Actuarial gain (loss) on plan assets	(6,572,450)	3,691,700
At December 31	P359,953,803	P334,386,453

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2008	2007
Government and other securities	52.29%	36.46%
Shares of stock	35.03%	41.33%
Special savings deposits	9.70%	17.17%
Others	2.98%	5.05%
	100.00%	100.00%

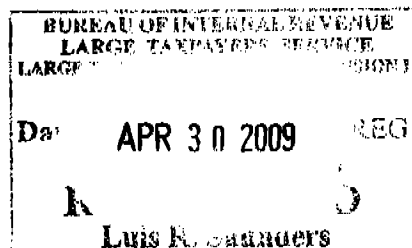
The overall expected rate of return on plan assets is determined based on the market prices, prevailing on that date, applicable to the period within which the obligation is to be settled. The latest actuarial valuation of the defined benefit retirement plan is as of December 31, 2007. The principal actuarial assumptions used to determine retirement benefit obligations as of December 31, 2008 and 2007 follow:

Discount rate	10.15%
Salary increase rate	8.00%
Expected rate of return on plan assets	8.00%

The amounts for the current and previous periods are as follows:

	December 31, 2008	December 31, 2007	December 31, 2006
Defined benefit obligation	P486,965,586	P453,243,698	P700,448,755
Plan assets	359,953,803	334,386,453	339,996,328
Deficit	P127,011,783	P118,857,245	P360,452,427

Experience adjustments on:			
Plan obligation	P-	P143,277,767	P26,542,200
Plan assets	(6,572,450)	3,691,658	96,655,200



26. Stock Option Plans

Tandem Stock Purchase and Option Plan

On January 1, 2002, the SEC approved the Parent Company's Stock Purchase and Option Plan II (Plan II). Under Plan II, the number of shares an eligible participant can purchase shall be based on the particular tranche to which such eligible participant belongs, to be determined in accordance with the formula provided for in Plan II. The exercise price per share shall not be less than 50% to 75% of the fair market value at the time of the commencement of the tranche, as computed by the Compensation Committee. There are three tranches available for the option exercise. The options vest and become exercisable after three years of continuous employment provided the employee is still employed by the Jollibee Group and a joint venture at the exercise date. In addition, an eligible participant has the option to purchase a maximum of two shares for every fully paid share under an accepted purchase offer.

A total of 12,713,452 shares have been subscribed and fully paid by December 31, 2005 by the employee participants under the Purchase portion of Plan II. The Company's BOD has approved the use of the treasury shares to cover the stock purchase exercised. The excess of the cost of the treasury shares issued over the purchase exercise price amounting to ₱24.8 million was deducted against additional paid-in capital resulting from treasury share transactions.

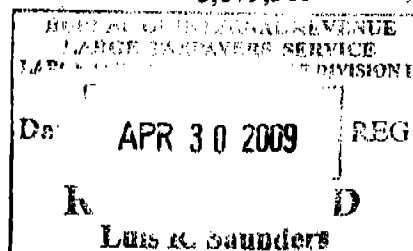
In accordance with Plan II, a total of 25,426,904 shares became available for the Option portion equivalent to two shares for every fully paid share under the Purchase portion. The options vest and become exercisable after three years of continuous employment provided the employee is still employed by the Company at the exercise date. One-third of the shares available for the Option portion will vest each year starting January 1, 2005 until January 30, 2007. Thus, the maximum option shares exercisable each year from January 28, 2005 until January 30, 2007 is one third of the shares available for the option portion. The unexercised option shares would not expire until January 30, 2008.

The movements in the number of stock options outstanding for Plan II in 2008 and 2007 (start of vesting period) follow:

	2008	2007
Balance at beginning of year	6,072,004	13,469,891
Options exercised during the year	(4,389,786)	(7,394,604)
Options expired during the year	(1,682,218)	-
Options of resigned employees	-	(3,283)
Balance at end of year	-	6,072,004

As of December 31, 2008, a total of 1,682,218 option shares were not exercised consequently, forfeited. The number of option shares exercisable as of December 31, 2007 is 6,072,004. The option shares available are divided into three tranches. Tranche 1 has an exercise price of ₱10.00 per share, ₱12.00 per share for Tranche 2 and ₱15.75 per share for Tranche 3. The options that were exercised in 2008 and 2007 are as follows:

	Tranche 1	Tranche 2	Tranche 3	Total
2008	4,184,358	155,291	50,137	4,389,786
2007	5,679,315	1,480,248	235,041	7,394,604



The weighted average share price of options exercised was ₱10.14 and ₱10.58 as of December 31, 2008 and 2007, 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 European style since the exercise is on a fixed maturity date. The inputs to the model used for the option granted on January 1, 2002 are shown below. Tranche 1 is disregarded from the computation since Tranche 1 was issued before November 7, 2002 and has already vested as of January 1, 2005. The Company has availed of the allowed exemption on the application of PFRS 2 for Tranche 1.

	Tranche 2	Tranche 3
Dividend yield	1.3%	1.3%
Expected volatility	40.2%	40.2%
Risk-free interest rate	5.5%	5.9%
Expected life of the option	2-4 years	1-3 years

The expected life of the option is based on management's best estimate at the date of the grant and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated in the measurement of fair value.

Senior Management Stock Option and Incentive Plan

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

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

The MSOP is a yearly stock option grant program. Each option cycle refers to the period commencing on the MSOP grant date and ending on the last day of the MSOP exercise period. On July 1, 2004, the Compensation Committee of the Company granted 2,385,000 options under the 1st MSOP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted on each anniversary of the MSOP grant date. Vested MSOP may be exercised starting July 1, 2006 and will expire on June 30, 2013. On July 1, 2006, 2,556,000 options under the 3rd MSOP cycle were granted to eligible participants. On July 1, 2007, 3,014,700 options under the 4th MSOP cycle were granted to eligible participants. Likewise, an additional 675,500 options under the 3rd MSOP cycle were granted. The options vest similar to the 1st MSOP cycle.

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The movements in the number of stock options outstanding for the 1st, 2nd, 3rd and 4th MSOP cycles for the years December 31, 2008 and 2007, follow:

	1st MSOP Cycle	2nd MSOP Cycle	3rd MSOP Cycle	4th MSOP Cycle	Total
Balance at December 31, 2006	2,074,661	2,433,231	2,556,000	-	7,063,892
Options exercised during the year	(299,032)	(362,504)	(286,145)	-	(947,681)
Balance at December 31, 2007	1,775,629	2,070,727	2,269,855	-	6,116,211
Options granted during the year	-	-	675,500	3,014,700	3,690,200
Option exercised during the year	(130,765)	(268,330)	(255,418)	-	(654,513)
Balance at December 31, 2008	1,644,864	1,802,397	2,689,937	3,014,700	9,151,898

The weighted average share price of options exercised was ₱27.86. 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 July 1, 2004 for 1st MSOP cycle, July 1, 2005 for 2nd MSOP cycle and July 1, 2006 for 3rd MSOP cycle are shown below:

	1st MSOP Cycle	2nd MSOP Cycle	3rd MSOP Cycle	4th MSOP Cycle
Dividend yield	1.70%	1.70%	1.70%	1.7%
Expected volatility	36.90%	36.90%	36.90%	30.4%
Risk-free interest rate	6.20%	6.00%	6.20%	3.8%
Expected life of the option	5-7 years	5-7 years	5-7 years	5-7 years
Stock price on grant date	₱24.00	₱29.00	₱35.00	₱52.50
Exercise price	₱20.00	₱27.50	₱32.32	₱50.77

On July 1, 2007, the Compensation Committee granted 22,750,000 options under ELTIP to eligible participants. The options will vest at the rate of one-third of the total options granted on each anniversary of the ELTIP grant date. Vested ELTIP may be exercised starting July 1, 2007 and will expire on June 30, 2012.

The movements in the number of stock options outstanding follow:

	2008	2007
Balance at beginning of year	21,270,832	-
Options exercised during the year	(3,500,001)	(1,479,168)
Options granted during the year	-	22,750,000
Balance at end of year	17,770,831	21,270,832

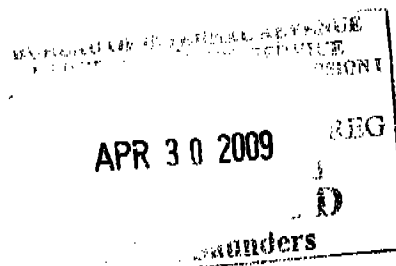
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The fair value as at the date of grant of the share options under ELTIP is estimated using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The inputs to the model used for the option granted on July 1, 2007 are shown below:

Dividend yield	1.7%
Expected volatility	36.9%
Risk-free interest rate	6.2%
Expected life of the option	5 years
Stock price on grant date	₱24.00
Exercise price	₱20.00

The cost of the stock options charged to operations under "General and administrative expenses" account amounted to ₱84.0 million and ₱80.5 million in 2008 and 2007, respectively. The cost of the share options for employees of the subsidiaries amounted to ₱1.7 million and ₱5.4 million in 2008 and 2007, respectively, and was recognized as additional investments (see Note 9).



27. Related Party Transactions

In the normal course of business, the Company engages in transactions with its subsidiaries and other related parties, the more significant of which are as follows:

Related Party	Year	Net Sales	Expenses				Advances to Subsidiaries (see Note 9)	Trade	
			Service Revenue	Management Fees (see Note 19)	Purchases	Rent	Management Fees	Receivables (see Note 6)	Payables (see Note 13)
Fresh N' Famous	2008	P10,251,282	P28,753,138	P44,700,000	P15,354,936	-	-	P27,556,280	P12,894,839
	2007	4,226,929	1,154,428	51,520,685	9,358,562	-	-	52,882,414	23,304,724
Zenith	2008	338,235,151	404,210	-	3,465,478,982	-	8,820,000	126,472,266	394,808,541
	2007	430,615,378	2,089,130	29,828,055	2,567,844,310	-	18,276,000	203,094,591	130,913,114
Red Ribbon	2008	1,467,018	5,586,654	16,959,882	-	-	-	26,820,056	17,238,001
	2007	1,276,077	2,763,165	12,432,000	-	-	-	18,806,944	5,126,381
Grandworth	2008	-	22,600	360,000	26,838,971	32,999,879	-	73,207	5,951,214
	2007	4,019	176,027	-	20,860,547	33,916,220	-	73,207	11,050,337
Freemont	2008	676,932,777	22,784,438	100,888,117	-	-	-	278,883,411	31,945,695
	2007	307,008,335	11,777,806	85,994,379	-	-	-	207,540,746	1,303,676
JIBL	2008	-	-	-	-	-	-	-	13,282,382
	2007	-	-	-	-	-	-	-	72,129
Honeybee	2008	12,797,768	-	-	-	-	-	142,380,188	-
	2007	10,472,541	-	-	-	-	-	80,599,533	-
Shenzhen	2008	419,745	-	-	-	-	-	6,275,874	-
	2007	257,795	-	-	-	-	-	-	-
JWPL	2008	12,413	-	6,240,000	149,754,504	-	-	80,360,316	76,898,395
	2007	-	-	-	131,065,558	-	-	31,640,799	45,800,913
Vietnam	2008	3,256,267	-	-	-	-	-	55,903,142	-
CK Indonesia	2008	-	-	9,660,685	-	-	-	11,272,694	-
	2007	-	-	662,565	-	-	-	21,244,411	-
Others	2008	-	15,576	-	-	-	-	53,920,199	-
	2007	2,658,187	-	-	-	-	-	1,661,263,624	217,571,274
	2008	-	-	-	-	-	-	P4,734,771,275	P553,019,067
	2007	-	-	-	-	-	-	648,558,433	-

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Fresh N' Famous, Zenith, Vismin, Red Ribbon, Grandworth, Freemont and Honeybee are subsidiaries of the Company. JIBL and Shenzhen are subsidiaries of Jollibee Worldwide while Belmont is a wholly owned subsidiary of JIBL. JWPL - ROHQ is a regional operating headquarters of Jollibee Worldwide.

Zenith

The Company purchases food supplies from Zenith at normal market prices. In turn, Zenith sells processed inventories to the Company, also at normal market prices.

The Company avails supplies, customer and order management, including warehousing and logistic services from Zenith under an existing Service Agreement.

The Company receives management and administrative fees from Zenith for services rendered by the Company's key personnel who manage Zenith under an existing Service Agreement.

The Company also leases to Zenith the land where its manufacturing plant is situated. The lease is for a period of five years with fixed annual rental rates commencing on January 1, 2004. Based on the terms of the agreement, Zenith may pre-terminate the lease provided that an advance notice is provided to the lessor within the prescribed period as indicated in the agreement.

Freemont

Freemont operates "Jollibee" stores in Visayas and Mindanao under a Franchise Agreement (Agreement) with the Company. Royalty fee due to the Company is based on a certain percentage of Freemont's gross sales as provided for in the Agreement.

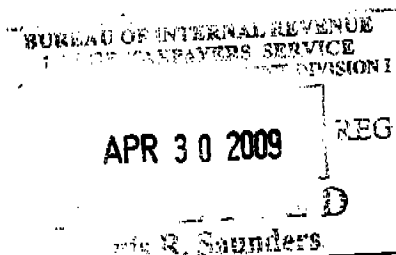
The Company has a Management Contract (Contract) with Freemont for the Company to provide managerial services on all aspects in operating Freemont's stores and in fully utilizing Freemont's financial resources. Management fee due to the Company is based on a specified percentage of Freemont's gross sales as provided for in the Contract.

Fresh N' Famous

Fresh N' Famous pays management fees to the Company for services rendered under an existing Management Agreement.

Fresh N' Famous also purchases food items from the Company, at normal market prices. Purchased items temporarily warehoused at the Company are charged for logistics and warehousing costs.

Fresh N' Famous also leases its office space from the Company. The agreements are for a period of five (5) to twenty (20) years with escalation clause and subject to renewal upon mutual agreement of both parties.



Grandworth

The Company is a lessee under various operating lease agreements with Grandworth. These leases have lease terms of five (5) to twenty (20) years, mostly containing renewal options. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The Company grants interest-bearing cash advances to Grandworth to finance the acquisitions of certain parcels of land and construction of buildings.

Grandworth pays management fees to the Company for services rendered under an existing Management Services Agreement.

Grandworth also provides construction services to the Company for building and/or renovation of store spaces.

JWPL - ROHO

The Company availed of the accounting and human resource services from JWS. The outstanding receivables from related parties are included under "Receivables" account in the parent company balance sheets. The outstanding payables to the Company and other related parties are included under "Trade payable and other current liabilities" account in the parent company balance sheets.

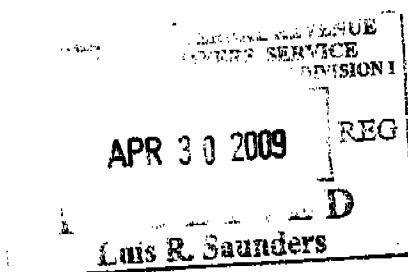
Terms and Conditions of Transactions with Related Parties

Transactions with related parties are made at normal market prices. The Company did not make any provision for impairment losses on receivables from related parties. An assessment is undertaken at each financial year by evaluating the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Company

The compensation and benefits to key management personnel of the Company for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Short-term employee benefits	₱185,328,620	₱224,756,848
Employee car plan and other long term benefits	10,984,867	11,033,389
Pension costs	8,508,326	23,457,555
Share-based payments	83,989,193	80,502,791
	₱288,811,006	₱339,750,583



28. Commitment and Contingencies

a. Operating lease commitments - the Company as lessee

The Company has various operating lease commitments for QSR outlets and offices, with third party and related party lessors. 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 rental based on certain percentage of sales of the outlets. Rental payments in accordance with the terms of the lease agreements amounted to ₱832.3 million and ₱699.7 million in 2008 and 2007, respectively.

Future minimum rental payables for the noncancellable periods of the operating leases follow:

	2008	2007
Within one year	₱322,815,277	₱304,590,284
After one year but not more than five years	1,579,697,666	1,470,743,234
After more than five years	1,349,169,561	1,500,958,085
	<u>₱3,251,682,504</u>	<u>₱3,276,291,603</u>

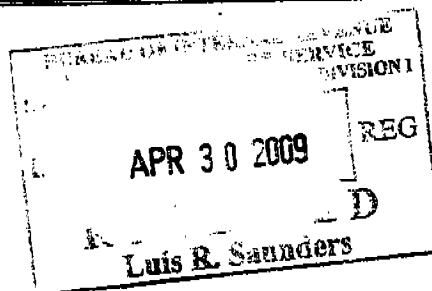
PAS 17 requires the recognition of rent expense for the noncancellable portion of the operating leases on a straight-line basis. The amounts by which rent expense recognized under the straight-line method exceeded the rental amounts due in accordance with the terms of the lease agreements are charged to "Operating lease payable" account. Rent expense recognized on a straight-line basis amounted to ₱831.8 million and ₱753.0 million in 2008 and 2007, respectively.

b. Operating lease commitments - the Company as lessor

The Company entered into commercial property leases for its investment property portfolio with third party and related party lessees. Noncancellable periods of the leases range from 3 to 20 years, mostly containing renewal options. All leases include a clause to enable upward revision of the rental charges on an annual basis based on prevailing market conditions. Rent income in accordance with the terms of the lease agreements amounted to ₱77.2 million and ₱52.1 million in 2008 and 2007, respectively.

Future minimum rent receivables for the noncancellable portions of the operating leases follow:

	2008	2007
Within one year	₱9,377,403	₱13,741,692
After one year but not more than five years	27,639,819	36,050,172
After more than five years	865,986	865,986
	<u>₱37,883,208</u>	<u>₱50,657,850</u>



PAS 17 requires the recognition of rent income for the noncancellable portion of the operating leases on a straight-line basis. The amounts by which rental income recognized under the straight-line method exceeded the rental amounts receivable in accordance with the terms of the lease agreements are included in the "Operating lease receivable" account under "other noncurrent assets" account in the parent company balance sheets. Rent income recognized on a straight-line basis amounted to ₱74.5 million and ₱48.6 million in 2008 and 2007, respectively.

c. Contingencies

The Company is involved in litigations, claims and disputes which are normal to its business. Except for those legal claims provided under Note 15, management believes that the ultimate liability, if any, with respect the other litigations, claims and disputes will not materially affect the financial position and performance of the Company. Accordingly, no provisions for possible losses were recognized in the parent company financial statements.

29. Financial Risk Management Objectives and Policies

The Company's principal financial instruments are cash and cash equivalents and loans payable. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company has other financial assets and liabilities such as short-term investment, receivables, advances to subsidiaries, employee car plan, receivable from Meralco, refundable deposits, AFS financial assets and trade payables and other current liabilities.

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management policies focus on actively securing the Company's short-term to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

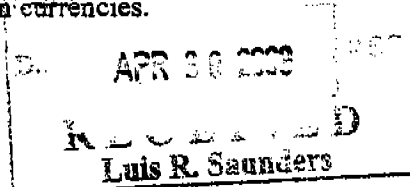
The Company does not actively engage in trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below:

Foreign currency risk

The Company's exposure to foreign currency risk arises as the Company has investments outside of the Philippines, which are mainly in the PRC and in the USA. While the foreign business has been rapidly growing, the net assets of foreign business accounts for only 10.7% and 15.5% of the net assets of the Company as of December 31, 2008 and 2007, respectively.

The Company also has transactional foreign currency exposures. Such exposure arises from the CNY-denominated loans payable and other current liabilities in foreign currencies.

To manage its foreign exchange risk, the Company normally buys forward foreign currency contracts representing 50% of its payables in foreign currency arising mainly from importation of raw materials and equipment. Thus, the movements in foreign exchange rates basically have minimal impact on its short-term transactions. The Company did engage in forward currency contracts in 2008 and 2007, a period of appreciating value of the Philippine peso relative to the US dollar and many other foreign currencies.



The following table shows the Company's foreign currency-denominated monetary assets and liabilities and their peso equivalents as of December 31:

	2008			2007	
	US\$	RMB	PhP	US\$	PhP
Cash and cash equivalents	\$11,358,902	-	₱539,775,023	\$1,797,346	₱74,194,443
Trade receivables	4,250,152	-	201,967,221	2,612,794	107,856,136
Advances to subsidiaries	50,044,863	-	2,378,131,881	-	-
Less loans payable	-	(350,000,000)	(2,425,500,000)	-	-
	\$65,653,917	(350,000,000)	₱694,374,125	\$4,410,140	₱182,050,579

The Company has recognized in its parent company statements of income foreign exchange gain of ₱54.3 million and foreign exchange loss of ₱25.9 million on its net foreign currency-denominated assets and liabilities for the years ended December 31, 2008 and 2007, respectively. This resulted from the movements of the Philippine peso against the US dollar and CNY as shown in the following table:

	Peso to	
	CNY	US Dollar
December 31, 2008	6.93	47.52
December 31, 2007	5.66	41.28

Foreign Currency Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in US dollar and RMB to Philippine peso exchange rate, with all other variables held constant, of the Company's cash and cash equivalents, trade receivables, advances to subsidiaries and loans payable before income tax as of December 31, 2008 and 2007 (due to changes in the fair value of monetary assets and liabilities).

	Increase (Decrease)	
	in ₱ to US\$ rate	in PhP to US\$ Rate
2008	1.50	₱98,480,876
	1.00	65,653,917
	(1.50)	(98,480,876)
	(1.00)	(65,653,917)
2007	1.50	674,005
	1.00	449,005
	(1.50)	(449,005)
	(1.00)	(674,005)

The increase in PhP to US\$ rate means stronger U.S. dollar against the peso while a decrease in PhP to US\$ rate means stronger peso against the U.S. dollar.

Credit risk

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

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The Company has a very strict credit policy. Its credit transactions are only with franchisees that have gone through rigorous screening before granting them the franchise. The credit terms are very short, deposits and advance payments are also required before rendering the service or delivering the goods, thus, mitigating the possibility of non-collection. In cases of non-collection, defaults of the debtors are never tolerated; the exposure is contained the moment a default occurs and transactions that will increase the exposure of the Company are not permitted. Significant credit transactions are only with related parties.

The Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

The Company has no significant concentration of credit risk with counterparty since it has short credit terms to franchisees, which it implements consistently. In addition, the Company's franchisee profile is such that no single franchisee accounts for more than 5% of the total systemwide sales of the Company.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, short-term investment, AFS financial assets and certain derivative instruments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company's credit risk on its financial assets is not significant since its financial assets are invested in fixed income investments in stable and reputable banks. There are no indications whatsoever that any of its investments in financial instruments is at risk of default of impairment in value.

The aging analysis of loans and receivables as of December 31, 2008 and 2007 are as follows:

	2008						
	Total	Neither Past Due nor Impaired	Fast Due but not Impaired (Age in Days)				Impaired
			1-30	31-60	61-120	Over 120	
Cash and cash equivalents	P2,563,347,650	P2,563,347,650	P-	P-	P-	P-	P-
Short-term investment	20,002,018	20,002,018	-	-	-	-	-
Receivables:							
Trade	1,887,662,961	1,231,169,508	111,531,131	34,745,563	46,043,645	442,905,024	21,268,090
Current portion of:							
Advances to employees	28,148,297	28,148,297	-	-	-	-	-
Employee car plan	25,431,872	25,431,872	-	-	-	-	-
Receivable from Meralco	8,686,290	8,686,290	-	-	-	-	-
	1,949,929,420	1,293,435,967	111,531,131	34,745,563	46,043,645	442,905,024	21,268,090
Advances to subsidiaries	4,734,771,275	4,734,771,275	-	-	-	-	-
Other current assets (see Note 30):							
Receivables from:							
Employees	169,377,672	169,377,672	-	-	-	-	-
Suppliers and customers	47,131,770	47,131,770	-	-	-	-	-
Insurance companies	24,510,170	24,510,170	-	-	-	-	-
Deposits to suppliers	66,357,988	66,357,988	-	-	-	-	-
Interest receivable	7,402,471	7,402,471	-	-	-	-	-
Dividend receivable	1,163,000	1,163,000	-	-	-	-	-
	315,943,071	315,943,071	-	-	-	-	-
Noncurrent portion of:							
Refundable deposits	217,505,582	217,505,582	-	-	-	-	-
Employee car plan	53,999,995	53,999,995	-	-	-	-	-
Receivable from Meralco	7,464,702	7,464,702	-	-	-	-	-
	278,970,279	278,970,279	-	-	-	-	-
Total	P9,862,963,713	P9,206,470,260	P111,531,131	P34,745,563	P46,043,645	P442,905,024	P21,268,090

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2007							
	Total	Neither Past Due nor Impaired	Past Due but not Impaired (Age in Days)				Impaired
			1-30	31-60	61-120	Over 120	
Cash and cash equivalents	P2,612,971,000	P2,612,971,000	P-	P-	P-	P-	P-
Receivables:							
Trade	1,432,131,301	718,765,357	179,538,433	73,613,073	150,670,493	289,491,545	20,052,400
Current portion of:							
Advances to employees	42,164,743	42,164,743	-	-	-	-	-
Employee car plan	20,443,860	20,443,860	-	-	-	-	-
Receivable from Meralco	7,245,963	7,245,963	-	-	-	-	-
	1,501,985,867	788,619,923	179,538,433	73,613,073	150,670,493	289,491,545	20,052,400
Advances to subsidiaries	1,661,263,624	1,661,263,624	-	-	-	-	-
Other current assets (see Note 30):							
Receivables from:							
Employees	198,991,337	198,991,337	-	-	-	-	-
Suppliers and customers	18,761,957	18,761,957	-	-	-	-	-
Insurance companies	69,171,518	69,171,518	-	-	-	-	-
Deposits to suppliers	68,185,011	68,185,011	-	-	-	-	-
Interest receivable	5,145,626	5,145,626	-	-	-	-	-
	360,255,449	360,255,449	-	-	-	-	-
Noncurrent portion of:							
Refundable deposits	229,197,183	229,197,183	-	-	-	-	-
Employee car plan	47,204,747	47,204,747	-	-	-	-	-
Receivable from Meralco	14,792,283	14,792,283	-	-	-	-	-
	291,194,213	291,194,213	-	-	-	-	-
Total	P6,427,670,153	P5,714,304,209	P179,538,433	P73,613,073	P150,670,493	P289,491,545	P20,052,400

Credit Quality. The table below shows the credit quality by class of financial asset, based on the Company's credit rating system.

2008					
	Total	Neither Past Due nor Impaired			Past Due or Impaired
		A	B	C	
Loans and Receivables					
Cash and cash equivalents	P2,563,343,376	P2,563,343,376	P-	P-	P-
Short-term investment	20,002,018	20,002,018	-	-	-
Receivables	1,949,929,420	1,086,295,595	195,591,074	11,549,298	656,493,453
Advances to subsidiaries	4,734,771,275	4,734,771,275	-	-	-
Other current assets	315,943,071	315,943,071	-	-	-
Noncurrent assets	278,970,279	278,970,279	-	-	-
	P9,862,959,439	P8,999,325,614	P195,591,074	P11,549,298	P656,493,453

2007					
	Total	Neither Past Due nor Impaired			Past Due or Impaired
		A	B	C	
Loans and Receivables					
Cash and cash equivalents	P2,612,965,157	P2,612,965,157	P-	P-	P-
Receivables	1,501,985,867	666,677,099	117,431,311	4,511,513	713,365,944
Advances to subsidiaries	1,661,263,624	1,661,263,624	-	-	-
Other current assets	360,255,449	360,255,449	-	-	-
Noncurrent assets	291,194,213	291,194,213	-	-	-
	P6,427,664,310	P5,592,355,542	P117,431,311	P4,511,513	P713,365,944

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

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

Credit Risk Exposure and Concentration. The table below shows the maximum exposure to credit risk of the Company as of December 31 without considering the effects of collaterals and other credit risk mitigation techniques.

	2008	2007
Cash and cash equivalents	₱2,563,343,376	₱2,612,965,157
Short-term investment	20,002,018	-
Receivables	1,928,661,330	1,481,933,467
Advances to subsidiaries	4,734,771,275	1,661,263,624
Other current assets	315,943,071	360,255,449
Noncurrent assets	278,970,279	291,194,213
	<u>₱9,841,691,349</u>	<u>₱6,407,611,910</u>

Interest rate risk

The Company's exposure to changes in market interest rates relates primarily to the loans payable obligations with fixed interest rates. Thus, the reasonably possible change in interest rates will have no impact on the Company's statements of income.

Liquidity risk

The Company'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 Company closely monitors its cash flows to be able to finance its capital expenditures and to pay its obligations, as and when they fall due.

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On a weekly basis, the Jollibee Group's Cash and Banking Team monitors the Company's collections, expenditures and any excess/deficiency in the working capital requirements, by preparing cash position reports. The Company submits actual and projected cash flows for the subsequent week. Cash outflows resulting from major expenditures are planned and properly monitored to ensure availability of funds, i.e., preterm money market placements as deemed necessary. In addition, the Company has short-term cash deposits and investment has available credit lines with accredited banking institutions. The Company maintains a level of cash and cash equivalents and short-term investment deemed sufficient to finance the Company's operations.

No changes were made in the objectives, policies or processes during the years ended December 31, 2008 and 2007.

The table below summarizes the maturity profile of the Company's financial liabilities as of December 31, 2008 based on contractual undiscounted payments:

	2008				Total
	On Demand	Within 1 Year	2-3 Years	4-5 Years	
Trade Payables and Other Current Liabilities*	P4,287,522,436	P-	P-	P-	P4,287,522,436
Loans payable	-	166,355,973	2,761,209,319	-	2,927,565,292
	P4,287,522,436	P166,355,973	P2,761,209,319	P-	P7,215,087,728

*Excluding output VAT, local and other taxes and other liabilities to government agencies.

As of December 31, 2007, the financial liabilities of the Company that are subject to liquidity risk include trade payables and other current liabilities. These liabilities are classified as current and are payable on demand.

Capital Management

The primary objective of the Company'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 Company has sufficient capitalization.

The Company generates cash flows from operations sufficient to finance its organic growth. It declares cash dividends representing about 1/3 of its net income, a ratio that would still leave some additional cash for future acquisitions. If needed, the Company would borrow money for acquisitions of new businesses.

The Company's policy is to limit its liabilities to stockholders' equity ratio at a maximum of 60:40. As of December 31, 2008 and 2007, the Company's total stockholders' equity represents 61.65% and 69.58% of the total assets, while its liabilities to creditors represent only 38.35% and 30.42% of the total assets. In addition, it has a total cash and cash equivalents and short-term investment balance representing 12.26% and 15.29% of total assets as of December 31, 2008 and 2007, respectively.

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As of December 31, 2008 and 2007, the Company's ratio of liabilities to total stockholders' equity and ratio of net liabilities to total stockholders' equity are as follows:

Total liabilities to stockholders' equity

	2008	2007
Total liabilities (a)	₱8,078,196,130	₱5,199,811,612
Total stockholders' equity	12,988,006,212	11,894,970,484
Total liabilities and stockholders' equity (b)	₱21,066,202,342	₱17,094,782,096
Total liabilities to stockholders' equity ratio (a/b)	38.35%	30.42%

Net liabilities to total stockholders' equity

	2008	2007
Total liabilities	₱8,078,196,130	₱5,199,811,612
Less cash and cash equivalents and short-term investment	2,583,349,668	2,612,971,000
Total net liabilities (a)	5,494,846,462	2,586,840,612
Total stockholders' equity	12,988,006,212	11,894,970,484
Net liabilities and stockholders' equity (b)	₱18,482,852,674	₱14,481,811,096
Net liabilities to stockholders' equity ratio (a/b)	29.73%	17.86%

30. Fair Value of Financial Assets and Liabilities

Set below is a comparison of the carrying amounts and fair values, by category and by class, of the Company's financial instruments as of December 31, 2008 and 2007:

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and Receivables:				
Cash and cash equivalents	₱2,563,347,650	₱2,563,347,650	₱2,612,971,000	₱2,612,971,000
Short-term investment	20,002,018	20,002,018	-	-
Receivables	1,928,661,330	1,928,661,330	1,481,933,467	1,481,933,467
Advances to subsidiaries	4,734,771,275	4,734,771,275	1,661,263,624	1,661,263,624
Other current assets (Note 29)	315,943,071	315,943,071	360,255,449	360,255,449
Noncurrent portion of:				
Refundable deposits	217,505,582	203,856,723	229,197,183	240,740,101
Employee car plan	53,999,995	53,099,733	47,204,747	48,138,537
Receivable from Meralco	7,464,702	7,014,461	14,792,283	15,010,502
Total loans and receivables	9,841,695,623	9,826,696,261	6,407,617,753	6,420,312,680
AFS financial assets-				
Investments in shares of stock and club shares	26,497,022	26,497,022	35,097,657	35,097,657
Total financial assets	₱9,868,192,645	₱9,853,193,283	₱6,442,715,410	₱6,455,410,337

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	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Trade payables and other current liabilities*	₱4,287,522,436	₱4,287,522,436	₱3,922,948,204	₱3,922,948,204
Refundable lease deposits	4,198,732	5,333,233	4,198,732	5,248,415
Loans payable	2,403,886,898	2,403,886,898	-	-
Total financial liabilities	₱6,695,608,066	₱6,696,742,567	₱3,927,146,936	₱3,928,196,619

*Excluding output VAT, local and other taxes and other liabilities to government agencies.

Financial instruments whose carrying amounts approximate fair value. Management has determined that the carrying amounts of cash and cash equivalents, short-term investment receivables, advances to subsidiaries, trade payables and other current liabilities and loans payable, based on their notional amounts, reasonably approximate their fair values because of their short-term maturities.

AFS financial assets. The fair values are based on the quoted market prices of the instruments at balance sheet date.

Financial instruments carried at other than fair value. Management has determined that the estimated fair value of refundable deposits, employee car plan, receivable from Meralco and liability for acquisition of a business are based on the discounted value of future cash flows using applicable rates.

Bifurcated Embedded Currency Forward

The Company's derivative relates to the embedded currency forward or a foreign exchange adjustment provision in its acquisition of Red Ribbon on the balance purchase price amounting to ₱500.0 million. These currency forwards have various maturity dates up to October 27, 2008 but the Company opted to early settle the liability on September 27, 2007. The fair value of the embedded derivative amounted to ₱86.6 million as of September 27, 2007. The mark-to-market gain on embedded derivative recognized under "Other income - net" account in the parent company statements of income amounted to ₱21.4 million in 2007 (see Note 19).

31. Events after Balance Sheet Date

Dividend Declaration

On April 28, 2009, the BOD approved a cash dividend of ₱0.37 a share of common stock to all stockholders of record as of May 14, 2009. This will be distributed on June 5, 2009. This cash dividend is 2.8% higher than that declared in the same period last year.

Acquisition of a Business

On January 1, 2009, Jollibee Worldwide, a wholly-owned subsidiary of the Company, acquired 70% of the issued and outstanding shares of Lao Dong Pte. Ltd. based in Taipei, Republic of China for a total acquisition cost of New Taiwan dollar (NT) 42 Million (₱61.1 million) and additional capital infusion of NT21 Million (₱30.6 million).

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ANNEX “D”

INTERIM FINANCIAL STATEMENTS
(For the Quarter ending March 31, 2009)



COVER SHEET

JOLLIBEE FOODS CORPORATION

(Company's Full Name)

10/F Jollibee Plaza Building

Emerald Avenue, Pasig City

(Company's Address)

(632) 634-1111

Telephone Number

December 31

(Fiscal Year Ending)

Any day in the month of June

(Annual Meeting)

SEC Form 17-Q

Quarterly Report and Press Release

1st Quarter Ended March 31, 2009

(Form Type)

Amendment Designation (If applicable)

(Secondary License Type and File Number)

Cashier

LCU

DTU

77487
S.E.C REG. No.

Central Receiving Unit

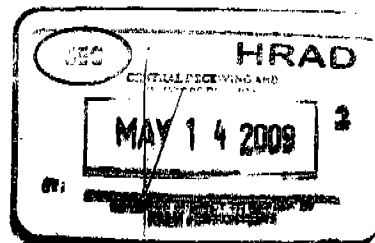
File Number

Document I.D.



**SECURITIES AND EXCHANGE COMMISSION SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATIONS CODE (SRC) AND SRC RULE 17 (2)(b) THEREUNDER**

1. Date of Report: **May 14, 2009**
2. Commission identification number: **77487**
3. BIR Tax Identification No.: **000-388-771**
4. **JOLLIBEE FOODS CORPORATION**
Exact name of registrant as specified in its charter
5. **PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization
6. Industry classification code: (SEC Use Only)
7. **10/F JOLLIBEE PLAZA BUILDING, EMERALD AVENUE, PASIG CITY**
Address of registrant's principal office
1600
Postal Code
8. **(632) 634-1111**
Registrant's telephone number, including area code
9. **N/A**
Former name, former address and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA



<u>Type of Securities</u>	<u>No. Shares Outstanding</u>
---------------------------	-------------------------------

Title of Each Class	Number of shares of common stock outstanding
Common	1,031,848,851
Treasury	16,447,340

Note: Total outstanding common shares inclusive of 8,000,000 and 2,300,000 shares subject for listing. These represent additional shares intended for the Company's Executive Long-Term Incentive Plan and Management Stock Option Plan, respectively.

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes ☒ [X] No ☐ []

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such report)

Yes ☒ [X] No ☐ []

(b) has been subject to such filing requirements for the past 90 days

Yes ☐ [] No ☒ [X]

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

a.	Consolidated Balance Sheets as of March 31, 2009 (Unaudited) and December 31, 2008 (Audited)
b.	Consolidated Unaudited Statements of Income for Quarter 1 Ended March 31, 2009 and 2008
c.	Consolidated Unaudited Statements of Changes in Stockholders' Equity as of March 31, 2009 and 2008
d.	Consolidated Unaudited Statements of Cash Flows as of March 31, 2009 and 2008
e.	Schedule of Aging of Accounts Receivable as of March 31, 2009

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for Quarter 1 Ended March 31, 2009 and 2008 (Jollibee Foods Corporation and Subsidiaries)

Results of Operations

The JFC Group generated consolidated total revenues of ₱11.3 billion for Quarter 1 2009, 13.5% higher than Quarter 1 2008. Total system wide sales, a measure of all sales to consumers from both company-owned and franchised stores grew by 13.8% to ₱15.1 billion in January to March 2009 compared to the same period last year. The growth in consolidated system wide sales resulted from the upward price adjustments implemented by the Company in 2008, acquisition of a new business and organic growth.

The Jollibee Group opened 37 stores in the first quarter of 2009. In the Philippines, Jollibee opened +11, Chowking +5, Greenwich +1, Red Ribbon +3, and Manong Pepe's +4; in the People's Republic of China, Yonghe King +3, Hongzhuangyuan +1 and in the US, Jollibee +3, Chowking +2, Red Ribbon +4.

Consolidated cost of sales increased by 11.0% to ₱5.4 billion during the quarter. As a percent of revenues, consolidated cost of sales for the first quarter of 2009 was lower by 110 basis points, from 48.6% in quarter 1 2008 to 47.5% in quarter 1 2009. The resulting gross margin was higher, from 51.4% in quarter 1 2008 to 52.5% in quarter 1 2009. The improvement was due to the slowing down of raw material price increases and inflation rate and the effect of price adjustments implemented by the Company last year.

Consolidated general and administrative expenses increased by 17.5% to ₱4.9 billion for the quarter primarily due to increase in employees' compensation and benefits, depreciation, rent and operating supplies resulting from new stores opened during the period. Advertising and promotion decreased by 13.8% to ₱225.1 million. The Company slowed down in advertising spending in the first quarter of 2009.

The resulting consolidated net operating income was ₱779.4 million, 17.1% higher than the same period last year. Operating income margin for quarter 1 2009 was higher by 20 basis points, from 6.7% in 2008 to 6.9% in 2009.

Interest income increased by 62.6% to ₱34.9 million in quarter 1 2009 compared to the same period last year. The increase was relative to the 47.4% increase in short term investments from ₱3.0 billion in yearend 2008 to ₱4.4 billion at the end of quarter 1 2009. Interest expense increased significantly by 952.1% to ₱50.9 million due to the interest expense on the CNY350-million loan obtained by the Parent company in September 2008.

Provision for tax was 0.7% lower, from ₱202.8 million in quarter 1 2008 to ₱ 201.4 million in quarter 1 2009. This was due to the decrease in corporate tax rate, from 35% in 2008 to 30% this year. The resulting effective tax rate for quarter 1 2009 was 26.4%, 3.3% lower compared to last year's effective tax rate of 29.7%.

Consolidated net income for quarter 1 2009 was ₱562.0 million, 17.2% higher than last year's consolidated net income. Net income margin (net income as a percent of revenues) was 20 basis points higher versus quarter 1 2008 -- 5.0% in quarter 1 2009 versus 4.8% last year. On a per share basis, after tax net earnings per share amounted to ₱0.549, 16.9% higher compared to the previous year's after tax net earnings per share.

Financial Condition

The Group's consolidated total assets as of March 31, 2009 amounted to ₱26.2 billion, ₱949.7 million lower than the December 31, 2008 balance of ₱27.1 billion. The decrease was primarily due to the following: (1) Decrease in JFC's total cash by ₱195.0 million or 2.8%; (2) Decrease in receivables by ₱380.6 million as the Company was able to collect its receivables from franchisees for royalty fees and commissary purchases, which were supposedly due in the last week of December 2008, only in January 2009 due to the long holidays in December 2008; (3) Decrease in inventories by ₱433.0 million on account of higher base as prices of raw materials were significantly high in 2008 and the Company normally maintains higher inventory levels at year end. The decrease was offset by the increase in property, plant and equipment by ₱659.2 million or 3.9% due to store additions. The Company opened 21 owned stores in the first quarter of 2009, 10 in the Philippines and 11 abroad.

Consolidated current liabilities amounted to ₱7.5 billion, ₱1.4 billion or 16.1% lower than the 2008 year-end balance of ₱9.0 billion. The decrease was primarily due to the ₱1.4 billion decline in trade payables, primarily due to settlement of 2008 obligations. Current portion of long-term debt also decreased by 22.2% or ₱8.4 million to ₱29.4 million due to payments made by Red Ribbon Bake Shop Inc. USA for its US dollar-denominated loan.

Consolidated noncurrent liabilities amounted to ₱4.1 billion, 1.8% higher than the December 31, 2008 balance of ₱4.0 billion.

Consolidated stockholders' equity increased by ₱417.4 million or 3.0% primarily due to the net income for the first quarter, which amounted to ₱562.0 million offset by the ₱144.6-million decrease in cumulative translation adjustments. The decrease in cumulative translation

adjustments was due to the impact of the depreciation of the Philippine Peso on the Parent Company's foreign subsidiaries with negative retained earnings.

The Group generated ₱607.5 million in cash from operations for the first quarter of 2009, 56.0% or ₱218.2 million higher than cash from operations for the same period last year due to decrease in receivables and inventories 2009 and increase in net income and other non-cash items.

Net cash used in investing activities totaled ₱750.0 million. Capital expenditures for the first quarter amounted to ₱718.6 million. The Group opened 21 company-owned stores, both in the Philippines and abroad. It also completed the acquisition of the *Lao Dong* restaurant business based in Taipei, Republic of China on January 1, 2009. Lao Dong had 9 restaurants at the end of March 31, 2009.

Overall, net cash decreased by ₱195.0 million to ₱6.9 billion at the end of March 31, 2009.

Discussion and Analysis of Material Events and Uncertainties

1. There were no events during the period that will trigger direct or contingent financial obligation that is material to the company.
2. There were no material off-balance sheet transactions, arrangements, obligations created during the reporting period.
3. The Company expects ₱4.0 billion capital expenditures in 2009 for store expansion and renovation, construction of new and upgrading of existing commissaries, improvements in head office and investments in information technology.
4. Food service operations have both peak and lean seasons. Historically, sales in the second and fourth quarters are strong due to the summer and the Christmas seasons, respectively. Demand during the first and third quarters usually slackens. The material financial impact of this seasonality has been considered in the Company's financial forecast.
5. All of the Company's income arose from its continuing operations.
6. **Business Acquisition**

On January 1, 2009, JFC completed the purchase of 70% of the Lao Dong restaurant business that is based in Taipei, Republic of China. The completion and closing of the transaction were effected following compliance by the owners of Lao Dong on the key conditions for the joint venture.

Consistent with the terms of the final agreement signed on November 24, 2008, JFC acquired 70% of the Lao Dong business for NT 42 million and an additional investment of NT 21 million generated from operations.

7. Events after Balance Sheet Date:

Dividend Declaration

The Board of Directors of the Parent Company approved on April 28, 2009 a cash dividend of ₱0.37 per share of common stock to all stockholders of record as of May 14, 2009. This will be distributed on June 5, 2009. This cash dividend is 2.8% higher than that declared in the same period last year.

8. The Company's financial risk management objectives and policies are discussed in **Note 31 of the December 31, 2008 Audited Consolidated Financial Statements.**
9. There are no other known trends, demands, commitments, events or uncertainties that might have a material impact on the Company's liquidity.
10. Causes for any material change: Increase or decrease of 5% or more in the financial statements.

Discussion of the Company's Top Five (5) Key Performance Indicators

System Wide Sales

System Wide Sales is a measure of all sales to consumers both from company-owned and franchised stores.

	As of March 31, 2009	As of March 31, 2008
System Wide Sales	₱15,070 million	₱13,243 million
% Growth vs LY	13.8%	13.2%

Revenues

Revenues is a measure of (1) all sales made by the Company's owned stores (both food and novelty sales); (2) Commissary sales to franchised stores; (3) rental revenues of the Company's property division; and, (4) revenues from services rendered by the in-house Construction and Service Groups.

	As of March 31, 2009	As of March 31, 2008
Revenues	₱11,337 million	₱9,991 million
% Growth vs LY	13.5%	14.8%

Net Income Margin

Net Income Margin is the ratio of the company's earnings after interest and tax. This is computed by dividing net income by total revenues. The quotient is expressed in percentage. This measures the Company's return for every peso of revenue earned, after deducting cost of sales, operating expenses, interests and taxes.

	As of March 31, 2009	As of March 31, 2008
Net income	₱562.0 million	₱479.6 million
% to Revenues	5.0%	4.8%

Basic Earnings Per Share (EPS)

EPS is the portion of the Company's profit allocated to each outstanding share of common stock. This is computed by dividing the net income for the quarter attributable to the equity holders of the Jollibee Group by the weighted average outstanding shares at the end of the quarter, after considering the retroactive effect of stock dividends declaration, if any. This serves as an indicator of the Company's profitability.

	As of March 31, 2009	As of March 31, 2008
EPS (Basic)	₱0.549	₱0.470
% Growth vs LY	16.9%	-11.1%

Return on Equity (ROE)

ROE is the ratio of the Company's net income to equity. It is computed by dividing annualized net income by average equity. Average equity for the first quarter is calculated by adding the equity at the end of the first quarter to the equity at year end and dividing the result by two. ROE is a measure of return for every peso of invested equity. The Company also uses ROE for comparing its profitability to that of other firms in the same industry.

	As of March 31, 2009	As of March 31, 2008
Return on Equity	15.7%	14.7%

Item 3. Additional Disclosures for the Period Ended March 31, 2009

To comply with the Securities and Exchange directive dated October 28, 2008 addressed to Mr. Tony Tan Caktiong, CEO of JFC in view of the current global financial condition, we would like to make the following disclosures for the period ended March 31, 2009.

- a. The company continues to be in a strong financial condition with no significant currency, interest, credit and liquidity risks. The financial investments and obligations of the company did not have a significant change compared to the audited balance sheet as of December 31, 2008.
- b. The company's cash both in Philippine and foreign currency is invested in fixed income investments with several reputable financial institutions. These are simple and straightforward investments. In addition, the JFC Group has no investments whatsoever in foreign securities. There are no indications that the value of our cash investments is adversely affected by fair value accounting including mark to market.

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
STORE NETWORK

	Dec-08 Stores	Opened YTD	Closed YTD	Ownership Change	Mar-09 Stores
LOCAL					
Jollibee					
A Co-owned	312	3	1	-	314
Franchised	339	8	5	-	342
Total	651	11	6	-	656
Chowking					
Co-owned	131	1	2	(2)	128
Franchised	256	4	4	2	258
Total	387	5	6	-	386
Greenwich					
Co-owned	123	-	1	-	122
Franchised	101	1	4	-	98
Multi-brand	7	-	-	-	7
Total	231	1	5	-	227
Red Ribbon					
Co-owned	123	1	3	(1)	120
Franchised	88	2	2	1	89
Total	211	3	5	-	209
DeliFrance					
Co-owned	22	-	1	-	21
Franchised	4	-	1	-	3
Total	26	-	2	-	24
Manong Pepe's	9	4	-	-	13
Total Local Stores	1,616	24	24	-	1,516
INTERNATIONAL					
Jollibee					
Hongkong	1	-	-	-	1
US	23	3	-	-	26
Brunei	11	-	-	-	11
Guam	1	-	1	-	-
Vietnam	10	-	1	-	9
Jeddah	1	-	-	-	1
Saipan	1	-	1	-	-
China	1	-	-	-	1
Total	49	3	3	-	49
Chowking					
US	15	2	-	-	17
Dubai	11	-	-	-	11
Indonesia	5	-	1	-	4
Total	31	2	1	-	32
Red Ribbon					
Co-owned	25	4	-	2	31
Franchised	3	-	-	(2)	1
Total	28	4	-	-	32
Yonghe King					
Co-owned	137	3	1	-	139
Franchised	4	-	-	-	4
Total	141	3	1	-	143
CST	2	-	-	-	2
Hongzhuangyuan					
Co-owned	31	1	-	-	32
Franchised	7	-	-	-	7
Total	38	1	-	-	39
Total International Stores	289	13	5	-	297
Total (Before New Acquisition)	1,804	37	29	-	1,812
New Acquisition					
Lao Dong					9
Grand Total	1,804				1,821
NUMBER OF SHARES (in '000)					
Issued and Subscribed (Net of Treasury Shares)					1,023,558
Weighted Average - Basic (YTD)					1,023,558
Weighted Average - Diluted (YTD)					1,025,084
SYSTEM WIDE SALES (in '000 Pesos)					
	Mar-08	Mar-09	Growth		
Quarter 1	13,243,450	15,069,927	13.6%		

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JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
STORES BY GEOGRAPHICAL LOCATION
As of March 31, 2009 and December 31, 2008

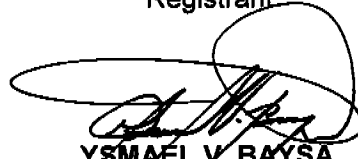
Jollibee - Philippines	Mar-09	Dec-08	Changes
Metro North	137	138	-1
Metro South	142	144	-2
North Luzon	111	110	1
South Luzon	108	104	4
Visayas	83	83	0
Mindanao	75	72	3
Total	656	651	5
Greenwich Pizza (Including multibrand stores)			
Metro Manila	106	108	-2
Northern Luzon	16	16	0
Central Luzon	26	28	-2
Southern Luzon	35	35	0
Visayas	21	21	0
Mindanao	23	23	0
Total	227	231	-4
Chowking			
Metro Manila	186	187	-1
Central Luzon	51	48	3
Northern Luzon	27	35	-8
Southern Luzon	54	50	4
Visayas	40	36	4
Mindanao	28	31	-3
Total	386	387	-1

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[Date: 3/31/09]

No other material information.

SIGNATURE

JOLLIBEE FOODS CORPORATION
Registrant

A handwritten signature in black ink, appearing to read 'Ysmael V. Baysa', written over a circular stamp or seal.

YSMAEL V. BAYSA
Chief Finance Officer &
Corporate Information Officer

A handwritten signature in black ink, appearing to read 'Agatha Olgas. De Jesus', written in a cursive style.

AGATHA OLGAS. DE JESUS
Corporate Legal Counsel &
Corporate Information Officer

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

As of March 31, 2009

Peso Amounts in Thousands

	Mar - 2009 (Unaudited)	Dec - 2008 (Audited)	Change
ASSETS			
Current Assets			
Cash and cash equivalents	6,683,814	6,878,851	(195,037)
Receivables - net	1,560,081	1,940,700	(380,619)
Inventories - net	2,294,446	2,727,464	(433,019)
Other current assets	1,409,960	1,497,721	(87,762)
Total Current Assets	11,948,300	13,044,737	(1,096,437)
Noncurrent Assets			
Property, plant and equipment	17,746,633	17,087,427	659,206
Accumulated Depreciation	(9,247,503)	(8,812,509)	(434,994)
Other Assets	5,728,597	5,806,045	(77,448)
Total Noncurrent Assets	14,227,728	14,080,963	146,765
Total Assets	26,176,028	27,125,701	(949,672)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Trade payables	2,096,621	3,508,732	(1,412,111)
Accrued expenses	2,379,380	2,426,469	(47,089)
Other current liabilities	3,003,940	2,976,248	27,692
Current portion of:			
Provisions	17,040	17,040	-
Long-term debt	29,375	37,769	(8,395)
Total Current Liabilities	7,526,355	8,966,258	(1,439,903)
Noncurrent Liabilities			
Long-term debt - net of current portion	2,516,834	2,484,389	32,445
Provisions - net of current portion	29,269	29,269	-
Other noncurrent liabilities	1,546,328	1,505,953	40,375
Total Noncurrent Liabilities	4,092,431	4,019,611	72,820
Stockholders' Equity			
Capital stock	1,040,005	1,040,005	-
Additional paid-in capital	2,245,675	2,245,675	-
Subscriptions receivable	(17,178)	(17,178)	-
Cumulative translation adjustments of subsidiaries	(121,608)	22,952	(144,560)
Unrealized gain on available-for-sale financial assets	19,880	19,880	-
Excess on the acquisition cost over the carrying value of minority interests	(543,979)	(543,979)	-
Retained Earnings			
Appropriated for future expansion	1,200,000	1,200,000	-
Unappropriated	10,349,649	10,349,649	-
Net income for the period	561,971	-	561,971
Less: Treasury shares	(180,511)	(180,511)	-
Minority interests	3,337	3,337	-
Total Stockholders' Equity	14,557,242	14,139,831	417,410
Total Liabilities and Stockholders' Equity	26,176,028	27,125,701	(949,672)

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JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

For the Periods Ended March 31, 2009 and 2008

(Unaudited)

Peso Amounts in Thousands

	Mar 2009		Mar 2008		Change
	Pesos	Pct.	Pesos	Pct.	2008 to 2009
REVENUES					
Net Sales	10,678,589	94.2%	9,344,280	93.5%	14.3%
Royalty, franchise fees and others	658,684	5.8%	646,491	6.5%	1.9%
	11,337,273	100.0%	9,990,770	100.0%	13.5%
COST OF SALES	5,387,171	47.5%	4,854,741	48.6%	11.0%
GROSS PROFIT	5,950,101	52.5%	5,136,029	51.4%	15.9%
OPERATING EXPENSES					
General and administrative	4,945,621	43.6%	4,209,179	42.1%	17.5%
Advertising and promotion	225,127	2.0%	261,057	2.6%	(13.8%)
NET OPERATING INCOME	779,354	6.9%	665,792	6.7%	17.1%
FINANCE INCOME (CHARGES)					
Interest income	34,910	0.3%	21,473	0.2%	62.6%
Interest expense	(50,915)	(0.4%)	(4,839)	(0.0%)	952.1%
PROFIT BEFORE INCOME TAX	763,349	6.7%	682,426	6.8%	11.9%
PROVISION FOR INCOME TAX	201,379	1.8%	202,778	2.0%	(0.7%)
NET INCOME	561,971	5.0%	479,648	4.8%	17.2%
Attributable to:					
Equity holders of the parent	561,971	5.0%	479,648	4.8%	17.2%
Minority interests	-	-	-	-	-
	561,971	5.0%	479,648	4.8%	17.2%
Earnings Per Share for Net Income					
Attributable to the Equity Holders of the Parent					
Basic	0.549		0.470		16.9%
Diluted	0.548		0.469		16.8%
Average Number of Common Shares-Basic (000)	1,023,558		1,020,914		
Average Number of Common Shares-Diluted (000)	1,025,084		1,021,959		

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JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE QUARTERS ENDED MARCH 31, 2009 AND 2008

	Equity Attributable to Equity Holders of the Parent							Total		
	Retained Earnings									
	Capital Stock	Subscription Receivable	Additional Paid-in Capital	Cumulative Translation Adjustments of Subsidiaries	Unrealized Loss on Acquisition Available-for-Sale Financial Assets	Excess in the Carrying Value of Minority Interest	Appropriated for Future Expansion			
(Amounts in Php '000)								Unappropriated	Cost of Common Stock Held in Treasury	Total
Balance at January 1, 2009	1,040,005	(17,178)	2,245,875	22,952	19,880	(543,979)	1,200,000	10,349,849	(180,511)	14,138,494
Net income for the year	-	-	-	(144,560)	-	-	-	561,971	-	561,971
Translation adjustments during the year	-	-	-	-	-	-	-	-	-	-
Unrealized gain on available-for-sale financial assets for the year	-	-	-	-	-	-	-	-	-	-
Total income and expenses for the year	-	-	-	(144,560)	-	-	-	561,971	-	417,410
Subscriptions and issuances of shares	-	-	-	-	-	-	-	-	-	-
Re-issuances for stock purchase exercised	-	-	-	-	-	-	-	-	-	-
Re-issuances for stock purchase by retirement	-	-	-	-	-	-	-	-	-	-
Cost of stock options granted	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2009	1,040,005	(17,178)	2,245,875	(121,608)	19,880	(543,979)	1,200,000	10,911,819	(180,511)	14,553,904
Balance at January 1, 2008	1,034,139	(17,178)	2,088,941	151,040	30,885	(543,979)	1,200,000	8,884,409	(183,339)	12,842,929
Net income for the year	-	-	-	-	-	-	-	479,848	-	479,848
Translation adjustments during the year	-	-	-	-	-	-	-	-	-	-
Unrealized gain on available-for-sale financial assets for the year	-	-	-	-	(8,735)	-	-	-	-	(8,735)
Total income and expenses for the year	-	-	-	-	22,160	-	-	9,364,057	-	13,113,842
Subscriptions and issuances of shares	4,145	-	46,254	-	-	-	-	50,399	-	50,399
Re-issuances for stock purchase exercised	-	-	-	-	-	-	-	-	-	-
Re-issuances for stock purchase by retirement	-	-	-	-	-	-	-	23,478	-	23,478
Cost of stock options granted	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-
Minority Interest	4,145	-	46,254	-	-	-	-	-	(5,408)	(5,408)
Balance at March 31, 2008	1,038,284	(17,178)	2,133,195	151,040	22,160	(543,979)	1,200,000	9,364,057	(5,408)	12,716,806

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

As of March 31, 2009

(Unaudited)

Peso Amounts in Thousands

	Mar 2009 Unaudited	Mar 2008 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax and minority interest	763,349	682,426
Adjustments for:		
Depreciation and amortization	478,363	401,335
Loss on disposals and retirement of property and equipment	14,884	13,028
Interest income	(34,910)	(21,473)
Stock option expense	22,449	-
Interest expense	50,915	4,839
Net unrealized foreign exchange loss	32,445	-
Operating income before working capital changes	1,327,495	1,080,155
Changes in assets and liabilities:		
Decrease (increase) in:		
Receivables	380,619	(82,065)
Inventories	433,019	136,635
Other current assets	87,762	(136,700)
Increase (decrease) in:		
Trade payables	(1,412,111)	(420,399)
Accrued expenses	(65,196)	9,232
Other current liabilities	39,222	(113,786)
Cash generated from operations	790,810	473,072
Income taxes paid	(183,272)	(83,725)
Net cash provided by operating activities	607,538	389,347
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(718,647)	(365,232)
Increase in other noncurrent assets	(67,112)	(558,550)
Interest received	34,910	21,473
Proceeds from disposal of property and equipment	1,187	-
Net cash used in investing activities	(749,663)	(902,308)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends	(33,978)	(324,450)
Long-term debt	(8,395)	(16,229)
Proceeds from:		
Re-issuance of Treasury Stocks	-	23,478
Issuance of and subscriptions to capital stock	-	41,664
Interest paid	(50,915)	(4,839)
Increase (Decrease) in other noncurrent liabilities	40,375	(192,775)
Decrease in minority interest	-	(5,408)
Net cash used in financing activities	(52,913)	(478,560)
 Net Decrease in Cash and Cash Equivalents	 (195,037)	 (991,521)
Cash and Cash Equivalents, Beginning	6,878,851	5,575,943
Cash and Cash Equivalents, End	6,683,814	4,584,423

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Notes and Other Disclosures

1. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines as set forth in the Philippine Financial Reporting Standards (PFRS). PFRS includes statements titled PFRS and Philippine Accounting Standards (PAS), including Interpretations, issued by the Philippine Accounting Standards Council.

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments and available-for-sale financial investments which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, the Jollibee Group's functional and presentation currency under PFRS. All values are rounded to the nearest thousand, except when otherwise indicated.

2. The consolidated financial statements comprise the financial statements of Jollibee Foods Corporation and its subsidiaries as of March 31, 2009.

All intra-group balances, income and expenses and unrealized profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases.

3. The Group adopted the same accounting policies, standards and methods of computations applied in the 2008 audited consolidated financial statements.
4. Food service operations have both peak and lean seasons. The material financial impact of this seasonality has been considered in the financial forecast.

5. Segment Information

The 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 operation of Quick Service Restaurants (QSR) and the manufacture of food products to be sold to the Jollibee Group owned and franchised QSR's.
- > 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 Jollibee Group generally accounts for inter-segment sales and transfers at current market prices. Those transfers are eliminated at the consolidation as if the sales or transfers were to third parties.

The Jollibee Group's geographical segments are based on the location of the assets producing the revenues. Sales to external customers disclosed in the geographical segments are based on the geographical location of the customers.

> Business Segments

The following tables present revenues, expenses, assets and liabilities of the different business segments for the periods ended March 31, 2009 and 2008:



As of the Period Ended March 31, 2009

	Food Service	Franchising	Leasing	Eliminations	Total
	(In Thousands)				
Results of Operations					
Revenues from external customers	10,712,225	529,764	95,283		11,337,273
Inter-segment revenues	1,560,827	105,644	60,496	(1,726,967)	-
Segment revenues	12,273,052	635,408	155,779	(1,726,967)	11,337,273
Segment expenses	(10,537,435)		(20,484)		(10,557,919)
Other segment income					-
Segment result	1,735,617	635,408	135,295	(1,726,967)	779,354
Interest income					34,910
Interest expense					(50,915)
Excess of fair value of net assets					
Equity in net gain					
Income before income tax					763,349
Income tax expense					(201,379)
Net income					561,971
Assets and liabilities					-
Segment assets	25,144,688		336,803		25,481,490
Deferred tax assets	656,445		38,093		694,538
Total assets	25,801,132	-	374,896	-	26,176,028
Segment liabilities	8,269,392		212,984		8,482,376
Long-term debt - including current					2,952,828
Income tax payable					183,583
Total liabilities	8,269,392	-	212,984	-	11,618,786
Other segment information					
Capital expenditures	718,647				718,647
Depreciation and amortization	478,021		342		478,363

As of the Period Ended March 31, 2008

	Food Service	Franchising	Leasing	Eliminations	Total
	(In Thousands)				
Results of Operations					
Revenues from external customers	9,464,900	498,086	27,784		9,990,770
Inter-segment revenues	1,490,930	94,556	48,738	(1,634,225)	-
Segment revenue	10,955,830	592,642	76,523	(1,634,225)	9,990,770
Segment expense	(9,280,230)		(44,748)		(9,324,978)
Other segment income					-
Segment result	1,675,600	592,642	31,775	(1,634,225)	665,792
Interest expense					(4,839)
Interest income					21,473
Income before income tax and minority interest					682,426
Income tax expense					(202,778)
Net income					479,648
Assets and liabilities					
Segment assets	21,187,700		357,328		21,545,029
Total assets					21,545,029
Segment liabilities	8,041,777	-	212,675		8,254,452
Long-term debt					102,858
Total liabilities					8,357,310

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3/31/09

Other segment information

Capital expenditures	365,232	-	-	-	365,232
Depreciation and amortization	400,984	-	350	-	401,335
Capital expenditures	711,149	-	7,498	-	718,647
Depreciation and amortization	478,303	-	61	-	478,363

Geographical Segments

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

	Philippines	International	Eliminations	Total
March 2009				
Revenues	9,368,914	1,968,359	-	11,337,273
Segment assets	18,487,928	7,688,099	-	26,176,028
Capital expenditures	288,007	430,640	-	718,647
March 2008				
Revenues	8,917,831	1,072,939	-	9,990,770
Segment assets	17,952,702	3,592,327	-	21,545,029
Capital expenditures	292,576	72,656	-	365,232

6. On January 1, 2009, JFC completed the purchase of 70% of the Lao Dong restaurant business that is based in Taipei, Republic of China. The completion and closing of the transaction were effected following compliance by the owners of Lao Dong on the key conditions for the joint venture.

Consistent with the terms of the final agreement signed on November 24, 2008, JFC acquired 70% of the Lao Dong business for NT 42 million and an additional investment of NT 21 million generated from operations.

7. Dividend Declaration

The Board of Directors of the Parent Company approved on April 28, 2009 a cash dividend of P 0.37 per share of common stock to all stockholders of record as of May 14, 2009. This will be distributed on June 5, 2009. The cash dividend is 2.8% higher than that declared in the same period last year.

8. Events after Balance Sheet date

There are no significant events after balance sheet date.

9. There are no other material events subsequent to the end of the interim period that are reasonably expected to have a material impact on the Company's net income from continuing operations.

Jollibee Foods Corporation and Subsidiaries
Aging of Accounts Receivable - (In K)
As of March 31, 2009*

Types of Accounts Receivable	Total	Neither Past Due nor Impaired	Past Due but not Impaired (Age In Days)				Impaired
			1-30	31-60	61-120	Over 120	
a. Trade Receivables	1,638,103	1,202,320	122,284	37,857	56,090	199,211	20,341
Subtotal	1,638,103	1,202,320	122,284	37,857	56,090	199,211	20,341
Less: Allowance for D/A	78,022						78,022
Net Trade receivable	1,560,081	1,202,320	122,284	37,857	56,090	199,211	(57,681)
b. Non-Trade Receivables	-						
Subtotal	-						
Less: Allowance for D/A	-						
Net Non-trade receivable	-	-	-	-	-	-	-
Net Receivables (a + b)	1,560,081	73%	7%	2%	3%	12%	1%

Note: If the Company's collection period does not match with the above schedule and revision is necessary to make the schedule not misleading the proposed collection period in this schedule may be changed to appropriately reflect the Company's actual collection period.

Accounts Receivable Description		
Type of Receivable	Nature Description	Collection Period
1. Trade Receivables	Commissary deliveries such as food, paper & packaging supplies, novelty & others; franchisees' royalty	7 to 14 days

Note: Indicate a brief description of the nature and collection period of each receivable accounts with major balances or separate receivable captions, both for trade and non-trade accounts.

Normal Operating Cycle 365 days

THE JFC GROUP OF COMPANIES
Jollibee Sales Up 14%, Profit Rises by 17%

Metro Manila, Philippines, May 14, 2009 – *Jollibee Foods Corporation (PSE: JFC)* – Results for the quarter ended March 31, 2009

Following are the financial highlights of JFC's results of operations for the quarter ended March 31, 2009:

Financial Summary	Quarter 1		
	2009	2008	% Change
System Wide Retail Sales	15,070	13,243	13.8%
Revenues	11,337	9,991	13.5%
Net Operating Income	779	666	17.1%
Net Income	562	480	17.2%
Net Income Attributable to Equity			
Holders of the Parent	562	480	17.2%
Earnings Per Common Share - Basic	0.549	0.470	16.9%
Earnings Per Common Share - Diluted	0.548	0.469	16.8%

* Amounts in PHP Millions, except % change and Per Share data.

Jollibee Foods Corporation, the country's largest food service company generated in the first three months of the year system-wide sales of Php 15.1 billion, 13.8% higher than in the same period last year. System-wide sales is a measure of sales to consumers both from company-owned and franchised stores. Total revenues grew by 13.5%, net operating income by 17.1% and net income by 17.2%.

JFC Chairman and Chief Executive Officer Mr. Tony Tan Caktiong stated that sales continued to be strong both in the domestic and foreign markets. "Our Philippine brands continued to achieve positive same store sales growth despite the slowing down of the economy, generating in total a 7.7% rise in system-wide sales versus last year. Sales from our businesses abroad grew by 62.4%. This growth rate included the effect of our acquisition of Hongzhuangyuan Congee Chain in Beijing. Excluding this acquisition, our sales abroad grew by 41.7% in the first quarter compared to the same period last year. Foreign operations already accounted for 16% of our business compared with 13% in 2008 and 3% five years ago", he stated.

Mr. Tan Caktiong added, however, that while sales continued to be strong, the slowing down of the economic growth in the Philippines and in foreign markets may dampen JFC's sales growth in the next quarters. "The worldwide economic downturn has not changed our long term goals and plans. In the short term, our operating plan calls for at least sustaining our most recent sales and profit growth rates. The economic situations

[Signature]
5/14/09

in the markets, however, may continue to exert pressure on consumer demand and decrease our sales growth to below our target," Mr. Tan cautioned.

JFC Chief Finance Officer Mr. Ysmael V. Baysa disclosed that its net income margin improved slightly from 4.8% of revenues in the first quarter of 2008 to 5.0% in the first quarter of 2009 mainly due to improving prices of raw materials, more efficient marketing expenditures and lower corporate income taxes in the Philippines partly offset by higher financing charges for and higher operating costs from foreign operations. "We look forward to further improvement in our profit margins in the next two quarters made possible by the decreasing prices of raw materials. Sales trends in the different markets, however, have become difficult to predict under the fast changing economic conditions. We are watching consumer demand very closely," he commented.

JFC had budgeted for capital expenditures for 2009 amounting to Php 4.0 billion, 37% higher than in 2008 mainly for investments in new stores, renovation of existing stores, commissary facilities and a logistics center. It plans to open at least the same number of new stores in 2008 that totaled 186. It also plans to continue pursuing the acquisition of businesses as part of its long term growth strategy. Mr. Baysa stated, however, that under the fast changing economic conditions, the Jollibee Group is approaching its investments with a higher degree of diligence. "We have to ensure that our investments would generate healthy returns even if demand volume weakens. This means that if some planned investments do not pass this stress test, we would postpone or avoid them," he stated.

The JFC Group of Companies operates the Philippines' largest fast food network. As of March 31, 2009, it had a total of 1,515 stores in the country: Jollibee brand with 656, Chowking with 386, Greenwich with 227, Red Ribbon with 209, Delifrance with 24 and Manong Pepe's with 13. It was also operating 306 stores abroad: Yonghe King in the People's Republic of China with 143 stores, Jollibee 49, Red Ribbon 32, Chowking 32, CST 2, Hongzhuangyuan 39, and Lao Dong (Taiwan) 9 for a total of 1,821 stores worldwide.

A handwritten signature in black ink, followed by the date "7/14/09" written vertically.

ANNEX “E”

CERTIFICATIONS OF INDEPENDENT DIRECTORS

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Felipe B. Alfonso, Filipino, of legal age and a resident of 318 Pansipit Street, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of Jollibee Foods Corporation;
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
* see attached		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Jollibee Foods Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations;

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code; and

5. I shall inform the Corporate Secretary of Jollibee Foods Corporation of any changes in the abovementioned information within five days from its occurrence.

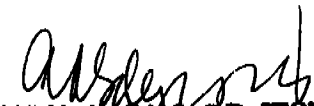
Done this JUN 02 2009 day of _____ 2009 at PASIG CITY.


Affiant

PASIG CITY

SUBSCRIBED AND SWORN to before me this JUN 02 2009 day of _____ at _____, affiant exhibiting to me his Community Tax Certificate No. 12382022 issued at Makati City on January 23, 2009.

Doc. No. 277;
Page No. 57;
Book No. 10;
Series of 2008 1


AGATHA OLGA S. DE JESUS
NOTARY PUBLIC
UNTIL DECEMBER 31, 2010
Roll Of Attorney's No. 50929
IBP # 165147 December 16, 2008 Pasig
PTR # 5100995 January 6, 2009 Pasig

LIST OF COMPANIES AND ORGANIZATIONS
(AS OF 03 APRIL 2009)

Asian Institute of Management

Vice-Chairman, Board of Trustees
(September 1999)
Executive Director, Ramon V. del
Rosario, Sr. AIM Center for Corporate
Social Responsibility (July 2000)

Andorra Ventures Corporation
Bacnotan Consolidated Industries, Inc.
Bauang Private Power Corporation
Benpres Holdings Corporation
Coca-Cola Foundation of the Philippines
e-Meralco Ventures, Inc.
First Philippine Conservation, Inc. (FPCI)
First Philippine Realty Corporation
First Private Power Corporation
Franklin Baker Company of the Philippines
Gaston Z. Ortigas Peace Institute
Jollibee Foods Corporation
Knowledge Channel Foundation, Inc.
Lopez Group Foundation, Inc.
Philippine-Malaysia Business Council

Director (July 2005)
Director (April 2001)
Director (September 2000)
Director (April 1997)
Trustee (1994)
Chairman/Director (May 2000)
Trustee (June 2008)
Director (November 2003)
Director (November 1997)
Director (April 2006)
Chairman (April 1991)
Director (June 2000)
Trustee (January 2002)
President (February 2004)
Co-Vice Chair, Executive Committee
(November 1996)

Philippine Foundation for Global Concerns, Inc.
PHINMA, Inc.
RP-Thailand Business Council
STI Foundation
STI, Inc.
STI – Information and Communications
Technology Academy (i-Academy)

Trustee (June 1998)
Director (July 2000)
Member
Trustee (July 2004)
Chairman (December 2002)

Integrated Bar of the Philippines
Makati Business Club
Management Association of the Philippines
Alabang Country Club
Baguio Country Club
Manila Polo Club
Tagaytay Highlands International Golf Club, Inc.

Founding Governor and Chairman
(March 2002)
Member
Member
Member
Member
Member
Member
Member

CERTIFICATION OF INDEPENDENT DIRECTOR

I, MONICO V. JACOB, Filipino, of legal age and a resident of 447 Duke Street, Greenhills East, Mandaluyong City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of Jollibee Foods Corporation;
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Systems Technology Institute, Inc.	President and CEO	2003 - present
Global Resource for Outsourced Workers, Inc.	Chairman	2000 - present
STI-Universal Workers, Inc.	Chairman	2002 - present
Total Consolidated Asset Management, Inc.	Chairman	2006 - present
CEOs, Incorporated	Chairman	1999 - present
Phoenix Petroleum	Director	2008 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Jollibee Foods Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations;

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code; and

5. I shall inform the Corporate Secretary of Jollibee Foods Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this 26th day of May 2009 at Makati City.


Affiant

JUN 02 2009

SUBSCRIBED AND SWORN to before me this ____ day of _____ at _____, affiant exhibiting to me his Community Tax Certificate No. 12358875 issued at Makati City on 14 January 2009 and SSS ID No. 03-1424118-6.

Doc. No. 276;
Page No. 53;
Book No. 11;
Series of 2009.


AGATHA O. GA. S. DE JESUS
NOTARY PUBLIC
UNTIL DECEMBER 31, 2010
Bar. Of Attorney's No. 50929
IBP # 35147 December 16, 2008 Pasig
PTR # 5100995 January 6, 2009 Pasig