Jollibee®

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

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LCU

____
DTU

77487
S.E.C REG. No.

____
Central Receiving Unit

____
File Number

____
Document I.D.

Jollibee Foods Corporation
5/F Jollibee Plaza, Emerald Avenue, Ortigas Center, Pasig 1605 Philippines
Trunk Line 63 2 634-1111

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 24, 2011 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, 2011 are entitled to vote and be voted for during the meeting. For your convenience in registering your attendance, please bring any form of government-issue 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 7, 2011. 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 Corporate Secretary not later than ten (10) days before the meeting June 14, 2011 ("Cut-Off Date"). Proxies received after Cut-Off Date shall not be recognized for this meeting. Proxies duly received by the Corporate Secretary on or before 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 Cut-Off Date.

WILLIAM TAN UNTIONG
Corporate Secretary

PROXY

KNOW ALL MEN BY THESE PRESENTS:

That I , the undersigned stockholder of ______________________________, do hereby nominate, constitute and appoint ______________________ as my true and lawful attorney-in-fact and proxy to represent me and vote all my shares registered in my name on the books of said corporation, in the annual stockholders' meeting to be held on ________________ and any adjournments thereof, as fully to all intents and purposes as I might or could do if present in person, hereby ratifying and confirming any and all actions taken during any said meetings, or adjournments thereof.

This proxy shall be valid for the above meeting only, or any adjournments thereof, unless withdrawn by me earlier through notice in writing delivered to the Corporate Secretary. In case I shall be present at any particular meeting, or shall have given my proxy to another to represent me at any meeting, this proxy shall be deemed revoked.

Dated this ______ day of ________________.

Signature ____________________
Printed Name

(Do Not Fill This Portion)

No. of Shares Registered ____________________
Signature (s) Verified By ____________________

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 24, 2011 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 3, 2011**

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):

Type of Securities	No. Shares Outstanding
Treasury	16,447,340
Common	1,035,135,680

Note: Total outstanding common shares inclusive of 6,000 shares subject for listing. These represent shares purchased by employee/s in connection with JFC's Management Stock Option Program (MSOP).

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 24, 2011.

DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The Annual Stockholders' Meeting of Jollibee Foods Corporation (the "Company") will be held on June 24, 2011 at 2:00 p.m. at the PSE Auditorium, PSE Bldg., Exchange Road, Ortigas Center, Pasig City (the "Meeting"). This Information Statement shall be first distributed to the stockholders of record as of May 31, 2011 on or before June 3, 2011.

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.

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.

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[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.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

(a) The Company has, as of the date of the preparation of this Report, 1,035,129,680[2] 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, 2011 the Board fixed May 31, 2011 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, 2011):

Title of Class	Name and Address of Record Owner	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	**Hyper Dynamic Corporation** 6th 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 consanguinity or affinity.*	Filipino	273,218,750	26.39%
Common	**PCD Nominee Corporation** G/F Makati Stock Exchange 6767 Ayala Ave., Makati City	*Approximately 646,528 scripless shares lodged with Deutsche Regis Partners Inc. are owned by Queenbee Resources Corporation, a special*	Non-Filipino	304,375.834	29.40%

[2] *As of preparation of this Report on April 30, 2011.*

Title of Class	Name and Address of Record Owner	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
		purpose vehicle which is the issuer of warrants over such shares.			
Common	**Honeysea Corporation** 6th 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 consanguinity or affinity.*	Filipino	127,743,747	12.34%
Common	**PCD Nominee Corporation** G/F Makati Stock Exchange 6767 Ayala Ave., Makati City		Filipino	64,599,370	6.24%
Common	**Winall Holding Corporation**	*Majority of the shares in Winall Holding Corporation are owned or controlled by certain relatives within the fourth degree of consanguinity or affinity.*	Filipino	54,140,736	5.23%

Note: For the Annual Stockholders Meeting on June 24, 2011, Mr. Tony Tan Caktiong is authorized to vote the shares of Hyper Dynamic Corporation, Honeysea Corporation and Winall Holding Corporation.

Security Ownership of Directors (as of May 15, 2011):

Name and Position	**Citizenship**	**Nature of Beneficial Ownership**	**Number of Shares**	**Percent of Class**
Tony Tan Caktiong *Chairman, President and Chief Executive Officer*	Filipino	Direct -	14,715,203	Total: 1.5%
		Indirect (through Deutsche)	564,000	
Ernesto Tanmantiong *Treasurer, Executive Vice-President and Chief Operating Officer*	Filipino	Direct	2,501,811	Total: 0.3%
		Indirect (through Deutsche)	457,019	
William Tan Untiong *Corporate Secretary and Vice-President for Real Estate*	Filipino	Direct	5,928,055	Total: 0.6%
		Indirect (through Deutsche)	282,660	
Ang Cho Sit *Director*	Filipino	Direct	11	Total: 0.0%
		Indirect (through		

Name and Position	Citizenship	Nature of Beneficial Ownership	Number of Shares	Percent of Class
		Deutsche)		
Antonio Chua Poe Eng *Director*	Filipino	Direct	0	Total: 0.3%
		Indirect (through RCBC)	1	
		(Indirect through Honeyworth)[3]	3.398.325	
Felipe B. Alfonso *Director*	Filipino	Direct	1	Total: 0.0%
		Indirect (through Deutsche)	0	
Monico Jacob *Director*	Filipino	Direct	0	Total: 0.0%
		Indirect (through Deutsche)	100	
Cezar P. Consing *Director*	Filipino	Direct	0	Total: 0.0%
		Indirect (through Deutsche)	1	

Security Ownership of Company's Corporate Management Committee officers (as of May 15, 2011:

Name and Position	Citizenship	Nature of Beneficial Ownership	Number of Shares	Percent of Class
Jose Ma. A. Miñana Jr. *President, Jollibee Philippines*	Filipino	Direct	61,828	Total: 0.0%
		Indirect (through Deutsche	114,000	
Isaias P. Fermin *President, Chowking Philippines*	Filipino	Direct	0	Total: 0.0%
		Indirect (through Deutsche	0	
Fernando S. Yu, Jr. *President, Greenwich Business*	Filipino	Direct	0	Total: 0.0%
		Indirect (through Deutsche	0	
Joseph Tanbuntiong *President, Red Ribbon Business Unit*		Direct	0	Total: 0.0%
		Indirect (through Deutsche	0	
Ysmael V. Baysa *Chief Finance Officer, Vice*	Filipino	Direct	852,166	Total: 0.1%
		Indirect		

3 As disclosed in Antonio Chua Poe Eng's SEC Form 23-B.

Name and Position	**Citizenship**	**Nature of Beneficial Ownership**	**Number of Shares**	**Percent of Class**
President for Corporate Finance		(through Deutsche	123,333	
John Victor R. Tence *Vice President for Corporate Human Resources*	Filipino	Direct	100,000	Total: 0.0%
		Indirect (through Deutsche	38,095	
Daniel Rafael Ramon Gomez *Vice President for Corporate Marketing*	Filipino	Direct	0	Total: 0.0%
		Indirect (through Deutsche	0	

Security Ownership of Company's other corporate officers (as of May 15, 2011):

Name and Position	**Citizenship**	**Nature of Beneficial Ownership**	**Number of Shares**	**Percent of Class**
Benigno M. Dizon *Vice President for Engineering*	Filipino	Direct	52.514	Total: 0.0%
		Indirect (through Deutsche	0	
William S. Lorenzana *Vice President for Information Management*	Filipino	Direct	83,334	Total: 0.0%
		Indirect (through Deutsche	0	
Anastacia S. Masancay *Vice-President for Corporate Audit*	Filipino	Direct	300,000	Total: 0.0%
		Indirect (through Deutsche	186,000	
Susana K. Tanmantiong *Vice-President for Purchasing*	Filipino	Direct	520,857	Total: 0.1%
		Indirect (through Deutsche	138,000	
Lauro C. Matias *Vice President for Information Management*	Filipino	Direct	0	Total: 0.0%
		Indirect (through Deutsche	0	
Paul A. Zaldarriaga *Vice President for Information Management*	Filipino	Direct	0	Total: 0.0%
		Indirect (through Deutsche	0	
Erlinda F. Castro *Branch Head, Jollibee Worldwide Services*	Filipino	Direct	0	Total: 0.0%
		Indirect (through Deutsche	0	

The aggregate number of shares directly owned by all officers and directors as a group as of April 30, 2011 is 25,115,780 shares or approximately 2.4% 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

The Company's directors are:

TONY TAN CAKTIONG

Mr. Tan Caktiong, born in 1953, 58, 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. He is also a member of the Nomination, Compensation and Finance Committees.

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	Mang Inasal Philippines, Inc.
Chairman	Coffeetap Corporation
Chairman	Jollibee Foods Processing Pte. Ltd.
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
Trustee	Asian Institute of Management
Trustee	St. Luke's Medical Hospital
Trustee	Philippine Academy of Sakya, Inc.
Member	Chief Executives Organization, Inc.
Member	World Presidents' Organization
Founding Convenor	Philippine Business for Education

WILLIAM TAN UNTIONG

Mr. Tan Untiong, born in 1953, 58, Filipino, has been the Corporate Secretary of the Company since 1994, and a member of the Board since 1993. He is also a member of the Audit Committee of the Board of Directors.

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	Mainspring Resources Corporation
Director, Corporate Secretary	Queenbee Resources Corporation
Director, Corporate Secretary	Zenith Foods Corporation
Director, Corporate Secretary	Tokyo Teriyaki Corporation
Director, Corporate Secretary	Mang Inasal Philippines, Inc.
Director, Corporate Secretary	Coffeetap Corporation
Director, Treasurer	Antares Holdings, Inc.
Director, Treasurer	Hyper Dynamic Corporation
Director, Treasurer	Kingsworth Corporation
Director	Honeysea Corporation

ERNESTO TANMANTIONG

Mr. Tanmantiong, born in 1958, 53, Filipino, has been a member of the Board since 1987, and is presently the Treasurer of the Company. He is also a member of the Nomination and Compensation Committees of the Board of Directors.

Mr. Tanmantiong is also the Executive Vice-President and Chief Operating Officer of the Company.

In addition to his responsibilities as President, Jollibee Business Unit (Global) and Chief Operating Officer, Mr. Tanmantiong has responsibilities over the Corporate Services Group as well as over the Greenwich and Red Ribbon Business Units.

Other directorships are:

Chairman, President	Kingsworth Corporation
Chairman, President	Vismin Foods Corporation

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

ANG CHO SIT

Mr. Ang, born in 1950, 61, 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, 63, Filipino, has been a member of the Board since 1978. He is a member of the Audit Committee of the Board of Directors.

Other directorships are:

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

FELIPE B. ALFONSO

Mr. Alfonso, born in 1937, 74, Filipino, has been a member of the Board since 1995, and is an Independent Director of the Company. Mr. Alfonso chairs the Nomination and Compensation Committee and is a member of the Audit Committee. He is Vice Chairman of the Board of Trustees of the Asian Institute of Management.

Other directorships, trusteeships and affiliations are:

Director	Lopez Holdings
Chairman	eMeralco Ventures
Chairman	STI
Director	Phinma Inc.
Vice-Chairman, Board of Trustees	Asian Institute of Management (AIM) – Scientific Research Foundation, Inc.
Executive Adviser	Asian Forum for Corporate Social Responsibility – RVR
Treasurer	Cartwheel
Chairman	iAcademy

MONICO JACOB

Mr. Jacob, born in 1945, 66, Filipino, has been a member of the Board since 2001. Mr. Jacob is an Independent Director and chairs the Audit Committee of the Board of Directors.

Other directorships are:

President and Chief Executive Officer	STI Education Services Group, Inc.
President and Chief Executive Officer	Information and Communications Technology Academy (iAcademy, Inc.)
President and Chief Executive Officer	PhilPlans First, Inc.
President and Chief Executive Officer	Philhealthcare, Inc.
Chairman	Global Resources for Outsourced Workers, Inc.
Chairman	Total Consolidated Asset Management, Inc.
Director	Phoenix Petroleum Phils, Inc.

CEZAR P. CONSING

Mr. Consing, born in 1960, 51, Filipino, was elected to the Board of Directors of the Company in 2010. Mr. Consing is a partner with The Rohatyn Group, a New York-based investment management company. He was an investment banker with J.P. Morgan & Co. from 1985 to 2004 and was President of J.P. Morgan Securities (Asia Pacific) from 1999 to 2004.

Board of Partners	TRG Management LP
Partner/Managing Director	TRG Management Hong Kong Ltd. (The Rohatyn Group)
Independent Board Director	Bank of the Philippine Islands
Non-executive Chairman/Board of Director	FILGIFTS.com
Independent Board Director	First Gen Corporation

Independent Board of Director	CIMB Group Holdings Berhad
Independent Board of Director	CIMB Group Sdn. Berhad
Independent Board Director	CIMB Securities International Pte Ltd.
Board of Director and Chairman of the Executive Committee	Premiere Development Bank
Board Director	Arch Capital Management

Mr. Consing is a member of the Finance Committee of the Board of Directors.

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 25, 2010.

Messrs. Tony Tan Caktiong, William Tan Untiong and Ernesto Tanmantiong are also members of the Executive Committee of the Board of Directors of the Company. Other members of the Corporate Management Committee are:

JOSE A. MINANA

Mr. Minana, born in 1964, 46, Filipino, joined the Company in 1993. He is President of Jollibee Philipines. Prior to this, he was the Head of the National Business Unit of Jollibee Philippines.

Before rejoining the Company in 2000, Mr. Minana was the Corporate Planning Manager of RFM Corporation and, prior to this, Business Development Manager of the PACT Group.

ISAIAS P. FERMIN

Mr. Fermin, born in 1968, 43, Filipino, joined the Company on July 1, 2008. He is the President of Chowking Philippines. Mr. Fermin was previously 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.

FERNANDO S. YU, JR.

Mr. Yu, born in 1967, 43, Filipino, joined the Company in 2004. He is the President of the Greenwich Business. Prior to this he was the Head of the South Luzon Regional Business Unit of Jollibee.

Before joining the Company, Mr. Yu was Director for Merchandising (from 2002 to 2003) and then Assistant Vice President for Operations (2003 to 2004) of Big R Supercenters.

JOSEPH TANBUNTIONG

Mr. Tanbuntiong, born in 1963, 48, 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.

YSMAEL V. BAYSA

Mr. Baysa, born in 1956, 55, 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, 57, 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, 38, 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 Car of Unilever Philippines and prior to that, Category Director for Skin & Deodorants in the same company.

OFFICERS OF INTERNATIONAL BRANDS

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

THOMAS B. ALLIN

Mr. Allin, born in 1949, 61, recently acquired expanded responsibilities over foreign markets serving mainstream consumers that will initially include China and Indonesia. Prior to this, he was the Country Managing Director of the Company's China operations, directly overseeing the Company's businesses in China, including Yonghe King and Hongzhuangyuan. Mr. Allin was previously the Company's Consultant for International Operations and a partner in Jinja Bar and Bistro where the Company had acquired a minority stake in 2008. He was also previously connected with McDonalds Corporation for 23 years.

ANDREW TAN

Mr. Tan, born in 1956, 55, 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.

DR. POLLY YANG (CHUAN HUA YANG)

Dr. Yang, born in 1967, 44, 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, 40, is currently the General Manager of the Hongzhuangyuan brand which the Company acquired in 2008. She was previously the Market Director of Yonghe King brand.

FRANKIE TAN CHIEW KUANG

Mr. Tan, born in 1956, 54, is currently the President of Jollibee Foods Processing Pte. Ltd. Mr. Tan was previously the Chief Executive Officer of Country Foods Hongkong in 2009 and, concurrently, Senior Vice President (Special Projects) of SATS Limited.

MICHAEL LEE

Mr. Lee, born in 1958, 52, was appointed Country Managing Director of China.

Before joining the Company in April 2011, Mr. Lee was previously President and Chief Executive Officer of RCS Food and Beverage Division for Greater China (China, Hongkong, Macau, Taiwan) and was responsible for starting up and growing Dairy Queen and Papa John's Pizza in China.

OTHER CORPORATE OFFICERS

BENIGNO M. DIZON

Mr. Dizon, born in 1957, 54, 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, 54, 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, 57, 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, 53, 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.

LAURO C. MATIAS

Mr. Matias, born in 1962, 48, Filipino, is the Vice President and Chief Information Officer. He joined the Company in 2010.

Before joining the Company, Mr. Matias was Vice President and Chief Information Technology Officer of the Sinarmas Group in Jakarta, Indonesia, the 3rd largest Indonesian conglomerate.

ERLINDA F. CASTRO

Ms. Castro, born in 1957, 54, 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, 61, Filipino, is the President of Jollibee Foundation, Inc. since 2004. She was previously connected with the Company as head of the Information Technology Division. Ms. Tan Caktiong brings to the Foundation her extensive experience in business management and leadership in socio-civil activities.

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
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 and William Tan Untiong. Antonio Chua Poe Eng is the brother-in-law of Tony Tan Caktiong, Ernesto Tanmantiong and William Tan Untiong. Grace A. Tan is the wife of Tony Tan Caktiong.

Some of the Company's directors own franchises or have minority interests in companies which 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 may 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 the 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 *Chairman, President and Chief Executive Officer*				
Ernesto Tanmantiong *Treasurer, Executive Vice-President and Chief Operating Officer*	2009	67,560,612	28,620,359	96,180,973
Isaias P. Fermin *President, Chowking Philippines*	2010	48,212,751	29,862,180	78,074,931
Ysmael V. Baysa *Chief Finance Officer*	2011*	57,855,301	33,117,456	90,972,757
William Tan Untiong *Corporate Secretary*				

All other officers and directors as a group unnamed	2009	176,465,072	86,445,304	262,910,376
	2010	179,328,761	86,280,704	265,609,470
	2011*	200,848,212	95,003,688	295,851,900

* Estimate

COMPENSATION OF DIRECTORS

Standard Arrangements

Directors of the Company receive a per diem of PhP60,000.00 for attendance in a Board meeting. Board meetings are scheduled quarterly. A director who attends all regular meetings earns a total of PhP240,000.00 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.

Employment Contracts

The Company maintains standard employment contracts with executive officers. The contracts provide for annual salary increases and bonuses. Other than these employment contracts, there are no special compensatory plans or arrangements which results 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.

Senior Management Stock Option and Incentive Plan

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

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

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

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

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

The contractual term of each option is seven years. The Jollibee Group does not pay cash as a form of settlement.

On July 1, 2004, the Compensation Committee of the Jollibee Group granted 2,385,000 options under the 1st MSOP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted on each anniversary date which will start after a year from the MSOP grant date. One-third of the options granted, or 795,000 options, vested and may be exercised starting July 1, 2005 and will expire on June 30, 2012. On July 1, 2005 to 2010, the Compensation Committee granted series of MSOP grants under the 2nd to 7th MSOP cycle to eligible participants. The options vest similar to the 1st MSOP cycle.

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

Each ELTIP cycle refers to the period commencing on the ELTIP entitlement date and ending on the last day of the ELTIP exercise period. Vesting is conditional upon achievement of the Jollibee Group's minimum medium to long-term goals and individual targets in a given period, and the employment of the employee-participants to the Jollibee Group within the vesting period. If the goals are achieved, the options will start vesting at grant date at a rate of one-third every anniversary of the ELTIP grant date.

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

The contractual term of each option is five years. The Jollibee Group does not pay cash as a form of settlement.

On July 1, 2004, the Compensation Committee gave an entitlement of 22,750,000 options under the 1st ELTIP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted from the start of the grant date and on each anniversary of the ELTIP grant date. One-third of the options granted, or 7,583,333 options, vested and may be exercised starting July 1, 2007 and will expire on June 30, 2012. On July 1, 2008 and 2010, total entitlement of 19,649,999 options under 2nd ELTIP cycle were given to eligible participants. The options vest similar to the 1st ELTIP cycle.

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 25 fiscal years. SGV is expected to be represented in the coming Annual Stockholder's 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 performed the audit of the Company's accounts for the first year. 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 24, 2011, 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.

JOINT VENTURE, ACQUISITION & DIVESTMENTS

Joint Venture (Processing Plant)

The Company disclosed on July 27, 2010 that it entered into a joint venture agreement where, together with its joint venture partner, Hua Xia Harvest Holdings Pte. Ltd., it shall undertake food manufacturing operations to supply food products to food service businesses primarily of the Jollibee Group of Companies. As its initial project, the joint venture plans to build and operate a food processing plant in Shucheng County in Anhui Province of China. This commissary will supply products for the Jollibee Group of Companies' restaurants in China, initially, Yonghe King, for its stores in Shanghai and Beijing. The commissary is expected to begin production in 2011.

Termination of Franchise Agreement (Delifrance)

On September 7, 2010, the Company's wholly-owned subsidiary, Fresh N'Famous Foods, Inc., entered into an agreement to sell assets of the Delifrance Business Unit to CafeFrance Corp. The sale is part of the Company's intention to concentrate its resources in building larger quick-service restaurant businesses. The sale and purchase was completed on December 31, 2010, simultaneous with the termination of the Franchise Agreement with Delifrance Asia Limited.

Acquisition (Mang Inasal)

On October 18, 2010, the Company disclosed that the terms of its unsolicited offer to acquire 70% of Mang Inasal Philippines, Inc. ("*MIPI*"), the owner and operator of the Mang Inasal restaurant chain, have been unconditionally and irrevocably accepted by Injap Investments, Inc., ("*Injap*") parent company of MIPI. The share purchase agreement between the Company and Injap was signed on November 15, 2010 following the completion of the Company's due diligence. The transaction was completed on November 22, 2010.

Closure (Manong Pepe Karinderia)

The Company disclosed on April 8, 2011 that it shall discontinue operating its Manong Pepe Karinderia business effective April 9, 2011 to concentrate its resources in building larger quick-service restaurant businesses. Manong Pepe Karinderia began operating as a new restaurant concept in 2007 and was serving Filipino food at very low price points aimed mainly at people in the work force in urban centers. Manong Pepe Karinderia is operated by the Company's wholly-owned subsidiary, Fresh N'Famous Foods, Inc.

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.

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 27, 2009 to June 24, 2010.

Majority vote of the stockholders present or represented at the 2010 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 2, 2011 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, 2010 is attached herein as Annex "C" while the interim financial statements of the company for the quarter ending March 31, 2011 are attached hereto as Annex "D."

EXTERNAL AUDIT FEES

Audit and Audit-Related Fees: For the 2010 audit, the aggregate fees for professional services rendered by the external auditors is approximately PhP15 Million, broken down as follows: approximately PhP6 Million for international operations and PhP9 Million for Jollibee and local subsidiaries.

For the 2009 audit, the aggregate fees for professional services rendered by the external auditors is PhP14.1 Million, broken down as follows: PhP3.5Million for Belmont, PhP1.2Million for Hongzhuangyuan and PhP7.7Million for Jollibee and local subsidiaries.

Tax Fees: In 2010 and 2009, 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 2010 and 2009 professional services rendered by external auditors other than those mentioned above.

The proposal external auditors for professional services was submitted to, and reviewed by, the Audit Committee which, in turn, endorsed the same for approval.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR 2010

Results of Operations

System-wide Sales and Revenues

The Jollibee Foods Corporation and subsidiaries (JFC Group) posted a revenue growth of 11.3% to ₱53,371.7 million from ₱47,957.7 million last year. Total system-wide sales, a measure of all sales to consumers from both company-owned and franchised stores grew by 10.2% to ₱70,254.3 million. Practically all brands in all countries where the JFC Group operates achieved growth in the full year of 2010 versus 2009 led by Yonghe King and Hong Zhuang Yuan in China of +24% and Jollibee International of +18%. The new acquisition, Mang Inasal also contributed to the JFC Group's worldwide sales growth during the year. The JFC Group's worldwide store network as of December 31, 2010 stood at 2,316 stores, 23% higher than a year ago due primarily to the acquisition of Mang Inasal that added 345 stores to the JFC Group's network. The JFC Group opened in 2010 a total of 182 stores worldwide: 98 in the Philippines and 84 overseas.

Cost of Sales

Consolidated cost of sales increased by 12.7% or ₱4,866.5 million to ₱43,254.7 million. The following table summarizes the breakdown of the JFC Group's cost of sales for the years ended December 31, 2010 and 2009 and the percentage of each cost item to total revenues:

	Years Ended		Change		Percent of Revenues	
	2010	2009	Amount	Percent	2010	2009
Cost of inventories	24,186,870,163	21,520,003,001	2,666,867,162	12.4%	45.3%	44.9%
Personnel costs:						
Salaries, wages and employee benefits	6,515,788,872	5,782,749,258	733,039,614	12.7%	12.2%	12.1%
Net pension expense	78,542,800	74,930,373	3,612,427	4.8%	0.1%	0.2%
Rent	3,903,657,688	3,359,382,394	544,275,294	16.2%	7.3%	7.0%
Electricity and other utilities	2,491,684,514	2,081,613,784	410,070,730	19.7%	4.7%	4.3%
Depreciation and amortization	1,801,293,696	1,829,244,905	(27,951,209)	-1.5%	3.4%	3.8%
Supplies	1,244,811,120	1,036,947,263	207,863,857	20.0%	2.3%	2.2%
Freight	866,667,589	697,193,711	169,473,878	24.3%	1.6%	1.5%
Contracted services	707,195,005	654,434,173	52,760,832	8.1%	1.3%	1.4%
Repairs and maintenance	515,366,896	468,109,510	47,257,386	10.1%	1.0%	1.0%
Security and janitorial	243,980,998	225,145,839	18,835,159	8.4%	0.5%	0.5%
Communication	104,033,676	109,664,719	(5,631,043)	-5.1%	0.2%	0.2%
Professional fees	76,501,931	76,027,727	474,204	0.6%	0.1%	0.2%
Entertainment, amusement and recreation (EAR)	22,066,898	19,563,502	2,503,396	12.8%	0.0%	0.0%
Others	496,268,614	453,318,095	42,950,519	9.5%	0.9%	0.9%
Cost of Sales	43,254,730,460	38,388,328,254	4,866,402,206	12.7%	81.0%	80.0%

- Cost of inventories increased as a result of the rapid increase in the cost of food raw materials primarily sugar, fats, potatoes and dairy products.

- Personnel costs increased due to additional headcount resulting from the increase in company-owned store network. Performance-related increases, employee promotions and upgrades also contributed to the increase.

- Rent increased on account of higher sales, increase in store network and annual rent escalation and the mix effect from faster growth in foreign business. The increase in the pallet and warehouse rental of a subsidiary of the Parent Company also contributed to the increase.

- Electricity and water, supplies and contracted services relative to increase in store network.

- Repairs and maintenance increased due to the increasing number of stores undergoing regular preventive maintenance for store equipment.

- Security and janitorial likewise increased due to the increase in company-owned store network and additional warehouses leased during the year by the Parent company's subsidiaries.

- Communication decreased due to the 20% decline in telephone expenses of the Jollibee Brand and Fresh N' Famous.

- Entertainment, amusement and recreational expenses increased due to higher representation expenses of the JFC Group's various brands.

- Cost of sales – others increased mainly due to higher expenses related to the Company's SEEDs (or Skills Enhancement and Educational Development for Students) program and increase in expenses pertaining to the JFC Group's delivery services.

Gross Profit

Consolidated gross profit **increased** by 5.7% or ₱547.6 million to ₱10,117.0 million, from ₱9,569.4 million in 2009. However, the JFC Group's efforts on price adjustments and cost improvements were not sufficient to recover the increase in cost of raw materials thus resulting in a 1% point decline in gross profit margin, from 20.0% in 2009 to 19.0% in 2010.

Operating Expenses

Consolidated operating expenses increased by 4.0% or ₱249.6 million to ₱6,517.7 million. The following table summarizes the breakdown of the JFC Group's expenses for the years ended December 31, 2010 and 2009 and the percentage of each expense item to the total revenues:

	Years Ended		Change		Percent of Revenues	
	2010	2009	Amount	Percent	2010	2009
Personnel costs:						
Salaries, wages and employee benefits	2,477,525,828	2,361,989,088	115,536,740	4.9%	4.6%	4.9%
Net pension expense	77,575,074	65,823,484	11,751,590	17.9%	0.1%	0.1%
Stock option expense	65,657,862	147,522,179	(81,864,317)	-55.5%	0.1%	0.3%
Taxes and licenses	625,572,401	589,132,269	36,440,132	6.2%	1.2%	1.2%
Professional fees	326,009,405	179,442,357	146,567,048	81.7%	0.6%	0.4%
Transportation and travel	250,493,661	226,739,595	23,754,066	10.5%	0.5%	0.5%
Rent	189,141,489	182,629,169	6,512,320	3.6%	0.4%	0.4%
Depreciation and amortization	176,712,298	256,704,964	(79,992,666)	-31.2%	0.3%	0.5%
EAR	84,790,392	74,319,667	10,470,725	14.1%	0.2%	0.2%
Communication	65,940,549	72,778,718	(6,838,169)	-9.4%	0.1%	0.2%
Electricity and other utilities	52,076,181	44,715,764	7,360,417	16.5%	0.1%	0.1%
Training	47,662,662	33,706,633	13,956,029	41.4%	0.1%	0.1%
Supplies	46,652,158	57,269,728	(10,617,570)	-18.5%	0.1%	0.1%
Security and janitorial	35,886,424	35,882,287	4,137	0.0%	0.1%	0.1%
Repairs and maintenance	35,286,344	50,413,062	(15,126,718)	-30.0%	0.1%	0.1%
Contracted services	34,570,979	36,776,355	(2,205,376)	-6.0%	0.1%	0.1%
Donations	26,668,997	46,373,823	(19,704,826)	-42.5%	0.0%	0.1%
Insurance	5,643,678	8,443,845	(2,800,167)	-33.2%	0.0%	0.0%
Corporate events and others	590,944,778	526,672,565	64,272,213	12.2%	1.1%	1.1%
General and administrative expenses	**5,214,811,160**	**4,997,335,552**	**217,475,608**	**4.4%**	**9.8%**	**10.4%**
Advertising and promotions	**1,246,592,522**	**952,456,995**	**294,136,527**	**30.9%**	**2.3%**	**2.0%**
Provisions	**56,255,685**	**318,260,060**	**(261,984,375)**	**-82.3%**	**0.1%**	**0.7%**
Total Operating Expenses	**6,517,659,367**	**6,268,041,607**	**249,617,760**	**4.0%**	**12.2%**	**13.1%**

- Net pension expense increased due to additional accruals for the year.

- Stock option expense decreased on account of higher base as options granted in 2004 for the JFC Group's long-term incentive plan (LTIP) had been fully expensed in 2009.

- Taxes and licenses increased due to higher business-related taxes and license fees resulting from higher revenues.

- Professional fees were higher this year due to increase in third party consultations – mostly for legal and tax services, in relation to the Parent Company's business acquisitions and other special projects.

- Transportation and travel was higher this year due to increase in fuel consumption. Also a result of local and foreign store network expansion, foreign acquisitions and company business reviews in China that required land and air travels for some company executives and employees.

- Depreciation and amortization decreased due to the increase in fully depreciated assets of foreign business by 61.0% or ₱61.9 million.

- EAR increased mainly due to increase in meal and representation expenses primarily of the foreign business.

- Communication decreased due to the 29.0% decline in telephone expenses of the Jollibee corporate offices, partially offset by the 15.9% increase in communication expense of the foreign business.

- Electricity and water increased due to higher consumption resulting from additional corporate office spaces in the 14th, 17th and 29th floors of the Jollibee Plaza; and, 17% and 21% increase in power and water rates, respectively.

- Training increased due to the roll-out of the Values Integration and Enhancement Workshop (VIEW) to all support groups.

- Supplies decreased due to decline in volume of office and janitorial supplies.

- Repairs and maintenance decreased on account of higher base resulting from significant increase in repairs and maintenance of the China business in 2009 for software and company vehicle maintenance and property management.

- Contracted services decreased due to reduction in contracted services of Fresh N' Famous by 51.2%.

- Donation decreased on account of higher base; the amount booked in 2009 pertains to donation for 2008 and 2009.

- Insurance expense declined due to lower insurance premium rates.

- Corporate events and others increased on account of higher expenses related to corporate events, entertainment and market research.

Advertising and Promotions

Advertising and promotions increased on account of lower base as a result of an action taken by the JFC Group in 2009 to be more conservative in its marketing spending due to concerns on the possible effect of the financial crisis to the JFC Group.

Provisions

Provisions decreased due to reversal of 2009 provisions for impairment on inventories amounting to ₱106.9 million and impairment on property and equipment amounting to ₱18.2 million resulting from impairment testing as required by the Accounting Standards. Also contributing to the decline was the lower provisions made in 2010 of ₱56.3 million compared to 2009 provisions of ₱318.2 million.

Operating Income

Considering the factors discussed above, operating income for the year 2010 increased by 9.0% or ₱298.0 million to ₱3,599.3 million. Because of fast rising cost of raw materials and overhead expenses, the JFC Group was not able to preserve its operating income margins which declined by 20 basis point, from 6.9% in 2009 to 6.7% in 2010.

Finance Charges

Interest Expense

Interest expense decreased by ₱25.7 million or -11.7% to ₱193.2 million due to lower interest rates on the short-term bank loans of the Parent Company and People's Republic of China (PRC)-based subsidiaries, from 5.8% in 2009 to 3.1% in 2010 and settlement of a USD-denominated bank loan of RRBI USA (*See Notes 18 and 23 of the Consolidated Financial Statements for further details*).

Equity in Net Loss of a Joint Venture

This pertains to the ₱2.2 million equity in net loss of Coffeetap Corporation, a joint venture entity which is 50% owned by the JFC Group.

Other Income

Consolidated other income for the year was ₱618.9 million, 51.3% higher than last year's other income of ₱409.1 million. The increase was mainly due to reversal of prior years' accruals, fees charged to franchisees for services of borrowed managers, scrap sales, asset sale, FOREX gains and other miscellaneous income.

Income Taxes

The JFC Group's provision for current income tax increased by ₱54.9 million or 5.6% mainly due to increase in royalty and franchise fee income.

The decrease in provision for deferred income tax by ₱69.8 million was due to recognition of net operating loss carry over (NOLCO) by PRC-based and Philippine-based subsidiaries.

Net Income

Consolidated net income for the year 2010 was ₱3,212.5 million, an increase of 20.5% versus the 2009 consolidated net income of ₱2,666.9 billion due mainly to the JFC Group's revenue growth and higher other income. Net income as a percent of revenues was up 40 basis points, from 5.6% last year to 6.0% this year. On a per share basis, after tax net earnings per share amounted to ₱3.118, 19.5% higher compared to the previous year's after tax net earnings per share of ₱2.610.

Financial Condition

The JFC Group's consolidated total assets as of December 31, 2010 stood at ₱32,774.9 million, ₱3,047.4 million or 10.3% higher than the December 31, 2009 balance of ₱29,727.5 million. The following explain the significant movements in the asset accounts:

- The JFC Group's cash balance decreased by ₱806.8 million or -9.0% to ₱8,170.5 million. The movement in the JFC Group's cash will be explained further in the cash flow discussion.

- Inventories increased by ₱405.1 million or 23.4% to ₱2,134.5 million on account of higher sales volume and increase in store network including the new acquisition which contributed 5.0% to the growth. The increase in raw material costs also contributed to the increase in inventories. The JFC Group's inventory days improved, from 37 days in 2009 to 29 days in 2010.

The JFC Group achieved a current ratio of 0.99 : 1.00.

- Available-for-sale (AFS) financial assets increased by ₱21.1 million or 13.6% to ₱176.3 million due to increase in the fair value of various shares of stocks.

- Interest and advances in joint venture of ₱21.6 million pertains to advances of ₱18.8 million and investment net of equity losses of ₱2.8 million to Coffeetap.

- Property, plant and equipment increased by ₱420.0 million or 5.0% to ₱8.8 billion reflecting the JFC Group's continuing capital investments. The JFC Group opened 127 owned stores during the year.

- Investment properties increased by ₱99.6 million or 14.7% as a result of the reclassification from property, plant and equipment of the real property (Research and Development building) owned by Shanghai Yonghe amounting to ₱112.0 million

- Goodwill increased by ₱2,814.4 million or 66.9% due to the acquisition of Mang Inasal in November 2010.

- Operating lease receivables decreased by ₱11.8 million or -26.2% due to pre-termination of lease contracts resulting from store closures.

- Deferred tax assets increased by ₱79.0 million or 9.4% primarily due to the increase in NOLCO of PRC-based and Philippine-based subsidiaries and operating lease payables offset by decrease in provision for impairment in value of property, plant and equipment, investment properties and other nonfinancial assets and unrealized foreign exchange losses.

Consolidated current liabilities amounted to ₱13,744.8 million, ₱4,111.0 million or 42.7% higher than the 2009 year-end balance of ₱9,633.8 million. The following explain the significant movements in the current liabilities accounts:

- Short-term debt increased by ₱1,537.0 million or 503.9% to ₱1,842.0 million. On December 21, 2010 and November 22, 2010, the Company availed loans amounting to ₱800.0 million and ₱1,000.0 million from Metropolitan Bank and Trust Company which were used by the Company to finance its acquisition of Mang Inasal.

- Income tax payable increased by ₱31.8 million or 23.4% reflecting the impact of the new acquisition.
- The current portion of liability for acquisition of businesses decreased by ₱9.2 million or -5.1% to ₱170.2 million due to partial settlement of a liability to Hong Zhuang Yuan offset by the 10% hold-out amount (current portion) of ₱138.5 million for the acquisition of Mang Inasal.
- Current portion of long-term debt increased by ₱2,287.4 million due to the Parent Company's RMB-denominated loan of ₱2,309.8 million which will mature in September 2011, partially offset by loan payments.

Consolidated non-current liabilities amounted to ₱1,769.5 million, -53.5% or ₱2,039.0 million lower than the December 31, 2009 balance of ₱3,808.5 million. This was mainly due to the decrease in long-term debt by ₱2,309.8 million as explained in the previous paragraph (see Current portion of long-term debt), partially offset by (1) increase in deferred tax liabilities by ₱11.5 million or 7.4% due to increase in prepaid leases by ₱33.5 million; (2) increase in pension liability by ₱37.9 million or 21.8% representing additional accruals for 2010; (3) increase in operating lease payables by ₱156.8 million or 15.5% relative to the increase in number of owned stores; and, (4) the ₱141.3 million noncurrent portion of the 10% hold-out amount for the acquisition of Mang Inasal.

Consolidated stockholders' equity increased by ₱975.3 million or 6.0% primarily due to the higher net income realized in 2010, which amounted to ₱3,197.8 million and increase in additional paid in capital by ₱138.0 million for the stock option expense and issuance of new shares in relation to the management stock option plan. This was partially offset by the ₱2,303.0 million cash dividends declared during the year and the negative change in cumulative translation adjustments of ₱215.8 million due to lower net assets of the JFC Group's foreign business resulting from the appreciation of the Philippine Peso.

Liquidity and Capital Resources

In 2010, net cash provided by operating activities was ₱5,504.1 million, -18.8% or ₱1,272.2 million lower compared to net cash provided of ₱6,776.3 million in 2009 on account of unfavorable working capital comparisons to prior year and higher income taxes paid in 2010.

Net cash used in investing activities was ₱5,124.1 million in 2010, 45.6% or ₱1,605.6 million higher compared to net cash used for investing activities of ₱3,518.5 million in 2009 primarily reflecting goodwill (net of minority interests and 10% retention payable) in connection with the acquisition of Mang Inasal, ₱2,584.1 million for capital spending and increase in other noncurrent assets. This was partially offset by proceeds from disposals of property, plant and equipment and investment properties.

Net cash used in financing activities was ₱1,182.2 million in 2010, primarily due to the return of operating cash flow to our shareholders through dividend payments of ₱2,556.6 million and loans and interest payments for the bank loans of the Parent Company and its foreign subsidiaries. This was partially offset by proceeds from short-term debt of ₱1,800.0 million and issuance of new shares in relation to the Company's stock option program.

The Parent Company declares regular cash dividends twice a year. In the first half of 2010, its Board of Directors approved a 16.2% increase in regular cash dividend, from ₱0.37 a share declared in April 2009 to ₱0.43 a share declared on April 12, 2010 to all stockholders of record as of May 7, 2010. It also approved a special cash dividend of ₱1.00 a share of common stock to all stockholders of the same record date. Both regular and special cash dividends totaling ₱1.43 share were paid on June 3, 2010.

On November 10, 2010, the Board of Directors of the Parent Company declared a regular cash dividend of ₱0.57 a share and a special cash dividend of ₱0.25 a share of common stock to all stockholders of record as of November 25, 2010. Both regular and special cash dividends totaling ₱0.82 a share were paid on December 21, 2010.

Overall, net cash and cash equivalents decreased by ₱806.8 million to ₱8,170.5 million for the year ending December 31, 2010.

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. Consolidated actual capital expenditures in 2010 amounted to ₱2,584.1 million, 0.3% higher than the 2009 actual expenditures of ₱2,575.1 million and -42.6% lower than the 2010 budgeted expenditures due to delay in construction of the Company's planned logistic plant.

The JFC Group's capital expenditures budget was principally used to finance its store expansions and major renovations, major repairs and upgrades 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 JFC Group's financial forecast.

5. All of the JFC Group's income arose from its continuing operations.

6. Events after Reporting Date:

   Dividend Declaration
   On April 13, 2011, the BOD of the Parent Company approved a regular cash dividend of ₱0.50 a share of common stock to all stockholders of record as of May 5, 2011. The cash dividend is expected to be paid out by May 31, 2011. The cash dividend is 16.3% higher than the ₱0.43 regular cash dividend a share declared in April 2010.

   Loan Availments for Capital Expenditures and Acquisitions
   On April 12, 2011, the Parent Company entered into a loan agreement for ₱900.0 million to be paid after one year bearing fixed interest rate. Likewise, the JFC Group, through JWPL, entered into separate loan agreements to borrow US$40.0 million and US$30.0 million from separate foreign financial institutions. Both loans are payable after 3 years bearing fixed interest rates. The proceeds of the loans shall be used to finance new store openings, existing store renovations, the construction of the Jollibee Group's logistics center in Metro Manila and its China commissary to be managed by Jollibee Food Processing Pte. Ltd. (JFPPL) in Anhui Province in the PRC.

   Cessation of Operations of Manong Pepe Karinderia
   On April 9, 2011, the Jollibee Group, through its wholly owned subsidiary, Fresh N' Famous, discontinued the operations of its Manong Pepe Karinderia business unit. The move is part of the Jollibee Group's plan to concentrate resources in building larger QSR businesses. Management believes that the cessation of operation of Manong Pepe Karinderia will not have a material impact on the Jollibee Group's financial statements.

   Acquisition of Majority Stake in Chow Fun Holdings, LLC
   On March 31, 2011, the Jollibee Group, through its wholly owned subsidiary, Jollibee Worldwide acquired from Aspen Partners, LLC 2,400 shares in Chow Fun Holdings, LLC ("Chow Fun") for US$3,240,000, bringing up its equity share in Chow Fun to 80.55%. The Jollibee Group (through JWPL) had previously acquired in July 2008 a 12% equity share in Chow Fun for US$950,000. Chow Fun is the developer and owner of Jinja Bar and Bistro in New Mexico, USA. It presently has three (3) restaurants in New Mexico, two (2) in Albuquerque and one (1) in Santa Fe. Jinja Bar and Bistro serves Asian cuisine adapted to Western preferences to mainstream American consumers. The Jollibee Group's objective in this venture is to enhance its capability in developing Asian food restaurant concepts for the mainstream consumers in the United States as part of its long-term strategy. The carrying amount of previously held equity interest in Chow Fun is presented as part of AFS financial assets.

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 end Dec 2010	As of end Dec 2009
System Wide Sales	₱70,254.3 million	₱63,729.4 million
% Growth vs LY	10.2%	9.6%

Revenues

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

	As of end Dec 2010	As of end Dec 2009
Revenues	₱53,371.7 million	₱47,957.7 million
% Growth vs LY	11.3%	9.3%

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 JFC Group's return for every peso of revenue earned, after deducting cost of sales, operating expenses, interests and taxes.

	As of end Dec 2010	As of end Dec 2009
Net Income	₱3,212.5 million	₱2,666.9 million
% to Revenues	6.0%	5.6%

Basic Earnings Per Share (EPS)

EPS is the portion of the JFC Group'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 JFC 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 JFC Group's profitability.

	As of end Dec 2010	As of end Dec 2009
EPS (Basic)	₱3.118	₱2.610
% Growth vs LY	19.5%	15.1%

Return on Equity (ROE)

ROE is the ratio of the JFC Group'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 JFC Group also uses ROE for comparing its profitability to that of other firms in the same industry.

	As of end Dec 2010	As of end Dec 2009
Return on Equity	19.2%	17.5%

RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR 2009

Results of Operations

System-wide Sales and Revenues

The Jollibee Foods Corporation and subsidiaries (JFC Group) posted a revenue growth of 9.3% to ₱47,957.7 million from ₱43,891.6 million last year. Total system-wide sales, a measure of all sales to consumers from both company-owned and franchised stores grew by 9.6% to ₱63,729.4 million. Sales growth for the year was a result of mixed same store sales growth among brands in different countries and increase in number of company-owned stores. The closure of some stores across different brands and the termination of Chun Shui Tang Tea House (Shanghai) and Jollibee Shenzhen in China affected our sales growth negatively. Sales growth for most brands in the Philippines, China, Vietnam and the Middle East was healthy. However, the business in the United States was adversely affected by weak consumer spending.

The JFC Group opened in 2009 a total of 168 stores worldwide: 110 in the Philippines and 58 overseas. These compare with 186 new stores opened in 2008: 110 in the Philippines and 76 overseas, plus 38 stores added from the acquisition of Hong Zhuang Yuan in Beijing. The JFC Group closed 90 stores in 2009.

Cost of Sales

Consolidated cost of sales increased by 7.3% or ₱2,608.2 million to ₱38,388.3 million. The following table summarizes the breakdown of the JFC Group's cost of sales for the years ended December 31, 2009 and 2008 and the percentage of each cost item to total revenues:

	Years Ended		Change		Percent of Revenues	
	2009	2008	Amount	Percent	2009	2008
Cost of inventories	21,520,003,001	20,867,044,942	652,958,059	3.1%	44.9%	47.5%
Personnel costs:						
Salaries, wages and employee benefits	5,782,749,258	5,034,672,489	748,076,769	14.9%	12.1%	11.5%
Net pension expense	74,930,373	85,298,371	(10,367,998)	-12.2%	0.2%	0.2%
Rent	3,359,382,394	2,751,207,602	608,174,792	22.1%	7.0%	6.3%
Electricity and other utilities	2,081,613,784	1,862,476,746	219,137,038	11.8%	4.3%	4.2%
Depreciation and amortization	1,829,244,905	1,570,869,765	258,375,140	16.4%	3.8%	3.6%
Supplies	1,036,947,263	1,053,362,489	(16,415,226)	-1.6%	2.2%	2.4%
Freight	697,193,711	576,891,935	120,301,776	20.9%	1.5%	1.3%
Contracted services	654,434,173	586,221,240	68,212,933	11.6%	1.4%	1.3%
Repairs and maintenance	468,109,510	399,622,914	68,486,596	17.1%	1.0%	0.9%
Security and janitorial	225,145,839	217,615,854	7,529,985	3.5%	0.5%	0.5%
Communication	109,664,719	107,192,628	2,472,091	2.3%	0.2%	0.2%
Professional fees	76,027,727	90,893,405	(14,865,678)	-16.4%	0.2%	0.2%
Entertainment, amusement and recreation (EAR)	19,563,502	19,059,695	503,807	2.6%	0.0%	0.0%
Others	453,318,095	557,744,049	(104,425,954)	-18.7%	0.9%	1.3%
Cost of Sales	38,388,328,254	35,780,174,124	2,608,154,130	7.3%	80.0%	81.5%

- Consolidated cost of inventories increased slightly by 3.1% to ₱21,520.0 million. As a percentage of revenues, consolidated cost of inventories improved from 47.5% in 2008 to 44.9% in 2009 due to declining raw material prices.

- Salaries and wages increased primarily due to performance-related increase in basic pay, employee upgrades and promotions and increase in employee headcount relative to increase in company-owned store network.

- Net pension expense decreased as a result of the actuarial valuation done in 2009.

	As of December 31		% Inc (Dec)
In PhP	**2009**	2008	2009 vs 2008
Net pension expense			
Cost of sales	**74,930,373**	85,298,371	**-12.2%**
Operating expenses	**65,823,484**	60,393,611	**9.0%**
	140,753,857	145,691,982	**-3.39%**

- Rent increased as a result of annual rent escalation and increase in company-owned store network.

- Electricity and water increased by primarily due to increase in company-owned store network.

- Depreciation and amortization increased due to higher depreciation on the growing asset base of the JFC Group resulting from new company-owned stores, major store renovations and major commissary investments.

- Freight increased relative to increase in system wide sales.

- Contracted services increased primarily due to increase in company-owned store network.

- Repairs & maintenance increased by due to regular store and commissary maintenance costs and repairs of stores damaged by typhoons Ondoy and Pepeng.

- Professional fees decreased on account of higher base due to the accounting and legal services engaged by Jollibee Vietnam in 2008.

- Cost of sales others decreased due to significant decline in miscellaneous expenses.

Gross Profit

Consolidated gross profit increased by 18.0% or ₱1,458.0 million to ₱9,569.4 million, from ₱8,111.4 million in 2008. As a percent of revenues, consolidated gross profit improved from 18.5% in 2008 to 20.0% in 2009 mainly due to the improvement in raw material prices.

Expenses

Consolidated expenses increased by 15.6% or ₱844.4 million to ₱6,268.0 million. The following table summarizes the breakdown of the JFC Group's expenses for the years ended December 31, 2009 and 2008 and the percentage of each expense item to the total revenues:

	Years Ended		Change		Percent of Revenues	
	2009	2008	Amount	Percent	2009	2008
Personnel costs:						
Salaries, wages and employee benefits	2,361,989,088	1,954,662,398	407,326,690	20.8%	4.9%	4.5%
Net pension expense	65,823,484	60,393,611	5,429,873	9.0%	0.1%	0.1%
Stock option expense	147,522,179	107,100,435	40,421,744	37.7%	0.3%	0.2%
Taxes and licenses	589,132,269	538,841,273	50,290,996	9.3%	1.2%	1.2%
Professional fees	179,442,357	214,608,747	(35,166,390)	-16.4%	0.4%	0.5%
Transportation and travel	226,739,595	222,620,660	4,118,935	1.9%	0.5%	0.5%
Rent	182,629,169	151,548,685	31,080,484	20.5%	0.4%	0.3%
Depreciation and amortization	256,704,964	158,009,998	98,694,966	62.5%	0.5%	0.4%
EAR	74,319,667	47,234,312	27,085,355	57.3%	0.2%	0.1%
Communication	72,778,718	68,528,787	4,249,931	6.2%	0.2%	0.2%
Electricity and other utilities	44,715,764	53,597,374	(8,881,610)	-16.6%	0.1%	0.1%
Training	33,706,633	45,269,836	(11,563,203)	-25.5%	0.1%	0.1%
Supplies	57,269,728	57,711,424	(441,696)	-0.8%	0.1%	0.1%
Security and janitorial	35,882,287	43,695,410	(7,813,123)	-17.9%	0.1%	0.1%
Repairs and maintenance	50,413,062	34,754,003	15,659,059	45.1%	0.1%	0.1%
Contracted services	36,776,355	46,270,595	(9,494,240)	-20.5%	0.1%	0.1%
Donations	46,373,823	42,457,680	3,916,143	9.2%	0.1%	0.1%
Insurance	8,443,845	10,243,369	(1,799,524)	-17.6%	0.0%	0.0%
Corporate events and others	526,672,565	417,644,249	109,028,316	26.1%	1.1%	1.0%
General and administrative expenses	4,997,335,552	4,275,192,846	722,142,706	16.9%	10.4%	9.7%
Advertising and promotions	952,455,995	1,062,410,392	(109,954,397)	-10.3%	2.0%	2.4%
Provisions	318,250,060	86,018,445	232,231,615	270.0%	0.7%	0.2%
Total Operating Expenses	6,268,041,607	5,423,621,683	844,419,924	15.6%	13.1%	12.4%

- Salaries and wages increased primarily due to performance-related increase in basic pay, employee upgrades and promotions and increase in employee headcount.

- Stock option expense increased due to additional options granted in 2009.

- Taxes and licenses increased by due to higher business-related taxes and license fees resulting from higher revenues.

- Professional fees decreased on account of higher base - professional fees incurred in 2008 were higher due to increase in consultancy/ technical services for various projects such acquisition targets, bank loans, system development, etc.

- Rent increased mainly due to higher rent of the new office building of Corporate China.

- Depreciation and amortization increased due to depreciation of fair value adjustment of certain property and equipment of Belmont. Also due to lower base as Hong Zhuang Yuan's depreciation for 2008 covered only the 4th quarter, while its depreciation for 2009 included depreciation for the whole year.

- Entertainment, amusement and recreation increased mainly due to various business meetings and company events.

- Communication increased due to increase in local & foreign store network coordination via domestic long distance and overseas call from the head office to local and foreign stores and vice versa.

- The decrease in electricity and water and securities and janitorial was a result of various initiatives undertaken by the JFC Group to reduce its general and administrative expenses.

- Training decreased as there were less trainings scheduled in 2009 compared to 2008.

- Security and janitorial was lower due to decrease in the Jollibee business' security and janitorial expenses.

- Repairs and maintenance increased primarily due to increase in repairs and maintenance of the China business for software and company vehicle maintenance and property management. Also on account of higher base as the China business' repairs and maintenance for 2009 covered the full year expenses of Hong Zhuang Yuan, while 2008 included only quarter 4 expenses only. There were also write-offs of prepaid repairs resulting from the closure of Jollibee Shenzhen.

- Contracted services decreased as a result of decline in contracted services of the Jollibee business and Fresh N' Famous.

- The increase in donation pertains to additional donation made to the Jollibee Foundation.

- Insurance decreased due to decrease in insurance premium rates.

- Other expenses increased primarily due to increase in expenses related to corporate and franchise events, market research and product development.

Advertising and Promotions

Advertising and promotions decreased as a result of action taken by the JFC Group to be more conservative in its marketing expenses due to concerns on the possible effect of the financial crisis to the JFC Group.

Provisions

Provisions increased due to increase in impairment on the following assets:

Receivables and inventories	₱149.6 million
Property, plant and equipment	82.6
Total increase	₱232.2 million

Interest Income

Despite the higher cash balance of the Company in 2009 compared to 2008, interest income still decreased by ₱44.8 million, or -21.5% to ₱163.7 million due to decrease in the average money market placement rate, from 5.9% in 2008 to 4.5% in 2009. Interest income from loans and advances likewise decreased by ₱30.7 million 92.7%.

Interest Expense

Interest expense increased by ₱113.8 million, or 108.3% to ₱218.9 million mainly due to the CNY350-million loan obtained by the Parent Company in September 2008 and the long-term and short-term loans of various foreign subsidiaries.

Provision for Income Tax

Provision for income tax increased by ₱99.0 million or 11.1% to ₱988.3 million relative to increase in revenues. In 2009, the effective tax rate for the JFC Group was 27.0% as compared with 27.7% in 2008 mainly due to the reduction in the regular corporate income tax rate from 35% in 2008 to 30% in 2009.

Net Income

The JFC Group recorded a net income of ₱2,666.9 million in 2009, an increase of ₱345.1 million or 14.9%, from ₱2,321.8 million in 2008 on account of higher profit margin resulting from lower raw material prices, more efficient marketing spending and lower income taxes. The JFC Group's net income translated to 5.6% after tax margin based on its revenue of P47,957.7 million, an improvement versus the 5.3% net income margin in 2008.

The improvement in net income came mainly from the Philippines, partly offset by the fast rise in operating and administrative expenses from our foreign business driven by the rapid expansion of our store network particularly in the People's Republic of China.

On a per share basis, after tax net earnings per share for 2009 amounted to ₱2.610, 15.1% higher compared to previous year's after tax net earnings per share of ₱2.268.

Financial Condition

The JFC Group's consolidated total assets as of December 31, 2009 amounted to ₱29,727.5 million, 9.6% or ₱2,601.8 million higher than December 31, 2008 primarily due to the combined effects of the following:

1. Increase in cash and cash equivalents by 30.9% or ₱2,118.5 million to ₱8,977.3 million coming from net cash generated by operating activities which increased by 44.2% versus the amount made in 2008 due to profit growth and decline in working capital level.
2. Additional payment for acquisitions of businesses in the People's Republic of China amounting to ₱1,018.80 million.
3. Increase in other current assets by 9.2% or ₱111.7 million to ₱1.3 billion due to increase in various prepayments.
4. Increase in available-for-sale financial assets by 102.2% or ₱78.5 million to ₱155.2 million due to increase in the fair value of various shares of stocks.
5. Increase in deferred tax assets by 10.6% or ₱81.0 million.

The above additions to certain asset accounts were partly offset by the following:

1. Decrease in inventories by -36.6% or ₱998.1 million to ₱1.7 billion on account of higher base as prices of raw materials were significantly high in 2008. Inventory balance for 2009 decreased even more as prices of raw material normalized or even declined in 2009.
2. Decrease in other noncurrent assets by -11.5% or ₱196.6 million to ₱1,515.6 million mainly due to decrease in suppliers' deposits by ₱92.0 million, notes receivables by ₱46.0 million and various prepayments by ₱25.0 million.

The JFC Group achieved a current ratio of 1.45:1.00 and continued to manage its working capital efficiently with receivable days of 15 and inventory days of 37 days.

Consolidated current liabilities amounted to ₱9,633.8 million, 7.7% higher than the December 2008 level of ₱8,949.2 million. Trade payables and other current liabilities increased by 7.0% or ₱615.2 million to ₱9,444.2 million primarily due to the increase in trade payables by ₱140.3 million and employee-related accruals by ₱358.4 million. Current portion of long-term debt increased by 42.2% or ₱15.9 million to ₱53.7 million primarily due to new loans acquired by a foreign subsidiary of the Parent Company.

Consolidated non-current liabilities amounted to ₱3,808.5 million, -5.7% or ₱228.2 million lower than the December 31, 2008 balance of ₱4,036.7 million. This was mainly due to the increase in retirement funding from ₱150.0 million in 2008 to ₱354.0 million in 2009 and increase in deferred tax liabilities by ₱83.2 million.

Equity increased by 15.2% or ₱2,145.4 million primarily due to the ₱2,666.9 million consolidated net income of the JFC Group, issuances of new shares and stock option expense related to the Parent Company's stock option program amounting ₱401.4 million offset by cash dividends declared during the year which amounted to ₱866.4 million.

Liquidity and Capital Resources

Consolidated net cash flows from operating activities in 2009 increased by 43.9% or ₱2,067.8 million to ₱6,776.3 million primarily due to the JFC Group's consolidated before tax income of ₱3,655.2 million, depreciation of ₱2,085.9 billion and decline in working capital level.

Consolidated net cash used in investing activities amounted to ₱3,518.5 million in 2009, lower by -22.4% or ₱1,014.1 million as compared with ₱4,532.6 million in 2008 primarily due to the following:

1. Capital expenditure of ₱2,575.1 million in 2009
2. Acquisition of a subsidiary in the People's Republic of China which amounted to ₱835.3 million

Consolidated net cash used in financing activities amounted to ₱1,127.3 million in 2009, lower by -201.9% or ₱2,233.8 million as compared with ₱1,106.5 million net cash provided by financing activities in 2008. The decrease was on account of the following:

1. lower proceeds from long term debt; net proceeds from long term debt in 2009 amounted to ₱61.2 million compared to the ₱2.388.9 million loan proceeds in 2008
2. higher interest payments by ₱133.3 million, or 143.6%

Cash dividend payments in 2009 amounted to ₱843.9 million, -30.4% lower than cash dividend payments in 2008 which amounted to ₱1,212.8 million. This was because cash dividends declared in December 2007 was paid in January 2008.

Proceeds from issuance of new shares in relation to the Company's stock option program amounted to ₱82.6 million, 1308.2% higher than the 2008 proceeds of ₱5.9 million as more employee-participants exercised their options in 2009.

Overall, net cash and cash equivalents increased by ₱2,118.4 million to ₱8,977.3 million for the year ending December 31, 2009.

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 end Dec 2009	As of end Dec 2008
System Wide Sales	₱63,729.4 million	₱58,162.8 million
% Growth vs LY	9.6%	12.8%

Revenues

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

	As of end Dec 2009	As of end Dec 2008
Revenues	₱47,957.7 million	₱43,891.6 million
% Growth vs LY	9.3%	13.4%

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 JFC Group's return for every peso of revenue earned, after deducting cost of sales, operating expenses, interests and taxes.

	As of end Dec 2009	As of end Dec 2008
Net Income	₱2,666.9 million	₱2,321.8 million
% to Revenues	5.6%	5.3%

Basic Earnings Per Share (EPS)

EPS is the portion of the JFC Group'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 JFC 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 JFC Group's profitability.

	As of end Dec 2009	As of end Dec 2008
EPS (Basic)	₱2.610	₱ 2.268
% Growth vs LY	15.1%	-4.1%

Return on Equity (ROE)

ROE is the ratio of the JFC Group'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 JFC Group also uses ROE for comparing its profitability to that of other firms in the same industry.

	As of end Dec 2009	As of end Dec 2008
Return on Equity	17.5%	17.3%

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 has, as subsidiaries, FRESH N' FAMOUS FOODS, INC., which develops, operates and franchises quick-service restaurants under the trade names "Chowking," "Greenwich," "Delifrance,"[4] "Manong Pepe Karinderia," and RED RIBBON BAKESHOP, INC. (through RRB HOLDINGS, INC.), which develops, operates and franchises restaurants under the "Red Ribbon" trade name. The Company also has subsidiaries and affiliates which develop and operate its international brands, "Yonghe King" and "Hongzhuangyuan." Milestones and updates for subsidiaries and affiliates are discussed further in other parts of this Report.

By the end of 2010, there are 717 Jollibee stores nationwide, of which 365 are franchised and 352 are Company-owned. There were also 67 Jollibee stores overseas, including stores in the United States, Vietnam, Hongkong, Brunei, Jeddah and Qatar. 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, Chickenjoy and Yum.

The "Jollibee" brand continued expanding its store network across the Philippines. The brand launched new "39ers" rice variant meals and relaunched old favorites like the Jolly Hotdog classic.

In marketing, various thematic campaigns were also launched for "Jollibee's" core products like Chickenjoy, Spaghetti and Champ, aimed at reinforcing its best tasting propositions and product superiority. In the desserts category, "Jollibee" launched the first-ever thematic sundae campaign aptly tagged "Everyday deserves a sundae." "Jollibee" also re-launched the Jollibee Kids Club and continued the successful "Jollitown" series which is in its third season.

The "Jollibee" brand closed its year through its flagship corporate social responsibility project "MaAga ang

4 *On September 7, 2010, the Company disclosed that its wholly-owned subsidiary, Fresh N'Famous Foods, inc. has entered into an agreement to sell assets of the Delifrance Business Unit. The transaction was completed on December 31, 2010.*

Pasko" by reaching out to more children in its 16th year. The overwhelming sales of special novelty items, the "Jollibee and Friends Dolls" propelled Jollibee's commitment to build 40 public school classrooms in 2011.

On the international side, the "Jollibee" brand opened nine new stores in 2010, specifically in the United States, the Kingdom of Saudi Arabia and Qatar, bringing its international store network to 67.

The Company continues to operate its central commissary in Carmelray, Calamba, Laguna through ZENITH FOODS CORPORATION ("*ZFC*"), a wholly-owned subsidiary which has facilities in Carmelray, Canlubang, Laguna and Mandaue, Cebu, among others. 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:

Food	*Supplier*
Chicken	SAN MIGUEL FOODS, INC. 19th Floor San Miguel Properties Center St. Francis St., Ortigas Center, Mandaluyong City
Carbonated Beverages	COCA-COLA BOTTLERS PHILIPPINES, INC. 1890 Paz Guazon Street, Otis, Paco, Manila
Sauces and Beverages	DEL MONTE PHILIPPINES, INC. Bugo, Cagayan De Oro City
Beverages	NESTLE PROFESSIONALS Nestle Center, Rockwell Center, Makati City
Dressings	UNILEVER PHILIPPINES UN Avenue, 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 Delifrance and Chinese food items for Yonghe King and Hongzhuangyuan 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

JFC and its commissaries have a total of 16,632 employees as of December 31, 2010, 3,566 of which are employed on a full-time basis, and 13,066 on a contractual basis. The regular daily-paid employees of JFC 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, coffee and gelato bars, 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 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 Systemwide Sales
2009	PhP62,982,000.00	.18%
2010	PhP61,845,073.97	.16%

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

The "Chowking" brand marked its 25th year in the quick service restaurant industry in 2010. "Chowking" leveraged on its strength as the top-of-mind Chinese quick service restaurant ("QSR") of choice as it introduced well-known Chinese dishes at affordable prices. In 2010, "Chowking" launched well-known favorites such as Beef with Broccoli, Sweet and Sour Pork and Orange Chicken rice meals. In addition, improvements on other key products, specifically "Chowking's" siomai and noodle soups, were carried out in 2010.

In marketing, 2010 witnessed the re-launch of the brand to cater to young working adults. This includes the brand's new, modern Chinese-inspired store design. Further efforts were also undertaken to improve food, service and cleanliness in its stores.

As of December 2010, Chowking had 400 domestic stores and 38 international stores. Of its domestic stores, 133 are company-owned while 267 are franchised stores.

Greenwich

2010 saw "Greenwich" focus on its pillars of growth that helped it win its target market. In 2010, the brand registered its highest growth rate in the last 5 years. Award-winning campaigns inspired by multiple world-class product innovations, branded customer service, efficient store systems and an overall business strategy anchored on marketplace management made "Greenwich" a dominant pizza and pasta brand in the market.

The trend of bagging awards continued in 2010 as prestigious public relations award-giving bodies, Quill and Anvil, recognized the brand's "Level Up" campaign as one of the best in the country. The same campaign was nominated in the Tambuli and Araw Awards that will commence in 2011.

"Greenwich" registered 39 product innovations led by 10 new pizza flavors and 6 pasta supreme dishes in 2010. Complementing these were meals and sidekicks, including "Big Time" lunch and "American Lunch Specials."

In addition, "Greenwich" co-presented the popular *American Idol* in the Philippines for the 3rd straight year.

As of December 2010, Greenwich had 223 stores nationwide, with 6 of those participating in the Company's "multibrand" stores. Greenwich ended the year 2010 with 132 company-owned and 85 franchised stores.

Red Ribbon

In the Philippines, "Red Ribbon" became more accessible with the development of new store formats that meet the evolving needs of the market. The new store boasted a more contemporary look complemented by more personalized service.

In marketing, "Red Ribbon" launched its first television campaign for its signature products, *Mamon Ensaimada* and Black Forest Cake. Red Ribbon also added key new products such as Heaven Cake, Moist Choco Slice, Chocolate Crème Roll, Cake Frappes and Hot Brews. In addition, "Red Ribbon" also offered a variety of product extensions such as coffee, beverages and hot meals to complement its core bakeshop products.

In the international scene, "Red Ribbon" added 6 more locations to its growing network in the United States. New products were also introduced including the Ube Roll, Banana Cake, Peach Mango Charlotte, Strawberry Roll, Cheese Roll, Shortbread Cookies, Breakfast Sandwiches, Salmon Teriyaki, and premium hot teas from the Republic of Tea. 2010 also saw new promotions including the Big Bread Sale and Wanna Empanada campaigns. Finally, "Red Ribbon" introduced its Loyalty Program to reward customers with exclusive offers and discounts for their continuing patronage, and launched a breakthrough tie-up with COSTCO Wholesale by offering "Red Ribbon" Bakeshop gift cards in selected Northern California COSTCO locations.

In the Philippines, "Red Ribbon" had 221 stores as of December 20, 125 of which are company-owned and 96 franchised stores.

In the United States, "Red Ribbon" had 36 company-owned stores and 1 franchised store.

Mang Inasal

In November 2010, "Mang Inasal" officially became a part of the Company. Mang Inasal serves primarily grilled chicken and Filipino food. It has been the fastest-growing network in the Philippine food service business in the last three years driven by good tasting food, excellent value and focused branding.

"Mang Inasal" opened 152 stores in 2010. It launched several new products and services to better serve customers. Innovations in 2010 include the Guest Relation Crew program to provide better service, the Blue Pending Number system which prioritizes the needs of senior citizens dining in all stores, Combo Cups, a rice cup bundled with tumbler, and the one-delivery system to service Metro Manila, Cainta and Antipolo areas. "Mang Inasal" also launched a breakfast line in some of its stores.

As of December 2010, Mang Inasal had 345 stores, 34 of which are company-owned and 311 are franchised stores. It also operates 2 commissaries, one in Iloilo City and another in Taguig, Metro Manila.

Caffe Ti-Amo

"Caffe Ti-Amo" is a coffee and gelato brand that originated in Korea. The joint venture between JFC and local entrepreneurs saw the opening of the "Caffe Ti-Amo" flagship store in Greenbelt 5, Makati City in December and two franchised stores in Quezon City and Manila. A haven for delicious coffee, wonderful ambience and delectable desserts, "Caffe Ti-Amo" offers a wide selection of hot and cold beverage including coffee and non-coffee based frappes, classic espressos drinks and other coffee favorites. "Caffe Ti-Amo" also has gelato combinations such as Caffelato Frappes, Affogato, Waffle Gelato and Honeybread Gelato.

"Caffe Ti-Amo" offers a wide variety of premium Italian gelato, including local flavors such as ube, dulce de leche, pinacolada and peanut butter.

Yonghe King

"Yonghe King" continued to sharpen the brand with the creation of core menu items such as the Tomato Beef Noodles, Braised Pork with Vegetables and Three Cups Chicken. In addition, "Yonghe King" introduced three types of Cantonese soups, the Chicken Mushroom soup, Dangshen Pork Rib soup, and Danggui Beef soup.

In 2010, "Yonghe King" opened 46 new restaurants, including the branch in Shanghai Hongqiao Airport in March which gained positive brand recognition. This store was awarded "Best Service" by the Hongqiao Airport Management.

As of December 2010, "Yonghe King" has 196 company-owned stores and 4 franchised stores spread over 21 cities in the PRC.

Hongzhuangyuan

The Company acquired the Hongzhuangyuan ("*HZY*"), a chain of restaurants located mostly in Beijing, PRC, in 2008. In 2010, it opened 11 new stores, bringing its total to 52 stores, 6 of which are franchised stores.

HZY repositioned itself as a chain of Chinese restaurants that provides the best dining experience for its customers. Product and restaurant development was based on the needs of customers. HZY employed Special Chef Master Sun, a renowned chef in China, to further improve the taste of HZY's existing products and to introduce new offerings.

HZY also continued its community development partnership with the senior citizen program of the Beijing Municipal Government. Strengthening its breakfast offerings by working together with the Beijing Municipal Government on the Breakfast Serving Program brought recognition when HZY won the Beijing Breakfast Program Prototype Award. Aside from this, HZY also received the China Green Foods Company Award and China's Most Innovative Company in 2010.

JOLLIBEE FOUNDATION, INC.

JOLLIBEE FOUNDATION, INC. (the "*Foundation*") was established in December 2004 to serve as the Company's corporate social responsibility arm. The Foundation's initiatives focus on the following areas: Education, Leadership and Community Development, Environment and, in light of the recent calamities, Disaster Response.

2010 is the 6th year of operations of the Foundation and its focus was on its two major projects – the Busog Lusog Talino School Feeding Program ("BLT"), and the Bridging Farmers to the JFC Supply Chain Project.

The BLT capitalized on the competency of the Company. With nationwide operations, store employees visited schools and conducted orientation to teachers on proper food preparation and food safety. BLT also monitors regularly these feeding activities. The Foundation has expanded the program to over 200 schools in 2010, feeding more than 13, 000 pupils since 2007.

In addition, the Bridging Farmers program harnessed the supply chain by giving opportunity to small farmers to be direct suppliers of the Jollibee Group of Companies. The Foundation's partners, the Catholic Relief Services, the National Livelihood Development Corporation, and the Department of Agriculture, provided agro-enterprise training, access to capital and post-harvest facilities.

The Foundation continued its Project ACE (Access, Curriculum and Employability) which resulted in 80 scholars graduating with Associate Degrees in Hotel and Restaurant Management. Scholarship assistance for Project ACE and the Technical Skills Training was expanded with the inclusion of new academic institution partners.

Finally, the Foundation continued to support the Jollibee – Gawad Kaling villages with the implementation of on-site agriculture programs.

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 four (4) years is as follows:

	2010	2009	2008	2007
Total Sales	50,506,967,113	45,344,123,164	41,374,272,795	36,221,306,253
Foreign Sales	9,852,053,489	8,307,292,921	5,656,866,995	3,203,434,787
Percentage	19.51%	18.32%	13.67%	8.84%

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

	2010	2009	2008	2007
Net Income	3,212,535,996	2,666,899,745	2,321,817,118	2,388,357,650
Foreign Sales	9,852,053,489	8,307,292,921	5,656,866,995	3,203,434,787
Percentage	32.61%	32.10%	41.04%	74.56%

TRADEMARK REGISTRATION

TRADEMARK RECORDS BY COUNTRY

Following is a list of the local and international trademark registrations and pending applications for registration for the "Jollibee" brand as of December 31, 2010.

COUNTRY	TRADEMARK	LOGO	APPLN. NO.	REG. NO.	DATE OF REGISTRATION	DATE OF APPLICATION	CLASS/ES	STATUS
Argentina	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		1997309	1,652,377	29-Aug-95	3-Dec-97	42	Registered
Australia	JOLLIBEE MASCOT DEVICE		654121	654121	24-Feb-95	24-Feb-95	42	Registered
Bahrain	BEE DEVICE		80978			15-Apr-10	29	Pending
Bahrain	BEE DEVICE		80979			15-Apr-10	30	Pending
Bahrain	BEE DEVICE		80980			15-Apr-10	43	Pending
Bahrain	JOLLIBEE & MASCOT DEVICE		1070/95	S1718	2-Aug-95	2-Aug-95	42	Registered
Bahrain	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		1068/95	TM 19220	2-Aug-95	2-Aug-95	29	Registered
Bahrain	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		1069/95	S1717	2-Aug-95	2-Aug-95	42	Registered
Bahrain	JOLLIBEE LOGO & DEVICE		80975			15-Apr-10	29	Pending

Bahrain	JOLLIBEE LOGO & DEVICE		80976			15-Apr-10	30	Pending
Bahrain	JOLLIBEE LOGO & DEVICE		80977			15-Apr-10	43	Pending
Brazil	JOLLIBEE GREAT BURGERS GREAT CHICKEN		818935359	818935359	30-Nov-99	15-Dec-95	38	Registered
British Virgin Islands	JOLLIBEE (WORD & DEVICE)		1444	1585715	21-Sep-01	21-Sep-94	29, 30, 32, 42	Registered
Brunei Darussalam	JOLLIBEE & BEE HEAD DEVICE		36,341	36,341	24-Jun-04	24-Jun-04	43	Registered
Canada	BEE HEAD DEVICE		1324318	761468	11-Mar-10	16-Nov-06	43	Registered
Canada	JOLLIBEE		1324317	761476	11-Mar-10	16-Nov-06	29, 30, 32, 42, 43	Registered
Canada	JOLLIBEE & MASCOT DESIGN		783,672			26-May-95	29, 42	Pending
Canada	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DESIGN		783671	727149	28-Oct-08	26-May-95	29, 42	Registered
China				4740571	7-May-09		21	Registered
China				4740572	7-May-09		20	Registered
China				4740573	28-May-10		18	Registered

China				4740574	7-Mar-08		33	Registered
China				4740575	7-Mar-08		31	Registered
China				4740576	7-Feb-09		26	Registered
China				4740577	7-Aug-10		35	Registered
China				4740578	21-Feb-09		40	Registered
China				4740579	7-May-09		16	Registered
China				4740580	21-Feb-09		41	Registered
China				4740590	7-Feb-09		28	Registered
China			5149228				11	Processing
China				5149229	21-Mar-09		10	Registered
China				5149230	21-Mar-09		9	Registered
China				5149231	21-Nov-09		8	Registered

China				5149232	14-Jan-09		7	Registered
China				5149233	21-Mar-09		6	Registered
China				5149234	28-Nov-09		5	Registered
China				5149235	7-Jun-09		4	Registered
China			5149236				3	Processing
China				5149237	7-Jun-09		2	Registered
China				5149238	21-Dec-09		21	Registered
China				5149239	7-Aug-10		20	Registered
China				5149240	21-Jun-09		19	Registered
China			51 49241				18	Processing
China				5149242	21-Jun-09		17	Registered
China				5149243	28-Jul-09		16	Registered

China				5149244	7-Jun-09		15	Registered
China				5149245	7-Aug-10		14	Registered
China				5149246	21-Mar-09		13	Registered
China				5149247	14-Jan-09		12	Registered
China				5149248	28-Jun-09		30	Registered
China				5149249	21-Mar-09		29	Registered
China				5149250	9-Aug-10		28	Registered
China				5149251	7-Jan-10		27	Registered
China				5149252	7-Jul-09		26	Registered
China		Jollibee	5149253				25	Processing
China				5149254	28-Jan-10		25	Registered
China				5149255	14-Jan-10		24	Registered

China				5149256	7-Jun-19		23	Registered
China				5149257	28-Jun-09		22	Registered
China				5149258	21-Aug-09		38	Registered
China				5149259	28-Aug-09		27	Registered
China				5149260	28-Aug-09		36	Registered
China				5149261	28-May-09		25	Registered
China				5149262	28-May-19		35	Registered
China	Kuai Le Feng		5149263				35	Processing
China				5149264	21-Mar-09		34	Registered
China				5149265	21-Mar-09		33	Registered
China				5149266	21-Mar-09		32	Registered
China				5149267	21-Mar-09		31	Registered

China				5149268	7-Jun-09		1	Registered
China				5149269	28-Aug-09		45	Registered
China				5149270	28-Aug-09		44	Registered
China		Jollibee		5149271	28-Aug-09		43	Registered
China			5149272				42	Processing
China		快乐蜂		5149273	28-Aug-09		43	Registered
China				5149274	21-Jun-09		42	Registered
China				5149275	21-Jun-09		41	Registered
China				5149276	28-Aug-09		40	Registered
China				5149277	28-May-09		39	Registered
China	Qiao Le Bi	巧乐比		6173242	28-Dec-09		10	Registered
China	Qiao Le Bi	巧乐比		6173243	28-Feb-10		9	Registered

China	Qiao Le Bi	巧乐比		6173244	21-Feb-10		8	Registered
China	Qiao Le Bi	巧乐比		6173245	14-May-10		7	Registered
China	Qiao Le Bi	巧乐比		6173246	7-Jan-10		6	Registered
China	Qiao Le Bi	巧乐比		6173247	28-Feb-10		5	Registered
China	Qiao Le Bi	巧乐比		6173248	21-Feb-10		4	Registered
China	Qiao Le Bi	巧乐比		6173249	14-Feb-10		3	Registered
China	Qiao Le Bi	巧乐比		6173250	28-Feb-10		2	Registered
China	Qiao Le Bi	巧乐比		6173251	28-Feb-10		1	Registered
China	Qiao Le Bi	巧乐比		6173252	28-Jan-10		20	Registered
China	Qiao Le Bi	巧乐比		6173253	21-Feb-10		19	Registered
China	Qiao Le Bi	巧乐比		6173254	28-Mar-10		18	Registered
China	Qiao Le Bi	巧乐比		6173255	14-Feb-10		17	Registered

China	Qiao Le Bi	巧乐比		6173256	14-Feb-10		16	Registered
China	Qiao Le Bi	巧乐比		6173258	1-Jan-10		14	Registered
China	Qiao Le Bi	巧乐比		6173259	14-Feb-10		13	Registered
China	Qiao Le Bi	巧乐比		6173260	7-Jan-10		12	Registered
China	Qiao Le Bi	巧乐比		6173261	28-Feb-10		11	Registered
China	Qiao Le Bi	巧乐比		6173262	14-Jan-10		30	Registered
China	Qiao Le Bi	巧乐比		6173263	7-Sep-09		29	Registered
China	Qiao Le Bi	巧乐比		6173264	28-Mar-10		28	Registered
China	Qiao Le Bi	巧乐比		6173265	28-Mar-10		27	Registered
China	Qiao Le Bi	巧乐比		6173266	28-Mar-10		26	Registered
China	Qiao Le Bi	巧乐比		6173267	28-Mar-10		25	Registered
China	Qiao Le Bi	巧乐比		6173268	28-Mar-10		24	Registered

China	Qiao Le Bi	巧乐比		6173269	28-Mar-10		23	Registered
China	Qiao Le Bi	巧乐比		6173270	14-May-10		22	Registered
China	Qiao Le Bi	巧乐比		6173271	7-Feb-10		21	Registered
China	Qiao Le Bi	巧乐比		6173322	21-Mar-10		40	Registered
China	Qiao Le Bi	巧乐比		6173323	7-Jun-10		39	Registered
China	Qiao Le Bi	巧乐比		6173324	21-Mar-10		38	Registered
China	Qiao Le Bi	巧乐比		6173325	21-Mar-10		37	Registered
China	Qiao Le Bi	巧乐比		6173326	21-Mar-10		36	Registered
China	Qiao Le Bi	巧乐比		6173327	7-Jun-10		35	Registered
China	Qiao Le Bi	巧乐比		6173328	7-Sep-09		34	Registered
China	Qiao Le Bi	巧乐比		6173330	14-Jan-10		32	Registered
China	Qiao Le Bi	巧乐比		6173331	7-Sep-09		31	Registered

China	Qiao Le Bi	巧乐比		6173332	7-Jun-10		41	Registered
China	Qiao Le Bi	巧乐比		6173343	28-Mar-10		45	Registered
China	Qiao Le Bi	巧乐比		6173344	28-Mar-10		44	Registered
China	Qiao Le Bi	巧乐比		6173345	28-Mar-10		43	Registered
China	Qiao Le Bi	巧乐比		6173346	7-Jun-10		42	Registered
China				1019097	28-May-07		29	Registered
China	Kuai Le Feng			1356544	21-Jan-10		30	Registered
China	Kuai Le Feng			1359132	28-Jan-10		29	Registered
China	Kuai Le Feng			1369995	28-Feb-10		42	Registered
China				980654	14-Apr-07		32	Registered
China				1019874	28-May-07		42	Registered
Czech Republic	JOLLIBEE & DEVICE		104009	196474	19-Sep-95	3-Jan-07	29, 30, 32, 42	Registered

Egypt	JOLLIBEE & DEVICE		90430	90430	4-Dec-97	28-Mar-94	42	Registered
Egypt	JOLLIBEE & DEVICE		90427	90427	4-Dec-97	28-Mar-94	29	Registered
Egypt	JOLLIBEE & MASCOT DEVICE		95740		14-Feb-01	18-May-95	42	Registered
Egypt	JOLLIBEE & MASCOT DEVICE		95741	95741	17-Jan-01	18-May-95	29	Registered
Egypt	JOLLIBEE MASCOT DEVICE		95742	95742	17-Jan-01	18-May-95	42	Registered
France	JOLLIBEE (& device)		94537781	94537781	28-Sep-97	28-Sep-97	29, 30, 32, 42	Registered
Germany	JOLLIBEE & DEVICE		J31300	2 907 060	29-May-95	17-Aug-94	29, 30, 32, 42	Registered
Hong Kong	JOLLIBEE & BEE HEAD DEVICE		300352025	300352025	11-Jan-05	11-Jan-05	43	Registered
Hong Kong	Jollibee Great Burgers Great Chicken & Device (series)		3906/95	1984A-B/99	4-Apr-95	4-Apr-95	42	Registered
Hong Kong	JOLLIBEE MASCOT DEVICE		5314/95	668/97	4-May-02	4-May-95	29	Registered
Hong Kong	JOLLIBEE MASCOT DEVICE		5678/95	4465/99	12-May-02	12-May-95	42	Registered
Hong Kong	JOLLIBEE NAME (IN CHINESE CHARACTERS "SIU LOK FUNG")			09486 of 1996	1-Mar-95		29	Registered

Hong Kong	JOLLIBEE NAME (IN CHINESE CHARACTERS "SIU LOK FUNG")			09487 of 1996	1-Mar-95		30	Registered
Hong Kong	JOLLIBEE NAME (IN CHINESE CHARACTERS "SIU LOK FUNG")			09488 of 1996	1-Mar-95		32	Registered
Hong Kong	JOLLIBEE NAME (IN CHINESE CHARACTERS "SIU LOK FUNG")			09489 of 1996	1-Mar-95		42	Registered
India	JOLLIBEE & DESIGN		1356313	1356313	10-May-05	10-May-05	42	Registered
India	JOLLIBEE & DESIGN		1367743	1367743	29-Jun-05	29-Jun-05	29, 30	Registered
India	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		737457			13-Mar-97	16	Pending
India	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		737458			13-Mar-97	29	Pending
Indonesia	JOLLIBEE & BEE HEAD DEVICE			325086			29	Registered
Indonesia	JOLLIBEE & DEVICE		R00-2002-10216-10222	IDM000004621	22-Oct-02	22-Oct-02	28	Registered
Indonesia	JOLLIBEE & DEVICE		R00-2002-10214-10220	IDM000004619	22-Oct-02	22-Oct-02	25	Registered
Indonesia	JOLLIBEE & DEVICE		V00-2002-10210-10216	IDM000004618	30-Sep-03	22-Oct-02	43	Registered
Indonesia	JOLLIBEE & DEVICE		R00-2002-10215-10221	IDM000004620	22-Oct-02	22-Oct-02	28	Registered

Indonesia	JOLLIBEE & MASCOT DEVICE			325078			29	Registered
Indonesia	JOLLIBEE BEEFBURGER GREAT BURGERS GREAT CHICKEN & DEVICE			368310	24 Sep 1996 - Registered 24 Apr 2005 - Renewed	24-Apr-95	29	Registered
Indonesia	JOLLIBEE BEEFBURGER GREAT BURGERS GREAT CHICKEN & DEVICE		R00-2005-00443	367408	20 April 1995 - Registered 20 April 2005 - Renewed	20-Mar-95	42	Registered
Indonesia	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		O-954544			20-Mar-95	29	Pending
Iran	BEE HEAD DEVICE						43	Instructed
Iran	JOLLIBEE CHARACTER AND DEVICE						43	Instructed
Iran	JOLLIBEE LOGO AND DEVICE						43	Instructed
Israel	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		100922	100922	20-Sep-95		29	Registered
Israel	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		100923	100923	20-Sep-95		42	Registered
Jordan	JOLLIBEE & DEVICE			35949	8-Oct-94		30	Registered
Jordan	JOLLIBEE & DEVICE			35950	8-Oct-94		32	Registered

Korea - Republic of (South)	JOLLIBEE & DESIGN			40-0358457	21-Mar-97		7	Registered
Korea - Republic of (South)	JOLLIBEE & DESIGN			40-0372192	9-Aug-97		5	Registered
Korea - Republic of (South)	JOLLIBEE & DESIGN			40-0372105	8-Aug-97		2	Registered
Korea - Republic of (South)	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		96-11545	377580	8-Oct-97	23-Mar-96	2	Registered
Korea - Republic of (South)	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		95-48721	369351	18-Jul-97	21-Dec-95	7	Registered
Korea - Republic of (South)	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		95-12356			21-Dec-95	42	Pending
Korea - Republic of (South)	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		95-048721	369351	18-Jul-97		7	Registered
Kuwait	JOLLIBEE & DEVICE		36669			28-May-97	29	Pending
Kuwait	JOLLIBEE & DEVICE		36670			28-May-97	42	Pending
Kuwait	JOLLIBEE & THREE BEE DEVICE (JOLLIBEE MASCOT)		36671			28-May-97	42	Pending
Kuwait	JOLLIBEE & THREE BEE DEVICE (JOLLIBEE MASCOT)		36671				42	Pending
Kuwait	JOLLIBEE LOGO AND DEVICE		112414			13-Jun-10	29	Pending

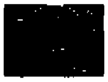
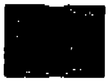
Kuwait	JOLLIBEE LOGO AND DEVICE		112415			13-Jun-10	30	Pending
Kuwait	JOLLIBEE LOGO AND DEVICE		112416			13-Jun-10	43	Pending
Kuwait	BEE DEVICE		112417			13-Jun-10	29	Pending
Kuwait	BEE DEVICE		112418			13-Jun-10	30	Pending
Kuwait	BEE DEVICE		112419			13-Jun-10	43	Pending
Lebanon	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		66960	66960	20-Sep-95	20-Sep-95	29, 42	Registered
Lebanon	JOLLIBEE MASCOT		66961	66961	20-Sep-95	20-Sep-95	42	Registered
Malaysia	JOLLIBEE	JOLLIBEE	2000-2359	2000-2359	3-Mar-00	3-Mar-00	43	Registered
Malaysia	JOLLIBEE MASCOT (SERIES OF 3)		2000-02358	2000-02358	3-Mar-00	3-Mar-00	43	Registered
Mexico	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DESIGN		288147	665344	26-Feb-97	27-Jul-00	29	Registered
Mexico	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DESIGN		405557	764426	21-Oct-02	6-Jan-00	42	Registered

New Zealand	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		254483	254483	6-Oct-95	6-Oct-95	29	Registered
New Zealand	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		254484	254484	6-Oct-95	6-Oct-95	42	Registered
Oman	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		11660	11660	29-May-95	29-May-95	29	Registered
Oman	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		11659		29-May-95		42	Pending
Oman	JOLLIBEE MASCOT		11658		29-May-95		42	Pending
Papua New Guinea	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		59020	59020	11-Sep-95	11-Sep-95	29	Registered
Papua New Guinea	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		59021	59021	11-Sep-95	11-Sep-95	42	Registered
Philippines	1/3 POUND PATTY CHAMP EXTRA BIG LOGO & DEVICE		4-2010-004210				29, 35	Pending
Philippines	1/3 POUND PATTY CHAMP EXTRA BIG LOGO & DEVICE (IN COLOUR)		4-2010-004210			20-Apr-10	29, 35	Pending
Philippines	/3 POUND PATTY CHAMP EXTRA BIG LOGO & DEVICE (IN COLOUR)		4-2010-004235			21-Apr-10	8	Registered
Philippines	/3 POUND PATTY CHAMP EXTRA BIG LOGO & DEVICE (IN COLOUR)		4-2010-004235			21-Apr-10	8	Registered

Philippines	AMAZING ALOHA & PINEAPPLE SLICE DEVICE	Amazing Aloha	4-1996-106351	4-1996-108683	4-Nov-02	4-Mar-96	8	Registered
Philippines	BEE DEVICE		4-2010-002056			24-Feb-10	29, 30, 43	Pending
Philippines	BEE HEAD DEVICE		4-2004-006570	4-2004-006570	6-Jan-06	23-Jul-04	43	Registered
Philippines	BEE HEAD DEVICE		4-2005-007557	4-2005-007557	19-Feb-07	5-Aug-05	9, 16, 18, 20, 21, 24, 25, 28	Registered
Philippines	BUSOG LUSOG TALINO		42008-001695	42008-001695	2-Mar-09	11-Feb-08	41, 44	Registered
Philippines	CHAMP	CHAMP	4-2010-004236			21-Apr-10	29, 35	Pending
Philippines	CHICKEN TORPEDO		4-2004-011637	4-2004-011637	15-Jan-07	8-Dec-04	29	Registered
Philippines	CHICKENJOY (WORD MARK)	CHICKENJOY	4-2004-006569	4-2004-006569	26-May-06	23-Jul-04	29	Registered
Philippines	COMBEE	COMBEE	4-2006-005919	4-2006-005919	19-Feb-07	5-Jun-06	43	Registered
Philippines	CONE TWIRL	CONE TWIRL	4-2010-010089			15-Sep-10	29	Pending
Philippines	HETTY MASCOT		4-2008-007563	4-2008-007563	23-Jul-09	25-Jun-08	16, 18, 20, 21, 24, 25, 27, 28, 41	Registered
Philippines	HETTY MASCOT HOUSE DEVICE (IN BLACK & WHITE)		4-2010-005365			20-May-10	16, 18, 25, 28, 41	Pending

Philippines	HETTY MASCOT HOUSE DEVICE (IN COLOR)		4-2010-005368			20-May-10	16, 18, 25, 28, 41	Pending
Philippines	Ice Craze Coffee Jelly		4-2005-003299	4-2005-003299	5-May-07	12-Apr-05	30	Registered
Philippines	jk	jk	4-2005-008738	4-2005-008738	23-Jul-07	5-Sep-05	16, 18, 25, 26	Registered
Philippines	JOLLIBEE	JOLLIBEE	4-2000-004772	4-2000-004772	10-Mar-06	8-Jun-00	29, 30, 32, 42	Registered
Philippines	JOLLIBEE	JOLLIBEE	4-2000-007421	4-2000-007421	24-Sep-05	31-Aug-00	16, 28	Registered
Philippines	JOLLIBEE	JOLLIBEE	4-2005-007558	4-2005-007558	19-Feb-07	5-Aug-05	9, 18, 20, 21, 24, 25	Registered
Philippines	JOLLIBEE BREAKFAST JOYS		4-2009-006901			13-Jul-09	29, 35	Pending
Philippines	JOLLIBEE CHAMP	Jollibee Champ	4-2009-006900	4-2009-006900	12-Nov-09	13-Jul-09	29, 35	Registered
Philippines	JOLLIBEE CHAMP. BIG BURGER GOODNESS LIKE NO OTHER.	Jollibee Champ. Big Burger Goodness Like No Other.	4-2009-006905	4-2009-006905	12-Nov-09	13-Jul-09	35	Registered
Philippines	JOLLIBEE CHICKEN BARBECUE DELICIOUS INSIDE AND OUT INSIDE A RECTANGULAR DEVICE		4-2010-004237			21-Apr-10	29, 35	Pending
Philippines	JOLLIBEE CHICKEN BARBECUE DELICIOUS INSIDE AND OUT INSIDE A RECTANGULAR DEVICE (IN COLOUR)		4-2010-004233			21-Apr-10	29, 30	Pending

Philippines	JOLLIBEE CHICKEN BARBECUE INSIDE A RECTANGULAR DEVICE		4-2010-004204			20-Apr-10	29, 35	Pending
Philippines	JOLLIBEE CHICKEN BARBECUE INSIDE A RECTANGULAR DEVICE (IN COLOUR)		4-2010-004234			21-Apr-10	29, 35	Pending
Philippines	JOLLIBEE FOUNDATION		4-2008-001694	4-2008-001694	15-Dec-08	11-Feb-08	41, 44	Registered
Philippines	JOLLIBEE GREAT BURGERS, GREAT CHICKEN		4-1995-98275	4-1995-100403	15-Mar-00	9-Feb-95	29	Registered
Philippines	JOLLIBEE GREAT BURGERS, GREAT CHICKEN		4-1995-98276	4-1995-100404	23-Mar-00	9-Feb-95	42	Registered
Philippines	JOLLIBEE KIDS CLUB INSIDE A CIRCLE DEVICE WITH A GRAPHIC DESIGN OF FACES OF KIDS		4-2010-005155			17-May-10	16, 35	Pending
Philippines	JOLLIBEE KIDS CLUB INSIDE A CIRCLE DEVICE WITH A GRAPHIC DESIGN OF FACES OF KIDS (IN COLOUR)		4-2010-005303			20-May-10	16, 35	Pending
Philippines	JOLLIBEE KIDS CLUB INSIDE A CIRCLE DEVICE WITH A GRAPHIC DESIGN OF FACES OF KIDS AND JOLLIBEE CHARACTER ON THE UPPER LEFT SIDE		4-2010-005156			17-May-10	16, 35	Pending
Philippines	JOLLIBEE KIDS CLUB INSIDE A CIRCLE DEVICE WITH A GRAPHIC DESIGN OF		4-2010-005302			20-May-10	16, 35	Pending

	FACES OF KIDS AND JOLLIBEE CHARACTER ON THE UPPER LEFT SIDE (IN COLOUR)							
Philippines	JOLLIBEE KIDS MEAL INSIDE A CIRCLE DEVICE WITH A GRAPHIC DESIGN OF A FORK ON THE LEFT SIDE AND A SPOON ON THE RIGHT SIDE		4-2010-005153			17-May-10	16, 35	Pending
Philippines	JOLLIBEE KIDS MEAL INSIDE A CIRCLE DEVICE WITH A GRAPHIC DESIGN OF A FORK ON THE LEFT SIDE AND A SPOON ON THE RIGHT SIDE (IN COLOUR)		4-2010-005307			20-May-10	16, 35	Pending
Philippines	JOLLIBEE KIDS MEAL INSIDE A CIRCLE DEVICE WITH A GRAPHIC DESIGN OF A FORK ON THE LEFT SIDE, A SPOON ON THE RIGHT SIDE AND A JOLLIBEE CHARACTER ON THE UPPER LEFT SIDE		4-2010-005154			17-May-10	16, 35	Pending
Philippines	JOLLIBEE KIDS MEAL INSIDE A CIRCLE DEVICE WITH A GRAPHIC DESIGN OF A FORK ON THE LEFT SIDE, A SPOON ON THE RIGHT SIDE AND A JOLLIBEE CHARACTER ON THE UPPER LEFT SIDE (IN COLOUR)		4-2010-005304			20-May-10	16, 35	Pending

Philippines	JOLLIBEE KIDS TV AND DEVICE WITH JOLLIBEE CHARACTER ON THE LEFT SIDE		4-2010-005151			17-May-10	16, 35, 41	Pending
Philippines	JOLLIBEE KIDS TV AND DEVICE WITH JOLLIBEE CHARACTER ON THE LEFT SIDE (IN COLOUR)		4-2010-005305			20-May-10	16, 35, 41	Pending
Philippines	JOLLIBEE KIDS TV INSIDE A SQUARE DEVICE		4-2010-005152			17-May-10	16, 35, 41	Pending
Philippines	JOLLIBEE KIDS TV INSIDE A SQUARE DEVICE (IN COLOUR)		4-2010-005306			20-May-10	16, 35, 41	Pending
Philippines	JOLLIBEE LOGO AND DEVICE		4-2010-002055			24-Feb-10	29, 30, 43	Pending
Philippines	JOLLIBEE MASCOT		4-2008-007562	4-2008-007562	23-Jul-09	25-Jun-08	16, 18, 20, 21, 24, 25, 27, 28, 41	Registered
Philippines	JOLLIBEE MASCOT HOUSE DEVICE (IN COLOR)		4-2010-005367			20-May-10	16, 18, 20, 21, 24, 25, 27, 28, 41	Pending
Philippines	JOLLIBEE MASCOT HOUSE DEVICE(IN BLACK & WHITE)		4-2010-005366			20-May-10	16, 18, 25, 28, 41	Pending
Philippines	JOLLIBEE SUPER MEALS	JOLLIBEE SUPER MEALS	4-2005-002450	4-2005-002450	18-Dec-06	15-Mar-05	43	Registered
Philippines	JOLLIBEE YUMBURGER AND DEVICE		4-2003-008178	4-2003-008178	18-Dec-06	4-Sep-03	29, 43	Registered
Philippines	JOLLIKIDS	JOLLIKIDS	4-2005-000388	4-2005-000388	8-Jun-16	13-Jan-05	16, 18, 25, 26	Registered

Philippines	JOLLITOWN		4-2008-005395	4-2008-005395	25-Mar-10	8-May-08	16, 18, 20, 24, 25, 27, 28, 41	Registered
Philippines	Jolly Cheezy Fries		4-2005-006933	4-2005-006933	5-Nov-07	22-Jul-05	29	Registered
Philippines	JOLLY CRISPY FRIES	Jolly Crispy Fries	4-2009-006965	4-2009-006965	15-Apr-10	14-Jul-09	35	Registered
Philippines	JOLLY CRISPY FRIES (WORD MARK)	JOLLY CRISPY FRIES	4-2004-006392	4-2004-006392	9-Feb-09	20-Jul-04	29	Registered
Philippines	JOLLY CRISPY FRIES. BEST FRIENDS FRIES.	Jolly Crispy Fries. Best Friends Fries.	4-2009-006907	4-2009-006907	19-Nov-09	13-Jul-09	35	Registered
Philippines	JOLLY HOTDOG	Jolly Hotdog	4-2009-006903			13-Jul-09	29, 35	Pending
Philippines	JOLLY HOTDOG. SARAP ON-THE-MOVE.	Jolly Hotdog. Sarap on-the-move.	4-2009-006906	4-2009-006906	19-Nov-09	13-Jul-09	35	Pending
Philippines	JOLLY KIDS & DEVICE		4-1991-77706	4-1991-60442	28-Apr-95	13-Sep-91	42	Registered
Philippines	JOLLY KRUNCHY TWIRL		4-2005-001998	4-2005-001998	18-Sep-06	2-Mar-05	29, 30	Registered
Philippines	JOLLY SHAKES (STYLIZED)		4-2003-001019	4-2003-001019	20-Nov-06	5-Feb-03	29, 30	Registered
Philippines	Jolly 'Zerts	Jolly 'Zerts	4-2005-003292	4-2005-003292	8-Jun-06	12-Apr-05	30	Registered
Philippines	LANGHAP SARAP	LANGHAP SARAP	4-2009-003033	4-2009-003033	12-Nov-09	23-Mar-09	29	Registered

Philippines	MASCOT DEVICE		4-1995-103470	4-1995-105714	12-Jul-00	18-Oct-95	42	Registered
Philippines	POPO MASCOT		4-2008-007564	4-2008-007564	23-Jul-09	25-Jun-08	16, 18, 20, 21, 24, 25, 27, 28, 41	Registered
Philippines	POPO MASCOT HOUSE DEVICE (IN BLACK & WHITE)		4-2010-005364			20-May-10	16, 18, 25, 28, 41	Pending
Philippines	POPO MASCOT HOUSE DEVICE (IN COLOR)		4-2010-005369			20-May-10	16, 18, 25, 28, 41	Pending
Philippines	PROJECT ACE LOGO		4-2008-006538	4-2008-006538	13-Apr-09	4-Jun-08	41	Registered
Philippines	SARAP TUMULONG LOGO		4-2008-009438	4-2008-009438	23-Feb-09	6-Aug-08	43, 44	Registered
Philippines	SPAGHETTIEST	SPAGHETTIEST	4-2009-003358			31-Mar-09	30, 43	Pending
Philippines	SWIRLY-BITZ (STYLIZED)		4-2000-000424	4-2000-000424	13-Nov-03	20-Jan-00	30, 32	Registered
Philippines	TWIRLIE MASCOT		4-2008-007561	4-2008-007561	23-Jul-09	25-Jun-08	16, 18, 20, 21, 24, 25, 27, 28, 41	Registered
Philippines	TWIRLIE MASCOT HOUSE DEVICE (IN BLACK & WHITE)		4-2010-005363			20-May-10	16, 18, 25, 28, 41	Pending
Philippines	TWIRLIE MASCOT HOUSE DEVICE (IN COLOR)		4-2010-005370			20-May-10	16, 18, 25, 28, 41	Pending
Philippines	WAFFLE TWIRL	WAFFLE TWIRL	4-2010-010084			15-Sep-10	29	Pending

Philippines	YUM (WORD MARK)	YUM	4-2003-008177		4-Sep-03		29, 43	Pending
Philippines	YUM MASCOT		4-2008-007565	4-2008-007565	23-Jul-09	25-Jun-08	16, 18, 20, 21, 24, 25, 27, 28, 41	Registered
Philippines	YUM MASCOT HOUSE DEVICE (IN BLACK & WHITE)		4-2010-005362			20-May-10	16, 18, 25, 28, 41	Pending
Philippines	YUM MASCOT HOUSE DEVICE (IN COLOR)		4-2010-005371			20-May-10	16, 18, 25, 28, 41	Pending
Philippines	'Zert Pies	'ZERT PIES	4-2005-003294	4-2005-003294	25-Sep-06	12-Apr-05	30	Registered
	AFFORDELICIOUS	AFFORDELICIOUS	4-2010-010083			15-Sep-10	35	Pending
Qatar	JOLLIBEE CHARACTER AND DEVICE		57955			8-Jul-09	30	Pending
Qatar	JOLLIBEE CHARACTER AND DEVICE		57954			8-Jul-09	29	Pending
Qatar	JOLLIBEE CHARACTER AND DEVICE						32	Instructed
Qatar	JOLLIBEE CHARACTER AND DEVICE		57956			8-Jul-09	42	Pending
Qatar	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE	Jollibee Great Burgers Great Chicken	14073	14073	24-Mar-03	11-Oct-95	29	Registered
Qatar	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE	Jollibee Great Burgers Great Chicken	14074	14074	24-Mar-03	11-Oct-95	42	Registered

Qatar	JOLLIBEE LOGO & DEVICE		57951			8-Jul-09	29	Pending
Qatar	JOLLIBEE LOGO & DEVICE		57952			8-Jul-09	30	Pending
Qatar	JOLLIBEE LOGO & DEVICE						32	Instructed
Qatar	JOLLIBEE LOGO & DEVICE		57953			8-Jul-09	42	Pending
Romania	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		13511	29524	8-Mar-05	8-Mar-95	29, 42	Registered
Romania	JOLLIBEE MASCOT DEVICE		13512	29525	1-Jul-99	8-Mar-95	42	Registered
Saudi Arabia	JOLLIBEE & Bee Device (word & device mark)		122600	1038/92	21-Jan-09	1-Oct-07	43	Registered
Saudi Arabia	JOLLIBEE (WORD) & DEVICE			318/89	4 Sep 1994 - Registere d 13 Nov 2002 - Renewed	6-Mar-93	42	Registered
Singapore	JOLLIBEE & DEVICE		T93/08912 E	T93/08912 E	15-Nov-93	15-Nov-93	32	Registered
Singapore	JOLLIBEE & DEVICE		T93/03471 A	T93/03471 A	11-May-93	11-May-93	29	Registered
Singapore	JOLLIBEE & DEVICE		T93/03473 H	T93/03473 H	11-May-93	11-May-93	42	Registered
Singapore	JOLLIBEE CHARACTER AND DEVICE		T0908261 F	T0908261 F	24-Jul-09	24-Jul-09	29, 30, 43	Registered

Singapore	JOLLIBEE LOGO AND DEVICE		T0908260 H	T0908260 H	24-Jul-09	24-Jul-09	29, 30, 43	Registered
South Africa	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		9510214	95/10214	12-Jun-98	8-Aug-95	29	Registered
South Africa	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		9510215	95/10215	12-Jun-98	8-Aug-95	42	Registered
Sri Lanka	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		81591	81591	15-Aug-00	1-Jun-97	42	Registered
Syria	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE			Regn. No. 56344 Ren. No. 29244	23 Oct 1995 - Registered 23 Oct 2005 - Renewed		29, 30, 42	Registered
Syria	JOLLIBEE MASCOT DEVICE			Regn. No. 56345 Ren. No. 29245	23 Oct 1995 - Registered 23 Oct 2005 - Renewed		29, 30, 42	Registered
Thailand	JOLLIBEE & THREE BEE DEVICE (JOLLIBEE MASCOT)		284093	BOR4134	19-Apr-95		43	Registered
Thailand	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		284091	KOR4180 2	19-Apr-95	19-Apr-95	29	Registered
Thailand	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		284092	BOR4135	19-Apr-95	19-Apr-95	43	Registered
United Arab Emirates	JOLLIBEE CHARACTER & DEVICE		126847			10-Mar-09	43	Registered
United Arab Emirates	JOLLIBEE CHARACTER AND DEVICE		126844			10-Mar-09	29	Registered

United Arab Emirates	JOLLIBEE CHARACTER AND DEVICE		126845			10-Mar-09	30	Registered
United Arab Emirates	JOLLIBEE CHARACTER AND DEVICE		126846			10-Mar-09	32	Registered
United Arab Emirates	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		16343	15560	27-May-96	27-May-98	42	Registered
United Arab Emirates	JOLLIBEE GREAT BURGERS GREAT CHICKEN & DEVICE		16343	15560	27-May-98	27-May-96	42	Registered
United Arab Emirates	JOLLIBEE LOGO & DEVICE		126840			10-Mar-09	29	Registered
United Arab Emirates	JOLLIBEE LOGO & DEVICE		126842			10-Mar-09	32	Registered
United Arab Emirates	JOLLIBEE LOGO & DEVICE		126841			10-Mar-09	30	Registered
United Arab Emirates	JOLLIBEE LOGO & DEVICE		126843			10-Mar-09	43	Registered
United Arab Emirates	JOLLIBEE MASCOT DEVICE		16345	14694	25 Apr 1998 - Registered 27 May 2006 - Renewed	27-May-96	42	Registered
United Kingdom	JOLLIBEE & DEVICE		1585715	1585715	11-May-93	21-Sep-94	29, 30, 32, 42	Registered
United States of America	AMAZING ALOHA		78/773483	3399726	18-Mar-08	15-Dec-05	29	Registered
United States of America	BEE HAPPY		76/355920	2,830,503	6-Apr-04	7-Jan-02	43	Registered

United States of America	CHICKENJOY		78/773490			14-Dec-05	29	Pending
United States of America	CHOWKING		74294980	1758539	16-Mar-93	17-Jul-92	42	Registered
United States of America	HEAVYWEIGHT YUMBURGER		78/773517	3349865	4-Dec-07	14-Dec-05	29	Registered
United States of America	JOLLIBEE	JOLLIBEE	78/683906	3196017	9-Jan-07	2-Aug-05	43	Registered
United States of America	JOLLIBEE & BEE HEAD DEVICE		78/546427	3152057	3-Oct-06	12-Jan-05	43	Registered
United States of America	JOLLIBEE & DESIGN		74/409992	2074116	24-Jun-97	7-Jul-93	29, 30, 32, 42	Registered
United States of America	JOLLIBEE & DEVICE		74/409992	2074116	24-Jun-97	7-Jul-93	29, 30, 32, 42	Registered
United States of America	JOLLIBEE BURGER STEAK		78/773477	3562559	13-Jan-09	14-Dec-05	29	Registered
United States of America	JOLLY SPAGHETTI		78/773476	3374063	22-Jan-08	14-Dec-05	29	Registered
United States of America	PALABOK FIESTA		78/773470	3393101	4-Mar-08	14-Dec-05	29	Registered
United States of America	YUM		78/773415	363459	1-Jan-08	14-Dec-05	29	Registered
United States of America	YUMBURGER		78/773383	3349864	4-Dec-07	14-Dec-05	29	Registered

Vietnam	JOLLIBEE & BEE HEAD DEVICE		4-2005-02046	89304	20-Sep-07	25-Feb-05	43	Registered
Vietnam	JOLLIBEE and Device		13733	11429	2-Apr-94	4-Jun-93	29, 30, 32, 42	Registered
Vietnam	JOLLIBEE MASCOT		4-2008-25172	153633	28-Oct-10	25-Nov-08	29, 43	Registered
Vietnam	JOLLIBEE MASCOT DEVICE		4-1995-22456	18932	8-Apr-95	8-Apr-95	42	Registered
Vietnam	JOLLIBEE MASCOT DEVICE		22974	19997	18-May-95	18-May-95	29	Registered
Vietnam	JOLLIBEE STACKED LOGO		4-2008-25170	153631	25-Nov-08	25-Nov-08	29, 43	Pending
Vietnam	PEEKING BEE		4-2008-25171	153632	25-Nov-08	28-Oct-10	29, 43	Registered

The Company's 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 FTI Corporation	Building lease
Tanay Uptown	Fidel Melendres	Building lease
Ortigas Roosevelt	Alben Holdings Corp.	Land 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
Katipunan	V.M. Belizario & Sons Dev't. Corp.	Land 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, 2010:

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 has presented its evidence, and is awaiting the completion of presentation of evidence of other parties.

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 parties are still presenting their evidence.

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 parties are presenting their evidence.

MARKET PRICE OF AND DIVIDENDS ON COMPANY'S COMMON EQUITY

MARKET INFORMATION

Shares traded at the Philippine Stock Exchange

	2010		2009	
	High	**Low**	**High**	**Low**
1st Quarter	60.00	52.00	47.00	39.00
2nd Quarter	70.50	55.50	51.00	44.00
3rd Quarter	92.00	69.00	52.00	48.00
4th Quarter	97.00	78.00	55.00	49.50

Source: Philippine Stock Exchange

The high and low prices as of March 31, 2011 is PhP90.00 and PhP 68.05, respectively.

HOLDERS

There are approximately 3,544 holders as of December 31, 2010. The Company's top 20 shareholders as of this date are:

Shareholder	No. of Shares*	% of Ownership, Issued and Outstanding**
PCD Nominee Corporation (Non-Filipino)	299,120,858	28.90
Hyper Dynamic Corporation	273,218,750	26.40
Honeysea Corporation	127,743,747	12.34
PCD Nominee Corporation (Filipino)	69,715,792	6.74
Winall Holding Corporation	54,140,736	5.23
Honeyworth Corporation	40,787,128	3.94
Kingsworth Corporation	29,168,935	2.82
Centregold Corporation	27,430,964	2.65
Gemma Tanbuntiong	21,700,601	2.10
A-Star Holding Corporation	18,920,393	1.83
Venice Corporation	18,920,382	1.83
Tony Tan Caktiong	14,715,203	1.42

Shareholder	No. of Shares*	% of Ownership, Issued and Outstanding**
Azucena T. King	10,341,199	1.00
Longshore Corporation	8,260,184	0.80
William Tan Untiong	5,928,055	0.57
Sysmart Corporation	2,703,014	0.26
Lucky Securities	2,539,885	0.25
Ernesto Tanmantiong	2,501,811	0.24
Great Pacific Life Assurance Corporation	925,000	0.09
Ysmael V. Baysa	765,000	0.09
Sub-total	1,029,547,637	99.27
Others	5,434,544	0.73
Total Issued and Outstanding	**1,051,429,521**	
Treasury Shares (per SEC 11-C)	16,447,340	1.59
Total Issued and Outstanding (net of Treasury Shares)	**1,034,982,181**	

* *The figures appearing above refer to direct shares only and based on the RCBC Transfer Office's Report.*

** *Over Total Issue and Outstanding (net of Treasury Shares).*

DIVIDENDS

Below are the cash dividend declarations of the Company for the years 2008, 2009 and 2010:

Cash Dividend	Declaration Date	Ex-Date	Record Date	Payment Date
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
PhP0.37	April 28, 2009	May 11, 2009	May 14, 2009	June 5, 2009
PhP0.48	November 5, 2009	November 18, 2009	November 23, 2009	December 15, 2009
PhP1.43	April 12, 2010	May 04, 2010	May 07, 2010	June 03, 2010
Php0.82	November 10, 2010	November 22, 2010	November 25, 2010	December 21, 2010

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 has adopted a Manual of Corporate Governance ("*Manual*") which was filed with and duly approved by the SEC. Under the terms of the Manual, the Company is required to measure compliance by the Board of Directors and management with the terms of the Manual. Pursuant to the Manual, the Compliance Officer is required annually to prepare a self-rating report on the extent of the

Company's compliance with the Manual, explaining reasons for deviation, if any.

On March 30, 2011, the Company submitted its duly-accomplished Disclosure Template for the Corporate Governance Guidelines for Listed Companies to the Philippine Stock Exchange.

The Company also 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 and other submissions on Corporate Governance are analyzed and the results are 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

In line with SEC Circular No. 6-2009, 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

June 7, 2010 Meeting of the Executive Committee of the Board of Directors	Store Opening (Jollibee Kaytikling) Approval of Authority (Usman Rasuman vs. JFC) Confirmation of Signatory for banks
July 1, 2010 Meeting of the Executive Committee of the Board of Directors	Designation of Signatory (Contract of Lease for Office Units) Retirement of POS Applications for Store Permits and Licenses Authorized Signatory for National Key Accounts Group
August 2, 2010 Meeting of the Executive Committee of the Board of Directors	Applications for Permits and Licenses Application for Credit Line Agreement Confirmation of Signatory for Contracts
September 6, 2010 Meeting of the Executive Committee of the Board of Directors	Application for Credit Line Authorized Signatories for various contracts
October 4, 2010 Meeting of the Executive Committee of the Board of Directors	Authorized signatories for LTO transactions
November 2, 2010 Meeting of the Executive Committee of the Board of Directors	Applications for Credit Line Authorized Signatories for Permits and Licenses
November 10, 2010 Meeting of the Board of Directors	Cash Dividend
November 15, 2010 Meeting of the Executive Committee of the Board of Directors	Authorized Signatory (Share Purchase Agreement) Authorized Signatory (Diamond Dragon vs. JFC) Authorized Signatory (Meralco Refund)
December 1, 2010 Meeting of the Executive Committee of the Board of Directors	Authorized Signatory (Country Club Shares) Authorized Signatory (Philippine Depository and Trust Corporation) Authorized Signatory (Trademark Infringement cases) Approval of Disposal of Novelty Items
January 10, 2011 Meeting of the Executive Committee of the Board of Directors	Renewal of Accreditation as Importer Opposition (Trademark Infringement cases)
February 7, 2011 Meeting of the Executive Committee of the Board of Directors	Authorized Signatory (Brigida delos Santos vs. JFC) Bank Account Openings
February 14, 2011 Meeting of the Executive	Retirement of Permits and License Membership in a Non-Stock, Non-Profit Organization

Committee of the Board of Directors	
March 1, 2011 Meeting of the Executive Committee of the Board of Directors	Conversion to Equity of Advances and Cancellation of Trade Receivables (Honeybee Foods Corporation)
March 21, 2011 Meeting of the Executive Committee of the Board of Directors	Authorized Signatory (JFC vs. Diamond Dragon)
April 6, 2011 Meeting of the Executive Committee of the Board of Directors	Approval of Loan Write-off of Novelty Inventory Issuance of Continuing Guarantees Oppositions (Trademark Infringement cases) Authorities to sign various contracts Applications for Permits and Licenses
April 13, 2011 Meeting of the Board of Directors	Approval of the 2010 Audited Financial Statements Cash Dividend

ANNEX "C"

AUDITED FINANCIAL STATEMENTS
(FOR THE YEAR ENDING DECEMBER 31, 2010)

COVER SHEET

7 7 4 8 7

SEC Registration Number

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

(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)

(02) 634-1111

(Company Telephone Number)

1 2 | 3 1

Month | Day

(Calendar Year)

A A C F S

(Form Type)

0 6 | 2 4

Month | Day

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

₱1,800,000,000 | ₱2,434,744,511

Domestic | Foreign

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

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 consolidated financial statements of Jollibee Foods Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2010 and 2009, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

SGV & Co
Ernst & Young

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Jollibee Foods Corporation and its subsidiaries as at December 31, 2010 and 2009, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Ramon D. Dizon

Ramon D. Dizon
Partner
CPA Certificate No. 46047
SEC Accreditation No. 0077-AR-2
Tax Identification No. 102-085-577
BIR Accreditation No. 08-001998-17-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641521, January 3, 2011, Makati City

April 13, 2011

Date APR 1 3 2011
RECEIVED
PRECIOSA C. JAVIER

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2010	**2009**
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 30 and 31)	₱8,170,489,301	₱8,977,258,396
Receivables (Notes 7, 30 and 31)	1,977,158,260	1,900,210,816
Inventories (Note 8)	2,134,467,159	1,729,409,427
Other current assets (Notes 9, 30 and 31)	1,290,342,577	1,330,049,493
Total Current Assets	13,572,457,297	13,936,928,132
Noncurrent Assets		
Available-for-sale financial assets (Notes 10, 30 and 31)	176,283,046	155,228,494
Interest in and advances to a joint venture (Note 11)	21,622,471	–
Property, plant and equipment (Note 12)	8,770,518,572	8,350,573,445
Investment properties (Note 13)	777,719,894	678,070,800
Goodwill (Note 14)	7,019,519,057	4,205,123,715
Operating lease receivables (Note 29)	33,086,384	44,836,862
Deferred tax assets (Note 24)	920,139,371	841,108,196
Other noncurrent assets (Notes 15, 30 and 31)	1,483,533,516	1,515,623,750
Total Noncurrent Assets	19,202,422,311	15,790,565,262
	₱32,774,879,608	₱29,727,493,394
LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables and other current liabilities (Notes 16, 30 and 31)	₱9,223,747,002	₱8,959,730,813
Income tax payable	167,751,504	135,934,261
Short-term debt (Notes 18, 30 and 31)	1,842,030,865	305,024,016
Current portion of:		
Long-term debt (Notes 18, 30 and 31)	2,341,125,065	53,697,466
Liability for acquisition of businesses (Notes 11, 30 and 31)	170,194,278	179,449,673
Total Current Liabilities	13,744,848,714	9,633,836,229
Noncurrent Liabilities		
Provisions (Note 17)	30,500,639	30,500,639
Noncurrent portion of:		
Long-term debt (Notes 18, 30 and 31)	51,588,581	2,437,980,374
Liability for acquisition of businesses (Notes 11, 30 and 31)	141,254,668	–
Pension liability (Note 25)	212,089,188	174,197,616
Operating lease payables (Note 29)	1,166,944,342	1,010,167,311
Deferred tax liabilities (Note 24)	167,104,456	155,605,498
Total Noncurrent Liabilities	1,769,481,874	3,808,451,438
Total Liabilities	15,514,330,588	13,442,287,667
Equity Attributable to Equity Holders of the Parent Company (Note 30)		
Capital stock (Note 19)	1,053,438,818	1,051,458,156
Subscriptions receivable	(17,177,884)	(17,177,884)
Additional paid-in capital (Note 26)	2,773,682,164	2,635,662,843
Cumulative translation adjustments of foreign subsidiaries	(317,022,645)	(101,234,002)
Unrealized gain on available-for-sale financial assets (Note 10)	107,164,577	89,904,594
Excess of cost over the carrying value of non-controlling interests acquired (Note 19)	(542,764,486)	(543,978,573)
Retained earnings (Note 19):		
Appropriated for future expansion	1,200,000,000	1,200,000,000
Unappropriated	13,042,709,169	12,147,867,997
	17,300,029,713	16,462,503,131
Less cost of common stock held in treasury (Note 19)	180,511,491	180,511,491
	17,119,518,222	16,281,991,640
Non-controlling Interests (Note 11)	141,030,798	3,214,087
Total Equity	17,260,549,020	16,285,205,727
	₱32,774,879,608	₱29,727,493,394

See accompanying Notes to Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2010	2009	2008
REVENUES			
Net sales	₱50,506,967,113	₱45,344,123,164	₱41,374,272,795
Royalty, franchise fees and others (Note 20)	2,864,757,569	2,613,570,160	2,517,286,157
	53,371,724,682	47,957,693,324	43,891,558,952
COST OF SALES (Note 21)	43,254,730,460	38,388,328,254	35,780,174,124
GROSS PROFIT	10,116,994,222	9,569,365,070	8,111,384,828
EXPENSES (Note 22)	(6,517,659,367)	(6,268,041,607)	(5,423,621,683)
FINANCE INCOME (EXPENSE) (Note 23)			
Interest income	163,081,118	163,680,615	208,464,081
Interest expense	(193,201,203)	(218,909,754)	(105,080,420)
	(30,120,085)	(55,229,139)	103,383,661
EQUITY IN NET LOSS OF A JOINT VENTURE (Note 11)	(2,181,411)	–	–
OTHER INCOME (Note 23)	618,898,399	409,084,936	419,918,386
INCOME BEFORE INCOME TAX	4,185,931,758	3,655,179,260	3,211,065,192
PROVISION FOR INCOME TAX (Note 24)			
Current	1,040,927,979	986,027,893	829,656,114
Deferred	(67,532,217)	2,251,622	59,591,960
	973,395,762	988,279,515	889,248,074
NET INCOME	3,212,535,996	2,666,899,745	2,321,817,118
OTHER COMPREHENSIVE LOSS			
Translation adjustments	(215,377,701)	(124,186,353)	(128,087,331)
Net unrealized gain (loss) on available-for-sale financial assets (Note 10)	17,259,983	70,024,540	(11,015,313)
	(198,117,718)	(54,161,813)	(139,102,644)
TOTAL COMPREHENSIVE INCOME	₱3,014,418,278	₱2,612,737,932	₱2,182,714,474
Net Income Attributable to:			
Equity holders of the Parent Company (Note 28)	₱3,197,793,977	₱2,664,623,109	₱2,319,087,864
Non-controlling interests	14,742,019	2,276,636	2,729,254
	₱3,212,535,996	₱2,666,899,745	₱2,321,817,118
Total Comprehensive Income Attributable to:			
Equity holders of the Parent Company	₱2,999,265,317	₱2,610,461,296	₱2,179,985,220
Non-controlling interests	15,152,961	2,276,636	2,729,254
	₱3,014,418,278	₱2,612,737,932	₱2,182,714,474
Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company (Note 28)			
Basic	₱3.118	₱2.610	₱2.268
Diluted	3.077	2.581	2.253

See accompanying Notes to Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

	Equity Attributable to Equity Holders of the Parent Company											
							Retained Earnings (Note 19)					
	Capital Stock (Note 19)	Subscriptions Receivable	Additional Paid-in Capital (Note 26)	Cumulative Translation Adjustments of Foreign Subsidiaries	Unrealized Gain on Available-for-Sale Financial Assets (Note 10)	Excess of Cost over the Carrying Value of Non-controlling Interests Acquired (Note 19)	Appropriated for Future Expansion	Unappropriated	Cost of Common Stock Held in Treasury (Note 19)	Total	Non-controlling Interests (Note 11)	Total Equity
Balances at January 1, 2010	P1,051,458,156	(P17,177,884)	P2,635,662,843	(P101,234,002)	P89,904,594	(P543,978,573)	P1,200,000,000	P12,147,867,997	(P180,511,491)	P16,281,991,640	P3,214,087	P16,285,205,727
Net income	–	–	–	–	–	–	–	3,197,793,977	–	3,197,793,977	14,742,019	3,212,535,996
Other comprehensive income (loss)												
Translation adjustments	–	–	–	(215,788,643)	–	–	–	–	–	(215,788,643)	410,942	(215,377,701)
Unrealized gain on available-for-sale financial assets	–	–	–	–	17,259,983	–	–	–	–	17,259,983	–	17,259,983
Total comprehensive income (loss)	–	–	–	(215,788,643)	17,259,983	–	–	3,197,793,977	–	2,999,265,317	15,152,961	3,014,418,278
Movements in other equity accounts												
Subscriptions and issuances of shares	1,980,662	–	72,361,459	–	–	–	–	–	–	74,342,121	–	74,342,121
Cost of stock options granted	–	–	65,657,862	–	–	–	–	–	–	65,657,862	–	65,657,862
Cash dividends - P2.25 a share (Note 19)	–	–	–	–	–	–	–	(2,302,952,805)	–	(2,302,952,805)	–	(2,302,952,805)
Arising from business combination	–	–	–	–	–	–	–	–	–	–	70,888,657	70,888,657
Arising from incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	–	54,997,180	54,997,180
Acquisition of non-controlling interests	–	–	–	–	–	1,214,087	–	–	–	1,214,087	(3,214,087)	(2,000,000)
	1,980,662	–	138,019,321	–	–	1,214,087	–	(2,302,952,805)	–	(2,161,738,735)	122,671,750	(2,039,066,985)
Balances at December 31, 2010	P1,053,438,818	(P17,177,884)	P2,773,682,164	(P317,022,645)	P107,164,577	(P542,764,486)	P1,200,000,000	P13,042,709,169	(P180,511,491)	P17,119,518,222	P141,038,798	P17,260,557,020
Balances at January 1, 2009	P1,040,005,488	(P17,177,884)	P2,245,675,482	P22,952,351	P19,880,054	(P543,978,573)	P1,200,000,000	P10,349,648,543	(P180,511,491)	P14,136,493,970	P3,337,451	P14,139,831,421
Net income	–	–	–	–	–	–	–	2,664,623,109	–	2,664,623,109	2,276,636	2,666,899,745
Other comprehensive income (loss)												
Translation adjustments	–	–	–	(124,186,353)	–	–	–	–	–	(124,186,353)	–	(124,186,353)
Unrealized gain on available-for-sale financial assets	–	–	–	–	70,024,540	–	–	–	–	70,024,540	–	70,024,540
Total comprehensive income (loss)	–	–	–	(124,186,353)	70,024,540	–	–	2,664,623,109	–	2,610,461,296	2,276,636	2,612,737,932
Movements in other equity accounts												
Subscriptions and issuances of shares	11,452,668	–	242,465,182	–	–	–	–	–	–	253,917,850	–	253,917,850
Cost of stock options granted	–	–	147,522,179	–	–	–	–	–	–	147,522,179	–	147,522,179
Cash dividends - P0.85 a share (Note 19)	–	–	–	–	–	–	–	(866,403,655)	–	(866,403,655)	(2,400,000)	(868,803,655)
	11,452,668	–	389,987,361	–	–	–	–	(866,403,655)	–	(464,963,626)	(2,400,000)	(467,363,626)
Balances at December 31, 2009	P1,051,458,156	(P17,177,884)	P2,635,662,843	(P101,234,002)	P89,904,594	(P543,978,573)	P1,200,000,000	P12,147,867,997	(P180,511,491)	P16,281,991,640	P3,214,087	P16,285,205,727
Balances at January 1, 2008	P1,034,139,179	(P17,177,884)	P2,086,941,086	P151,039,682	P30,895,367	(P543,978,573)	P1,200,000,000	P8,884,408,730	(P183,338,740)	P12,642,928,847	P5,408,197	P12,648,337,044
Net income	–	–	–	–	–	–	–	2,319,087,864	–	2,319,087,864	2,729,254	2,321,817,118
Other comprehensive loss												
Translation adjustments	–	–	–	(128,087,331)	–	–	–	–	–	(128,087,331)	–	(128,087,331)
Unrealized loss on available-for-sale financial assets	–	–	–	–	(11,015,313)	–	–	–	–	(11,015,313)	–	(11,015,313)
Total comprehensive income (loss)	–	–	–	(128,087,331)	(11,015,313)	–	–	2,319,087,864	–	2,179,985,220	2,729,254	2,182,714,474
Movements in other equity accounts												
Subscriptions and issuances of shares	5,866,309	–	73,080,096	–	–	–	–	–	–	78,946,405	–	78,946,405
Re-issuances for stock purchase rights exercised	–	–	–	–	–	–	–	–	2,827,249	2,827,249	–	2,827,249
Cost of stock options granted	–	–	85,654,300	–	–	–	–	–	–	85,654,300	–	85,654,300
Cash dividends - P0.84 a share (Note 19)	–	–	–	–	–	–	–	(853,848,051)	–	(853,848,051)	(4,800,000)	(858,648,051)
	5,866,309	–	158,734,396	–	–	–	–	(853,848,051)	2,827,249	(686,420,097)	(4,800,000)	(691,220,097)
Balances at December 31, 2008	P1,040,005,488	(P17,177,884)	P2,245,675,482	P22,952,351	P19,880,054	(P543,978,573)	P1,200,000,000	P10,349,648,543	(P180,511,491)	P14,136,493,970	P3,337,451	P14,139,831,421

See accompanying Notes to Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱4,185,931,758**	₱3,655,179,260	₱3,211,065,192
Adjustments for:			
Depreciation and amortization (Notes 12, 13, 21 and 22)	**1,978,005,994**	2,085,949,869	1,728,879,763
Interest expense (Note 23)	**193,201,203**	218,909,754	105,080,420
Loss on disposals and retirements of property, plant and equipment - net (Note 12)	**183,846,481**	363,767,120	3,239,280
Deferred rent amortization - net (Note 29)	**168,527,509**	(24,103,276)	(823,731)
Pension expense (Note 25)	**156,117,874**	140,753,857	145,691,982
Stock options expense (Note 26)	**65,657,862**	147,522,179	107,100,435
Impairment losses on:			
Receivables and inventories (Notes 7, 8, and 22)	**56,255,685**	231,841,183	82,225,628
Property, plant and equipment (Notes 12 and 22)	**–**	86,408,877	3,792,817
Equity in net loss of a joint venture (Note 11)	**2,181,411**	–	–
Interest income (Note 23)	**(163,081,118)**	(163,680,615)	(208,464,081)
Net unrealized foreign exchange loss (gain)	**(48,944,543)**	(46,455,820)	39,641,095
Reversals of impairment on:			
Receivables (Note 7)	**(1,504,095)**	(9,372,417)	–
Inventories (Note 8)	**(106,906,523)**	(45,038,141)	–
Investment properties (Note 13)	**(18,234,341)**	–	(1,950,646)
Income before working capital changes	**6,651,055,157**	6,641,681,830	5,215,478,154
Decreases (increases) in:			
Short-term investment	**–**	20,002,018	(20,002,018)
Receivables	**33,443,191**	(2,542,664)	(28,002,090)
Inventories	**(213,528,090)**	861,749,996	(1,139,807,960)
Other current assets	**(133,652,904)**	(128,602,837)	(263,654,852)
Increases (decreases) in:			
Trade payables and other current liabilities	**201,815,255**	547,063,191	1,738,990,277
Provisions	**–**	(15,808,350)	(11,197,205)
Net cash generated from operations	**6,539,132,609**	7,923,543,184	5,491,804,306
Interest received	**142,162,966**	139,171,673	203,340,056
Contributions to plan assets (Note 25)	**(108,668,770)**	(353,871,159)	(155,752,808)
Income taxes paid	**(1,068,556,299)**	(932,576,795)	(830,898,036)
Net cash provided by operating activities	**5,504,070,506**	6,776,266,903	4,708,493,518
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Subsidiary - net of cash acquired (Note 11)	**(2,714,811,144)**	(835,282,824)	(1,584,746,810)
Property, plant and equipment (Note 12)	**(2,553,449,151)**	(2,575,116,986)	(2,921,797,606)
Investment properties (Note 13)	**(30,662,281)**	–	–
Interest in a joint venture (Note 11)	**(5,000,000)**	–	–
Available-for-sale financial assets (Note 10)	**(3,940,000)**	(9,193,912)	(41,866,500)

(Forward)

	Years Ended December 31		
	2010	2009	2008
Proceeds from disposals of:			
Property, plant and equipment	₱96,029,926	₱22,394,454	₱311,707,055
Investment properties	277,200	–	–
Available-for-sale financial assets	145,431	747,172	358,316
Advances to a joint venture	(18,803,882)	–	–
Decrease (increase) in other noncurrent assets	106,128,447	(122,020,031)	(296,241,955)
Net cash used in investing activities	(5,124,085,454)	(3,518,472,127)	(4,532,587,500)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends	(2,556,643,476)	(843,906,023)	(1,212,783,181)
Short-term debt (Note 18)	(305,024,016)	(407,197,154)	(49,747,319)
Long-term debt (Note 18)	(53,697,466)	(37,769,129)	–
Proceeds from:			
Short-term debt (Note 18)	1,842,030,865	305,024,016	75,907,397
Long-term debt (Note 18)	–	–	2,388,856,231
Issuances of and subscriptions to capital stock	27,886,621	82,609,866	5,866,255
Contributions from non-controlling interests	54,997,180	–	–
Acquisition of non-controlling interests	(2,000,000)	–	–
Interest paid	(189,703,359)	(226,068,886)	(92,817,746)
Decrease in other noncurrent liabilities	–	–	(8,819,817)
Net cash provided by (used in) financing activities	(1,182,153,651)	(1,127,307,310)	1,106,461,820
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(4,600,496)	(12,078,126)	538,125
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(806,769,095)	2,118,409,340	1,282,905,963
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,977,258,396	6,858,849,056	5,575,943,093
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱8,170,489,301	₱8,977,258,396	₱6,858,849,056

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", "Manong Pepe", "Yong He King", "Hong Zhuang Yuan", "Caffe Ti-Amo" and "Mang Inasal". 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 2 and 5). 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 13, 2011.

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

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

Statement of Compliance

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and Philippine Interpretations starting January 1, 2010, except when otherwise indicated:

New Interpretation

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*, effective for annual periods beginning on or after July 1, 2009

Amendments to Standards

- PFRS 2, *Share-based Payments* (Amendment) - *Group Cash-settled and Share-based Payment Transactions*, effective for annual periods beginning on or after January 1, 2010

- PFRS 3 (Revised), *Business Combinations*, and PAS 27 (Amended), *Consolidated and Separate Financial Statements*, effective for annual periods beginning on or after July 1, 2009

- PAS 39, *Financial Instruments: Recognition and Measurement* (Amendment) - *Eligible Hedged Items*, effective for annual periods beginning on or after July 1, 2009

- Improvements to PFRS (2009), effective 2010

The standards that have been adopted and that are deemed to have an impact on the consolidated financial statements are described below:

- PFRS 3 (Revised), *Business Combinations*, and PAS 27 (Amended), *Consolidated and Separate Financial Statements*, became effective for annual periods beginning on or after July 1, 2009. PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and accounting for business combinations achieved in stages.

  These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss and accounted for as equity transaction.

  Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. PFRS 3 (Revised) was applied prospectively while PAS 27 (Amended) was applied retrospectively with few exceptions.

  The Jollibee Group assessed that these revised and amended standards have an impact on its current and future business acquisitions, disposals and transactions with non-controlling interests.

Future Changes in Accounting Policies
The Jollibee Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Jollibee Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on the consolidated financial statements.

New Standards and Interpretations Effective 2011

- PAS 24, *Related Party Disclosures* (Amendment), becomes effective for annual periods beginning on or after January 1, 2011. The amended standard clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The amended standard introduces a partial exemption of disclosure requirements for government-related entities.

- PAS 32, *Financial Instruments: Presentation* (Amendment) - *Classification of Rights Issues*, becomes effective for annual periods beginning on or after February 1, 2010. It amends the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro-rata to all existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*, becomes effective for annual periods beginning on or after January 1, 2011, with retrospective application. It provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, becomes effective for annual periods beginning on or after July 1, 2010. This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRS (2010). The omnibus amendments to PFRS issued in 2010 were issued primarily with a view to remove inconsistencies and clarify wordings. The amendments are effective for annual periods beginning January 1, 2011, except when otherwise stated. The Jollibee Group has not yet adopted the following improvements and anticipates that these changes will have no material effect on its consolidated financial statements.

- PFRS 3 (Revised), *Business Combinations*, clarifies the following:

  a. the amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32, *Financial Instruments: Presentation*, and PAS 39, *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008). The amendment is to be applied retrospectively.

  b. the amendment limits the scope of the measurement choices that only the components of non-controlling interests that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either:

     i. at fair value; or

     ii. at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by another PFRS.

     The amendment is applied prospectively from the date the entity applies PFRS 3.

c. the amendment requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., to split share-based between consideration and post combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. The amendment also specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of non-controlling interests and measured at their market-based measure; if unvested - they are measured at market-based value as if granted at acquisition date, and allocated between non-controlling interests and post-combination expenses. This amendment is to be applied prospectively.

The above amendments are applicable to annual periods beginning on or after July 1, 2010.

- PFRS 7, *Financial Instruments: Disclosures*, clarifies the following:

  a. the amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

  b. amendments to quantitative and credit risk disclosures are as follows:

     i. clarify that only financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk;

     ii. requires, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk);

     iii. remove the disclosure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired;

     iv. remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired; and,

     v. clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at reporting date.

  c. the amendment is to be applied retrospectively.

- PAS 1, *Presentation of Financial Statements*, clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statements of changes in equity or in the notes to the financial statements. The amendment is applied retrospectively.

- PAS 27, *Consolidated and Separate Financial Statements*, clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates*, and PAS 31, *Interests in Joint Ventures*, apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier. The amendment is applicable for annual periods beginning on or after July 1, 2010. The amendment is to be applied retrospectively.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

New Standards and Interpretation Effective 2012

- PFRS 7, *Financial Instruments: Disclosures* (Amendments) - *Transfers of Financial Assets*, will become effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g., securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- PAS 12, *Income Taxes* (Amendment) - *Deferred Tax: Recovery of Underlying Assets*, will become effective for annual periods beginning on or after January 1, 2012. It provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, will become effective for annual periods beginning on or after January 1, 2012. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and rewards of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

New Standard Effective 2013

- PFRS 9, *Financial Instruments: Classification and Measurement*, will become effective for annual periods beginning on or after January 1, 2013. PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Jollibee Group's financial assets. The Jollibee Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Basis of Consolidation from January 1, 2010
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2010.

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 when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of comprehensive income and net assets not held by the Jollibee Group and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company. Acquisition of non-controlling 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 a direct deduction from the equity section of the consolidated statements of financial position as "Excess of cost over the carrying value of non-controlling interests acquired".

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of Consolidation Prior to January 1, 2010
Some of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses applicable to the non-controlling interest in a consolidated subsidiary may exceed the non-controlling interest in the subsidiary's equity. The excess, and any further losses applicable to the non-controlling interest, are allocated against the controlling interest except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the controlling interest until the non-controlling interest's share of losses previously absorbed by the controlling interest has been recovered. There were no losses prior to January 1, 2010 that requires allocation between non-controlling interests and equity holders of the Parent Company.

- The income and expenses of a subsidiary are included in the consolidated financial statements until the date on which the Jollibee Group ceases to control the subsidiary. The difference between the proceeds from the disposal of the subsidiary and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary recognized in equity, is recognized in the consolidated statements of comprehensive income as the gain or loss on the disposal of the subsidiary.

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 2010	2009	2008
Fresh N' Famous Foods, Inc. (Fresh N' Famous):	Philippines	Food service	**100**	100	100
▪ Chowking Food Corporation USA[a]	United States of America (USA)	Holding company	**100**	100	100
▪ Chowking Food Corporation (Thailand) Co. Ltd.[a]	Thailand	Dormant	**100**	100	100
Zenith Foods Corporation (Zenith)	Philippines	Food service	**100**	100	100
Freemont Foods Corporation	Philippines	Food service	**100**	100	100
RRB Holdings, Inc. (RRBHI):	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
Mang Inasal Philippines Inc. (Mang Inasal)	Philippines	Food service	**70**	–	–
Grandworth Resources Corporation (Grandworth):	Philippines	Leasing	**100**	100	100
▪ Adgraphix, Inc. (Adgraphix)[c]	Philippines	Digital printing	**100**	60	60
▪ IConnect Multimedia Network, Inc. (IConnect)[c]	Philippines	Advertising	**60**	60	–
Donut Magic Phils., Inc. (Donut Magic)[d]	Philippines	Dormant	**100**	100	100
Ice Cream Copenhagen Phils., Inc. (ICCP)[d]	Philippines	Dormant	**100**	100	100
Mary's Foods Corporation (Mary's)[d]	Philippines	Dormant	**100**	100	100
QSR Builders, Inc.	Philippines	Inactive	**100**	100	–
Jollibee USA	USA	Dormant	**100**	100	100
Honeybee Foods Corporation (Honeybee) -	USA	Food service	**100**	100	100
▪ Tokyo Teriyaki Corporation[e]	USA	Food service	**100**	100	100
Jollibee Worldwide Pte. Ltd. (Jollibee Worldwide):	Singapore	Holding company	**100**	100	100
▪ Jollibee Worldwide Services - Regional Headquarters of Jollibee Worldwide (JWS)[f]	Philippines	Accounting service	**100**	100	100
▪ Golden Plate Pte. Ltd. (GPPL) (formerly Lao Dong Pte. Ltd.)[f]	Singapore	Holding company	**100**	100	–
▪ Beijing New Hongzhuangyuan Food and Beverage Management Co., Ltd. (Hong Zhuang Yuan)[f]	Peoples' Republic of China (PRC)	Food service	**100**	100	100
▪ Southsea Binaries Ltd. (Southsea)[f]	British Virgin Island (BVI)	Holding company	**100**	100	100
▪ Tianjin Yong He King Food and Beverage Co., Ltd.[f]	PRC	Food service	**100**	100	100
▪ Kuai Le Feng Food & Beverage (Shenzhen) Co., Ltd.[f]	PRC	Dormant	**100**	100	100
▪ Beijing Yong He King Food and Beverage Co., Ltd.[f]	PRC	Food service	**100**	100	100
▪ Shenzhen Yong He King Food and Beverage Co., Ltd.[f]	PRC	Food service	**100**	100	100
▪ Hangzhou Yongtong Food and Beverage Co., Ltd.[f]	PRC	Food service	**100**	100	100
▪ Hangzhou Yonghong Food & Beverage Co., Ltd.[f]	PRC	Food service	**100**	100	100
▪ Shanghai Yong He King Food & Beverage Co., Ltd.[f]	PRC	Food service	**100**	100	100
▪ Wuhan Yongchang Food and Beverage Co., Ltd.[f]	PRC	Food service	**100**	100	100
▪ Shanghai Chunlv Co. Ltd.[f]	PRC	Food service	**100**	100	100
▪ Jollibee Foods Processing Pte. Ltd. (JFPPL)[f] -	Singapore	Holding company	**70**	–	–
▫ Jollibee Foods Processing Pte. Ltd. (Anhui)[g]	PRC	Food service	**100**	–	–
▪ Jollibee International (BVI) Ltd. (JIBL)[f]:	BVI	Holding company	**100**	100	100
▫ Jollibee Vietnam Corporation Ltd.[h]	Vietnam	Food service	**100**	100	100
▫ PT Chowking Indonesia[h]	Indonesia	Food service	**100**	100	100
▫ PT Jollibee Indonesia[h]	Indonesia	Food service	**100**	100	100
▫ Jollibee (Hong Kong) Limited[h] -	Hong Kong	Food service	**85**	85	85
▫ Hanover Holdings Limited (Hanover)[i]	Hong Kong	Food service	**100**	100	100
▫ Belmont Enterprises Ventures Limited (Belmont)[h] -	BVI	Holding company	**100**	100	100
• Shanghai Belmont Enterprises Management and Adviser Co., Ltd. (SBEMAC)[j]	PRC	Business management service	**100**	100	100
• Yong He Holdings Co., Ltd.[j]:	BVI	Holding company	**100**	100	100
· Centenary Ventures Limited[k]	BVI	Holding company	**100**	100	100
· Colossus Global Limited[k]	BVI	Holding company	**100**	100	100
· Granite Management Limited[k]	BVI	Holding company	**100**	100	100
· Cosmic Resources Limited[k]	BVI	Holding company	**100**	100	100

	Country of Incorporation	Principal Activities	Percentage of Ownership 2010	2009	2008
• All Great Resources Limited[i]:	BVI	Holding company	**100**	100	100
· Eastpower Resources Limited[l] -	BVI	Holding company	**100**	100	100
◦ Shanghai Yongjue Foods & Beverage Co., Ltd[m]	PRC	Food service	**100**	100	100
· Eaglerock Development Limited[l]	BVI	Holding company	**100**	100	100

(a) Indirectly owned through Fresh N' Famous.
(b) Indirectly owned through RRB Holdings, Inc.
(c) Indirectly owned through Grandworth.
(d) 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 is pending approval of the SEC as of December 31, 2010.
(e) Indirectly owned through Honeybee.
(f) Indirectly owned through Jollibee Worldwide.
(g) Indirectly owned through JFPPL.
(h) Indirectly owned through JIBL.
(i) Indirectly owned through Jollibee (Hong Kong) Limited.
(j) Indirectly owned through Belmont.
(k) Indirectly owned through Yong He Holdings Co., Ltd.
(l) Indirectly owned through All Great Resources Limited.
(m) Indirectly owned through Eastpower Resources Limited.

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.

Financial Instruments

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

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

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

Subsequent to initial recognition, the Jollibee Group classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets 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 reporting 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 traded 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 observable market prices exist, options pricing models and other relevant valuation models.

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

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

Financial Assets

Financial Assets at FVPL. Financial assets at FVPL include financial assets held-for-trading and financial assets designated 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. Gains or losses on investments held-for-trading are recognized in profit or loss.

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 at FVPL as of December 31, 2010 and 2009.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are classified as current assets when the Jollibee Group expects to realize or collect the asset within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Jollibee Group's cash and cash equivalents, trade receivables, advances to employees, employee car plan receivables, receivables from suppliers and others, receivable from retirement fund and refundable and other deposits are classified under this category (see Note 31).

HTM Investments. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM when there is a positive intention and ability to hold to maturity. Financial assets intended to be held for an undefined period are not included in this 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 less allowance for impairment. For financial assets carried at amortized cost, gains and losses are recognized in profit or loss when the financial assets 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 reporting date and as noncurrent assets if maturity date is more than a year from reporting date.

The Jollibee Group has no HTM investments as of December 31, 2010 and 2009.

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. AFS financial assets include equity and debt securities. Equity investments classified as AFS are those which are intended to be held for an indefinite period of time and are neither classified as held-for-trading nor designated as at FVPL. Debt securities are those which are intended to be held for an indefinite period of time and which may be sold in response to needs of liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as "Unrealized gain (loss) on available-for-sale financial assets" account in other comprehensive income until the financial asset is derecognized. If the fair value cannot be measured reliably, AFS financial assets are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of investment.

On derecognition or impairment, the cumulative gain or loss previously recognized as other comprehensive income is reclassified to either other income or other expense in the statements of comprehensive income as a reclassification adjustment. Interest earned on holding AFS financial assets is recognized in profit or loss using the effective interest method.

Assets under this category are classified as current assets if expected to be realized within 12 months from reporting date and as noncurrent assets if maturity date is more than a year from reporting date.

The Jollibee Group's investments in shares of stock and club shares are classified under this category (see Note 31).

Financial Liabilities

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

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

The Jollibee Group has no financial liability classified under this category as of December 31, 2010 and 2009.

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

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

This category includes trade payables and other current liabilities, short-term debt, long-term debt and liability for acquisition of businesses (including current portion) (see Note 31).

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

Debt Issue Costs

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

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

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

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the consolidated statements of comprehensive income under "Expenses" account. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Jollibee Group. The Jollibee Group also considers the financial condition or near term prospect of the related creditor, and its intent and ability to hold on the asset long enough to allow any anticipated recovery.

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

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

Unquoted AFS Equity Investments. 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 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.

Derecognition of Financial Assets and Liabilities

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

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

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

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

When the Jollibee Group has transferred its rights to receive cash flows from the asset or has entered into a pass-through arrangement, and neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Jollibee Group's continuing involvement in the asset.

In that case, the Jollibee Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Jollibee Group has retained.

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

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

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 profit or loss.

Offsetting Financial Instruments

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

Inventories

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

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

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

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

Property, Plant and Equipment

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

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

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

Land improvements	5 years
Plant 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

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

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

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

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

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

Investment Properties

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

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

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

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

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

Business Combinations and Goodwill

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

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

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

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

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

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

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

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

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

Frequency of Impairment Testing. Irrespective of whether there is any indication of impairment, the Jollibee Group tests goodwill acquired in a business combination for impairment annually.

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

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

Goodwill Included in a Disposal Group Classified as Held for Sale. Where goodwill forms part of a CGU and part of the operation within the 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 CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation adjustments and goodwill is recognized in profit or loss.

Common Control Business Combinations

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The Jollibee Group accounts for a business combination between entities under common control by applying the pooling of interests 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 Jollibee Group.

Interest in and Advances to a Joint Venture. This account consists of interest in and permanent advances to a joint venture.

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

The Jollibee Group has interest in a joint venture which is a jointly controlled entity. The Jollibee Group's interest in a joint venture is accounted for using the equity method based on the percentage share of capitalization in accordance with the joint venture agreements. Under the equity method, the interest in joint venture is carried in the consolidated statements of financial position at cost plus the Jollibee Group's share in post-acquisition changes in the net assets of the joint venture, less any impairment in value. The consolidated statements of comprehensive income include the Jollibee Group's share in the results of operations of the joint venture.

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

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

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

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

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

to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Capital Stock and Additional Paid-in Capital

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

Retained Earnings and Dividend on Common Stock of the Parent Company

The amount included in retained earnings includes profit attributable to the Parent Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the shareholders of the Parent Company and its subsidiaries. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the reporting period.

Cost of Common Stock Held in Treasury

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

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. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, sales taxes and duties. The Jollibee Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Jollibee Group has concluded that it is acting as a principal in majority of its revenue arrangements.

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

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

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

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

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

Dividend Income. Dividend income is recognized when the Jollibee Group's right as a shareholder to receive the payment is established.

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

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

Cost and Expenses
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses included under "Cost of sales" and "Expenses" in the consolidated statements of comprehensive income are recognized as incurred.

Pension Benefits
The Jollibee Group has a number of funded, non-contributory pension 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 exceeds 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.

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 pension plan, past service cost is recognized immediately.

Pension liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, and 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 loss of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gain 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 gain 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 PRC-based and USA-based subsidiaries. Under these schemes, pension benefits of existing and retired employees are guaranteed by the local pension benefit plan and each subsidiary has no further obligations beyond the annual contribution.

Share-based Payments

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

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

The fair value is determined using the Black-Scholes Option Pricing Model (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 Jollibee Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in profit or loss or the investment account for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

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

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

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

Research and Development Costs

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

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

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

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

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 reporting date. All differences are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The functional currencies of the Jollibee Group's foreign operations are USD, PRC renminbi, Indonesia rupiah, Vietnam dong and Hong Kong dollar. As of the reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the reporting date while 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 equity under the account "Cumulative translation adjustments of subsidiaries" and in other comprehensive income.

On disposal of a foreign subsidiary, the accumulated exchange differences are recognized in profit or loss as a component of the gain or loss on disposal.

Taxes

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

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interest in a joint venture, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax 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 consolidated statements of financial position.

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

Diluted EPS is computed by dividing the net income for the year attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the period, adjusted for any 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 would be stated at the same amount.

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

Business Segments
The Jollibee Group is organized and managed separately according to the nature of 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.

Events after the Reporting Period
Post year-end events that provide additional information about the Jollibee Group's financial position at reporting date (adjusting events) are reflected in the Jollibee Group's consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material (see Note 32).

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts on the consolidated financial statements.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

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

Operating Lease Commitments - Jollibee Group as 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 ₱88.6 million, ₱78.7 million and ₱83.0 million in 2010, 2009 and 2008, respectively (see Notes 13, 20 and 29).

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, based on an evaluation of the terms and condition of the arrangements that all the significant risks and benefits of ownership of these properties, which the Jollibee Group leases under operating lease arrangements, remain with the lessors. Accordingly, the leases are accounted for as operating leases.

Rent expense amounted to ₱4,092.8 million, ₱3,542.0 million and ₱2,902.8 million in 2010, 2009 and 2008, respectively (see Note 29).

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

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

For unquoted equity shares, the Jollibee Group estimates the expected future cash flows from the investment and calculates the amount of impairment as the difference between the present value of expected of future cash flows from the investment and its acquisition cost and recognizes the amount in the statements of comprehensive income.

No impairment loss for AFS financial assets was recognized in 2010, 2009 and 2008. The carrying values of AFS financial assets amounted to ₱176.3 million and ₱155.2 million as of December 31, 2010 and 2009, respectively (see Note 10).

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

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

Provision for impairment loss on receivables in 2010, 2009 and 2008 amounted to ₱50.3 million, ₱50.5 million and ₱34.9 million, respectively. The carrying value of receivables amounted to ₱1,977.2 million and ₱1,900.2 million as of December 31, 2010 and 2009, respectively (see Note 7).

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

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

The Jollibee Group assessed that the net realizable value for some inventories is lower than cost, hence, it recognized provision for inventory obsolescence amounting to ₱6.0 million, ₱181.3 million and ₱47.3 million in 2010, 2009 and 2008, respectively. The carrying values of inventories amounted to ₱2,134.5 million and ₱1,729.4 million as of December 31, 2010 and 2009, respectively (see Note 8).

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

There was no change in the estimated useful lives of property, plant and equipment and investment properties in 2010 and 2009.

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

The carrying amount of goodwill as of December 31, 2010 and 2009 amounted to ₱7,019.5 million and ₱4,205.1 million, respectively (see Note 14).

Impairment of Property, Plant and Equipment and Investment Properties. The Jollibee Group performs annual impairment review of property, plant and equipment and investment properties when certain impairment indicators are present. Determining the fair value of assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Jollibee Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Jollibee Group to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the Jollibee Group's financial condition and performance.

There were no provisions for impairment loss on property, plant and equipment in 2010. Provision for impairment loss amounted to ₱86.4 million and ₱3.8 million in 2009 and 2008, respectively. There were no provisions for impairment loss on investment properties in 2010, 2009 and 2008. As of December 31, 2010 and 2009, the aggregate carrying values of property, plant and equipment and investment properties amounted to ₱9,548.2 million and ₱9,028.6 million, respectively (see Notes 12 and 13).

Realizability of Deferred Tax Assets. The carrying amounts of deferred tax assets at each reporting date is reviewed and reduced to the extent that there are no longer sufficient taxable profits available to allow all or part of the deferred tax assets to be utilized. The Jollibee Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of 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 ₱920.1 million and ₱841.1 million as of December 31, 2010 and 2009, respectively (see Note 24).

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.

Pension liability as of December 31, 2010 and 2009 amounted to ₱212.1 million and ₱174.2 million, respectively. Unrecognized net actuarial gains amounted to ₱48.4 million and unrecognized net actuarial losses amounted to ₱66.5 million as of December 31, 2010 and 2009, respectively (see Note 25).

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

Total expense arising from share-based payment recognized by the Jollibee Group amounted to ₱65.7 million, ₱147.5 million and ₱107.1 million in 2010, 2009, and 2008, respectively (see Note 26).

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

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

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.

Reversals, net of provisions, recognized in 2009 and 2008 amounted to ₱15.8 million and ₱11.2 million, respectively. No additional provisions were recorded in 2010.

Total outstanding provisions for legal claims, restructuring costs and others amounted to ₱30.5 million as of December 31, 2010 and 2009 (see Note 17).

Contingencies. The Jollibee Group is currently involved in litigations, claims and disputes which are normal to its business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with the Jollibee Group's legal counsels and based upon an analysis of potential results. Except for those legal claims provided under Note 17, management believes that the ultimate liability, if any, with respect to the other litigations, claims and disputes will not materially affect the financial position and performance of the Jollibee Group.

5. Segment Information

Business Segments

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

- The food service segment is involved in the operations of 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 following tables present certain information on revenue, expenses, assets and liabilities and other segment information of the different business segments as of December 31, 2010 and 2009 and for each of the three years in the period ended December 31, 2010:

	2010				
	Food Service	Franchising	Leasing	Eliminations	Total
			(In Thousands)		
Revenue from external customers	₱50,726,553	₱2,478,141	₱167,031	₱–	₱53,371,725
Inter-segment revenue	14,670,445	519,205	957,085	(16,146,735)	–
Segment revenue	65,396,998	2,997,346	1,124,116	(16,146,735)	53,371,725
Segment expenses	(64,262,293)	(519,205)	(1,139,808)	16,146,735	(49,774,571)
Other segment income	616,947	–	1,951	–	618,898
Segment result	₱1,751,652	₱2,478,141	(₱13,741)	₱–	4,216,052
Interest income					163,081
Interest expense					(193,201)
Income before income tax					4,185,932
Provision for income tax					(973,396)
Net income					₱3,212,536
Assets and Liabilities					
Segment assets	₱31,489,980	₱–	₱364,761	₱–	₱31,854,741
Deferred tax assets	878,654	–	41,485	–	920,139
Total assets	₱32,368,634	₱–	₱406,246	₱–	₱32,774,880
Segment liabilities	₱12,617,800	₱–	₱168,961	₱–	₱12,786,761
Deferred tax liabilities	159,043	–	8,061	–	167,104
Long-term debt - including current portion	2,392,714	–	–	–	2,392,714
Income tax payable	166,154	–	1,598	–	167,752
Total liabilities	₱15,335,711	₱–	₱178,620	₱–	₱15,514,331
Other Segment Information					
Capital expenditures	₱2,584,111	₱–	₱–	₱–	₱2,584,111
Depreciation and amortization	1,972,717	–	5,289	–	1,978,006

	2009				
	Food Service	Franchising	Leasing	Eliminations	Total
			(In Thousands)		
Revenue from external customers	₱45,530,706	₱2,298,778	₱128,209	₱–	₱47,957,693
Inter-segment revenue	6,562,262	452,475	781,373	(7,796,110)	–
Segment revenue	52,092,968	2,751,253	909,582	(7,796,110)	47,957,693
Segment expenses	(51,036,368)	(452,474)	(963,637)	7,796,110	(44,656,369)
Other segment income	349,818	–	59,267	–	409,085
Segment result	₱1,406,418	₱2,298,779	₱5,212	₱–	3,710,409
Interest income					163,680
Interest expense					(218,910)
Income before income tax					3,655,179
Provision for income tax					(988,279)
Net income					₱2,666,900
Assets and Liabilities					
Segment assets	₱28,567,425	₱–	₱318,960	₱–	₱28,886,385
Deferred tax assets	793,801	–	47,307	–	841,108
Total assets	₱29,361,226	₱–	₱366,267	₱–	₱29,727,493
Segment liabilities	₱10,489,066	₱–	₱170,005	₱–	₱10,659,071
Deferred tax liabilities	155,605	–	–	–	155,605
Long-term debt - including current portion	2,491,678	–	–	–	2,491,678
Income tax payable	135,934	–	–	–	135,934
Total liabilities	₱13,272,283	₱–	₱170,005	₱–	₱13,442,288

	2009				
	Food Service	Franchising	Leasing	Eliminations	Total
			(In Thousands)		
Other Segment Information					
Capital expenditures	₱2,575,117	₱–	₱–	₱–	₱2,575,117
Depreciation and amortization	2,082,033	–	3,917	–	2,085,950

	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	(46,772,468)	(302,665)	(433,729)	6,305,066	(41,203,796)
Other segment income	419,918	–	–	–	419,918
Segment result	₱976,720	₱2,220,839	(₱89,878)	₱–	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	–	–	–	72,370
Long-term debt - including current portion	2,522,158	–	–	–	2,522,158
Income tax payable	82,483	–	–	–	82,483
Total liabilities	₱12,747,358	₱–	₱238,511	₱–	₱12,985,869
Other Segment Information					
Capital expenditures	₱2,914,300	₱–	₱7,498	₱–	₱2,921,798
Depreciation and amortization	1,720,084	–	8,796	–	1,728,880

Geographical Segments

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

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

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

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

	Philippines	International	Total
		(In Thousands)	
2010:			
Revenue	**₱43,415,325**	**₱9,956,400**	**₱53,371,725**
Segment assets	**22,539,063**	**9,315,678**	**31,854,741**
Capital expenditures	**1,584,893**	**999,218**	**2,584,111**

	Philippines	International	Total
		(In Thousands)	
2009:			
Revenue	₱39,583,064	₱8,374,629	₱47,957,693
Segment assets	20,114,937	8,771,448	28,886,385
Capital expenditures	1,500,551	1,074,566	2,575,117
2008:			
Revenue	₱38,152,337	₱5,739,222	₱43,891,559
Segment assets	19,408,464	6,957,113	26,365,577
Capital expenditures	1,429,459	1,488,815	2,918,274

6. Cash and Cash Equivalents

This account consists of:

	2010	2009
Cash on hand	**₱130,303,379**	₱115,715,200
Cash in banks	**2,795,294,557**	2,435,425,884
Short-term deposits	**5,244,891,365**	6,426,117,312
	₱8,170,489,301	₱8,977,258,396

Cash in banks earn interest at the respective savings or special demand deposit rates.

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

Interest income earned from cash in banks and short-term deposits amounted to ₱138.1 million, ₱132.3 million and ₱151.1 million in 2010, 2009 and 2008, respectively (see Note 23).

7. Receivables

This account consists of:

	2010	2009
Trade	**₱1,973,793,420**	₱1,854,239,723
Less allowance for impairment loss	**136,082,073**	99,709,174
	1,837,711,347	1,754,530,549
Advances to employees	**91,120,858**	90,652,777
Current portion of employee car plan receivables	**43,811,033**	41,724,556
Others	**4,515,022**	13,302,934
	₱1,977,158,260	₱1,900,210,816

Trade receivables are noninterest-bearing and are generally on a 7-14 days term.

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

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

	2010	2009
Balance at beginning of year	**₱99,709,174**	₱77,063,380
Provisions (Note 22)	**50,314,688**	50,498,053
Reversals	**(1,504,095)**	(9,372,417)
Write-offs	**(12,437,694)**	(18,479,842)
Balance at end of year	**₱136,082,073**	₱99,709,174

The provisions in 2010 and 2009 resulted from specific and collective impairment assessments performed by the Jollibee Group.

8. Inventories

This account consists of:

	2010	2009
At cost:		
Food supplies and processed inventories	**₱1,973,039,104**	₱1,521,464,262
Packaging, store and other supplies	**155,773,504**	154,552,450
	2,128,812,608	1,676,016,712
At net realizable value -		
Novelty items	**5,654,551**	53,392,715
Total inventories at lower of cost and net realizable value	**₱2,134,467,159**	₱1,729,409,427

The cost of novelty items carried at net realizable value amounted to ₱92.3 million and ₱241.0 million as of December 31, 2010 and 2009, respectively.

The allowance for inventory obsolescence amounted to ₱86.6 million and ₱187.6 million as of December 31, 2010 and 2009, respectively. In 2010, the Parent Company entered to an agreement with a third party to dispose and sell its old novelty items. This resulted to the reversal of allowance for inventory obsolescence amounting to ₱106.9 million included under "General and administrative expenses" and recognition of the same amount in cost of inventories under "Cost of sales" (see Notes 21 and 22).

9. Other Current Assets

This account consists of:

	2010	2009
Prepaid expenses		
Rent	**₱281,393,792**	₱247,907,106
Insurance and other prepayments	**130,129,134**	134,459,881
Taxes	**107,447,393**	127,543,322

(Forward)

	2010	2009
Receivables from suppliers and others (Notes 30 and 31)	₱588,179,523	₱616,038,571
Receivable from retirement fund (Notes 30 and 31)	111,108,541	149,505,948
Supplies	72,084,194	54,594,665
	₱1,290,342,577	₱1,330,049,493

Prepaid expenses and supplies are charged to operation in the next financial year as the related expenses are incurred.

Receivables from suppliers and others and receivable from retirement fund are non-interest bearing and are normally collected within the next financial year.

10. Available-for-Sale Financial Assets

This account consists of the Jollibee Group's investment in shares of stock and club shares, which are as follows:

	2010	2009
Quoted equity shares - at fair value	₱125,416,546	₱107,361,994
Unquoted equity shares - at cost	50,866,500	47,866,500
	₱176,283,046	₱155,228,494

The carrying value of AFS financial assets has been determined as follows:

	2010	2009
Balance at beginning of year	₱155,228,494	₱76,757,214
Additions	3,940,000	9,193,912
Disposals	(145,431)	(747,172)
Gain on changes in fair value of AFS financial assets	17,259,983	70,024,540
Balance at end of year	₱176,283,046	₱155,228,494

As of December 31, 2010, 2009 and 2008, the unrealized gain on AFS financial assets amounted to ₱107.2 million, ₱89.9 million and ₱19.9 million, respectively.

11. Business Combinations, Acquisition of Non-controlling Interests, Incorporation of New Subsidiaries and Interest in a Joint Venture

Business Combinations

Mang Inasal. On November 22, 2010, the Jollibee Group, through its Parent Company, acquired 70% of the issued and outstanding shares of Mang Inasal from Injap Investments, Inc. (the seller), owner and operator of Mang Inasal business in the Philippines, for a total acquisition cost of ₱2,979.8 million. The Jollibee Group paid ₱2,700.0 million as of December 31, 2010. The remaining 10% of the purchase price, payable annually for the next 3 years with present value of ₱279.8 million, was withheld as assurance for indemnification against the seller's representations and warranties. The liability for acquisition of Mang Inasal (presented under current and noncurrent portion of liability for acquisition of businesses) will be settled as follows:

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

The balance of liability for acquisition of a business as of December 31, 2010 is as follows:

Principal	₱300,000,000
Less unamortized discount	20,216,457
	279,783,543
Less current portion of liability for acquisition of a business	138,528,874
Noncurrent portion of liability for acquisition of a business	₱141,254,669

As a result of the acquisition, Mang Inasal became a partially owned local subsidiary of the Jollibee Group.

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

The fair values (provisionally determined to be equal to the book values at the date of acquisition) of the identifiable assets acquired and liabilities assumed from Mang Inasal as at the date of acquisition were as follows:

	Fair Value
Cash and cash equivalents	₱132,213,023
Receivables	161,324,831
Inventories	90,564,116
Other current assets	26,878,935
Property, plant and equipment	175,408,049
Other noncurrent assets	24,823,843
Total identifiable assets	611,212,797
Less:	
Trade payables and other current liabilities	315,498,376
Income tax payable	59,445,563
Total identifiable liabilities	374,943,939
Acquisition-date fair value of net assets acquired	₱236,268,858

The fair value of Mang Inasal's receivables, which comprise mainly of receivables from franchisees, amounted to ₱161.3 million, the carrying value at acquisition date. None of the receivables was assessed as impaired and it is expected to be collected in full.

Goodwill acquired in the business combination was determined as follows:

Acquisition-date fair value of consideration transferred:	
Cash	₱2,700,000,000
Liability	279,783,543
Total	2,979,783,543
Non-controlling interests' proportionate share of Mang Inasal's net assets acquired	70,880,657
Aggregate amount	3,050,664,200
Less acquisition-date fair value of net assets acquired	236,268,858
Goodwill (Note 14)	₱2,814,395,342

The goodwill of ₱2,814.4 million comprises the value of expected synergies arising from the business combination and the trademark, secret recipes and other intangible assets for which fair values are still to be determined within the measurement period allowed.

The net cash outflow on the acquisition is as follows:

Cash paid	₱2,700,000,000
Less cash acquired from subsidiary	132,213,023
Net cash outflow	₱2,567,786,977

Mang Inasal contributed ₱432.2 million and ₱49.1 million from the date of acquisition to December 31, 2010 to the consolidated revenue and net income for the period, respectively. If the business combination had taken place at the beginning of 2010, consolidated revenue and net income for the year would have been ₱55,751.2 million and ₱3,392.4 million, respectively.

Hong Zhuang Yuan and Southsea. On August 23, 2008, Jollibee Worldwide, a wholly owned subsidiary of the Parent Company, acquired 100% of the issued and outstanding shares of Hong Zhuang Yuan and Southsea, which operates the Hong Zhuang Yuan restaurant chain in PRC. Consideration paid amounting to ₱1,706.1 million in 2008 was provisionally allocated to the identifiable assets and liabilities of Hong Zhuang Yuan and Southsea and excess to goodwill. Goodwill amounting to ₱1,551.5 million was provisionally recognized in 2008.

In 2009, upon determination of the final consideration of ₱2,648.1 million, Jollibee Worldwide paid an additional ₱795.0 million and recognized a liability to Hong Zhuang Yuan and Southsea's original shareholders of ₱147.0 million. Such additional consideration paid also included other direct costs of ₱10.0 million. Additional goodwill amounting to ₱945.8 million was recognized in 2009 upon determination and settlement of the final consideration (see Note 14).

The final consideration was allocated as follows:

	Fair Value	Carrying Value
Cash and cash equivalents	₱182,049,407	₱182,049,407
Inventories	3,103,119	3,103,119
Receivables	483,296	483,296
Other current assets	57,747,358	57,747,358
Property, plant and equipment	185,401,252	172,884,268
Other noncurrent assets	11,451,012	11,451,012
Total identifiable assets	440,235,444	427,718,460
Less:		
Trade payables and other current liabilities	285,604,384	285,604,384
Deferred tax liabilities	3,755,095	–
Total identifiable liabilities	289,359,479	285,604,384
Net assets	150,875,965	₱142,114,076
Goodwill arising from acquisition (Note 14)	2,497,252,905	
Total consideration	₱2,648,128,870	

The net cash outflow on the acquisition is as follows:

	2010	2009	2008
Cash paid	**₱147,024,167**	₱795,009,120	₱1,706,095,596
Less cash acquired from subsidiary	–	–	182,049,407
Net cash outflow	**₱147,024,167**	₱795,009,120	₱1,524,046,189

Hangzhou Yonghe. On August 12, 2008, Jollibee Worldwide, through its wholly owned subsidiary, Shanghai Yong He King Food & Beverage Co., Ltd., entered into an Asset Purchase Agreement with Hangzhou Yonghe, 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 ₱6.9 million.

The equipment used in the eight stores are owned by Hangzhou Huadong Xianzhi Equipment Marketing (Hangzhou Huadong). Accordingly, in relation to the Asset Purchase Agreement, Shanghai Yong He entered into an Equipment Purchase Agreement with Hangzhou Huadong to purchase the store equipment for a total consideration of ₱110.2 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 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 Shanghai Yong He.

As of December 31, 2008, lease contracts and store equipment of three stores have been transferred to Shanghai Yong He hence, a partial payment amounting to ₱33.3 million was made. Shanghai Yong He also made a deposit of ₱11.1 million which will be applied as payment for the last store to be transferred.

Pursuant to the agreements, 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.

In 2008, the purchase agreements were accounted for as business combinations. The total consideration paid of RMB4.8 million or ₱33.3 million, was initially recorded as goodwill pending the completion of the valuation of the identifiable assets at the date of acquisition.

In 2009, Shanghai Yong He made additional payments to Hangzhou Huadong, amounting to RMB5.8 million or ₱40.3 million for the lease contracts and equipment of four additional stores transferred. The final consideration was allocated as follows:

	Fair Value
Leasehold rights	₱15,442,438
Deferred tax liability	(4,632,732)
Net assets	10,809,706
Goodwill arising from acquisition	106,264,544
	₱117,074,250

The goodwill arising from the acquisition of the leasehold rights of Hangzhou Yonghe is expected to redound to the benefit of Yong He King stores in Hangzhou thus, added to the goodwill from the acquisition of Belmont, the operator of Yong He King chain of restaurants.

The cash outflow from the acquisition amounted to ₱40.3 million in 2009, and ₱33.3 million in 2008.

San Ping Wang. On April 30, 2010, the Jollibee Group, through its wholly owned subsidiary, Jollibee Worldwide, entered into an agreement with Guangxi Zong Kai Food Beverage Investment Company Limited (GZK) for the eventual majority ownership of San Pin Wang with chain of restaurants in Nanning and Liuzhou Guang Xi Zhuang Minority Autonomous Region in PRC. The Jollibee Group will own 55% interest in the business for RMB30.0 million. Both the Jollibee Group and GZK will also place additional investments totaling to RMB20.0 million in anticipation of San Pin Wang's expansion. The agreement will be finalized in 2011 pending approval from PRC government.

Acquisition of Non-controlling Interest

Adgraphix. On January 1, 2010, the Jollibee Group, through Grandworth, a wholly owned subsidiary, acquired the remaining 40% of the issued and outstanding shares of Adgraphix for a total consideration of ₱2.0 million which provided the Jollibee Group a 100% interest in Adgraphix. The difference between the consideration and the carrying value of non-controlling interest acquired of ₱1.2 million is recorded as part of "Excess of Cost over the Carrying Value of Non-controlling Interests Acquired" account in the 2010 consolidated statements of financial position.

Establishment of New Subsidiaries

JFPPL. On July 27, 2010, the Jollibee Group, through its wholly owned subsidiary, Jollibee Worldwide, signed an agreement with Hua Xia Harvest Holdings Pte. Ltd. (Hua Xia Harvest), a Singapore-based company, to undertake food manufacturing operations to supply products to food service businesses primarily to entities within the Jollibee Group. Under the terms of the agreement, the Jollibee Group and Hua Xia Harvest formed JFPPL in Singapore which is 70%

owned by the Jollibee Group and 30% owned by Hua Xia Harvest. JFPPL is estimated to be operational in July 2011.

IConnect. On August 26, 2009, Grandworth, a wholly owned subsidiary of the Parent Company, established IConnect, a multimedia advertising company, with initial capital of ₱6.0 million, owning 60% of its issued and outstanding shares. On December 23, 2010, Grandworth made additional investments of ₱3.0 million without change in the ownership percentage.

GPPL. On January 1, 2009, Jollibee Worldwide, a wholly owned subsidiary of the Parent Company, incorporated GPPL, a Singapore-based holding company, with initial capital of US$0.8 million or ₱41.3 million, owning 100% of its issued and outstanding shares.

Sale of Delifrance Business Unit's Assets

Fresh N' Famous terminated its franchise agreement with Delifrance Asia Limited effective December 31, 2010. Assets of Delifrance Business Unit were sold to Café France Corporation on December 31, 2010 with cash proceeds of ₱110.3 million. The termination of the franchise agreement is part of the management's intention to concentrate its resources in building larger QSRs.

Interest in a Joint Venture

Coffeetap Corporation (Coffeetap). On May 4, 2010, the Jollibee Group, through its Parent Company, entered into a joint venture agreement with its partners to become the master franchisee in the Philippines of "Caffe Ti-Amo", a Korean restaurant brand offering coffee and gelato (Italian ice cream) in casual dining format. The joint venture entity, incorporated as Coffeetap Corporation, is 50% owned by the Jollibee Group and 50% by its partners, with an initial capitalization of ₱10.0 million.

The details of the Jollibee Group's interest in and advances to the joint venture as of December 31, 2010 are as follows:

Interest in a joint venture - cost	₱5,000,000
Equity in net loss during the year	(2,181,411)
	2,818,589
Advances during the year	18,803,882
	₱21,622,471

The aggregate amounts in 2010 related to the Jollibee Group's 50% interest in Coffeetap follow:

Current assets	₱17,980,629
Noncurrent assets	10,407,512
Total assets	₱28,388,141
Current liabilities	₱22,746,057
Noncurrent liabilities	4,906
Total liabilities	₱22,750,963
Income	₱8,362,370
Less Expenses	12,725,192
Net loss	₱4,362,822

12. Property, Plant and Equipment

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

	2010							
	Land and Land Improvements	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	Total
				(In Thousands)				
Cost								
Balance at beginning of year	₱651,035	₱1,042,691	₱8,341,624	₱8,016,620	₱576,957	₱335,723	₱203,922	₱19,168,572
Additions (Note 11)	–	10,951	1,149,425	905,664	90,991	47,769	348,649	2,553,449
Arising from business combination (Note 11)	1,769	–	79,414	115,416	–	49,640	–	246,239
Retirements and disposals	(3,118)	(10,086)	(650,944)	(557,970)	(60,822)	(73,732)	(4,908)	(1,361,580)
Reclassifications (Note 13)	7,479	(47,508)	206,743	124,619	4,524	5,386	(342,197)	(40,954)
Balance at end of year	657,165	996,048	9,126,262	8,604,349	611,650	364,786	205,466	20,565,726
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	626,926	4,011,021	5,362,403	425,460	256,040	–	10,681,850
Depreciation and amortization (Notes 21 and 22)	1,416	51,392	890,801	911,954	87,217	33,853	–	1,976,633
Arising from business combination (Note 11)	–	–	23,075	35,019	–	12,737	–	70,831
Retirements and disposals	–	(4,978)	(353,601)	(463,365)	(57,170)	(66,442)	–	(945,556)
Reclassifications (Note 13)	5,258	7,289	(2,410)	(2,533)	501	3,344	–	11,449
Balance at end of year	6,674	680,629	4,568,886	5,843,478	456,008	239,532	–	11,795,207
Accumulated Impairment Loss								
Balance at beginning of year	–	–	89,629	46,381	18	121	–	136,149
Retirements	–	–	(89,629)	(46,381)	(18)	(121)	–	(136,149)
Balance at end of year	–	–	–	–	–	–	–	–
Net Book Value	₱650,491	₱315,419	₱4,557,376	₱2,760,871	₱155,642	₱125,254	₱205,466	₱8,770,519

	2009							
	Land and Land Improvements	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	Total
				(In Thousands)				
Cost								
Balance at beginning of year	₱670,915	₱910,766	₱7,112,597	₱7,362,564	₱503,731	₱318,005	₱ 208,849	₱17,087,427
Additions (Note 11)	–	15,495	990,471	1,243,318	100,224	14,728	210,881	2,575,117
Retirements and disposals	(12,403)	(15,510)	(445,163)	(467,363)	(22,033)	(17,633)	(21,249)	(1,001,354)
Reclassifications	(7,477)	131,940	683,719	(121,899)	(4,965)	20,623	(194,559)	507,382
Balance at end of year	651,035	1,042,691	8,341,624	8,016,620	576,957	335,723	203,922	19,168,572
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	585,176	3,147,991	4,426,700	359,265	219,071	–	8,738,203
Depreciation and amortization (Notes 21 and 22)	–	64,409	900,329	996,814	79,215	39,993	–	2,080,760
Retirements and disposals	–	(26,275)	(339,206)	(203,293)	(8,868)	(12,985)	–	(590,627)
Reclassifications	–	3,616	301,907	142,182	(4,152)	9,961	–	453,514
Balance at end of year	–	626,926	4,011,021	5,362,403	425,460	256,040	–	10,681,850
Accumulated Impairment Loss								
Accumulated Impairment Losses								
Balance at beginning of year	–	–	49,740	–	–	–	24,566	74,306
Impairment loss (Note 22)	–	–	39,889	46,381	18	121	–	86,409
Retirement		–	–	–	–	–	(24,566)	(24,566)
Balance at end of year	–	–	89,629	46,381	18	121	–	136,149
Net Book Value	₱651,035	₱415,765	₱4,240,974	₱2,607,836	₱151,479	₱79,562	₱203,922	₱8,350,573

The cost of fully depreciated assets still in use by the Jollibee Group amounted to ₱5,256.1 million and ₱4,460.1 million as of December 31, 2010 and 2009, respectively.

The construction in progress account as of December 31, 2010 and 2009 mainly pertains to cost incurred for soon-to-open stores and ongoing construction of damaged properties due to typhoons that hit the Philippines in 2009.

Loss on disposals and retirements of property, plant and equipment amounted to ₱183.8 million, ₱363.8 million and ₱3.2 million in 2010, 2009 and 2008, respectively.

13. **Investment Properties**

The rollforward analysis of this account follows:

	2010		
	Land	**Buildings and Building Improvements**	**Total**
		(In Thousands)	
Cost			
Balance at beginning of year	₱669,119	₱276,354	₱945,473
Additions	16,011	14,651	30,662
Disposals	(277)	–	(277)
Reclassifications/Transfers (Note 12)	–	40,954	40,954
Balance at end of year	684,853	331,959	1,016,812
Accumulated Depreciation			
Balance at beginning of year	–	223,898	223,898
Depreciation (Notes 21 and 22)	–	1,373	1,373
Reclassifications/Transfers (Note 12)	–	(11,449)	(11,449)
Balance at end of year	–	213,822	213,822
Accumulated Impairment Losses			
Balance at beginning of year	43,504	–	43,504
Reversal	(18,234)	–	(18,234)
Balance at end of year	25,270	–	25,270
Net Book Value	₱659,583	₱118,137	₱777,720

	2009		
	Land	Buildings and Building Improvements	Total
		(In Thousands)	
Cost			
Balance at beginning of year	₱292,230	₱276,354	₱568,584
Reclassifications/Transfers (Note 33)	376,889	–	376,889
Balance at end of year	669,119	276,354	945,473
Accumulated Depreciation			
Balance at beginning of year	–	218,708	218,708
Depreciation (Notes 21 and 22)	–	5,190	5,190
Balance at end of year	–	223,898	223,898
Accumulated Impairment Losses	43,504	–	43,504
Net Book Value	₱625,615	₱52,456	₱678,071

The accumulated impairment loss provided in the value of land amounting to ₱25.3 million as of December 31, 2010 represents the excess of the carrying values over the estimated recoverable amounts of non-income-generating investment properties, which is its estimated fair value less costs to sell.

The cost of fully depreciated buildings still being leased out by the Jollibee Group amounted to ₱176.2 million as of December 31, 2010 and 2009.

The reversal of previously recognized impairment loss in 2010 resulted from the increase in fair value of land of ₱18.2 million as determined by an independent appraiser as of December 31, 2010.

The fair values of other investment properties were determined by independent appraisers based on appraisal reports made in 2008, which amounted to ₱1,161.7 million as at December 31, 2008. 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.

While fair values of the majority of investment properties were not determined as of December 31, 2010 and 2009, the Jollibee Group's management believes that there were no conditions present in 2010 and 2009 that would significantly reduce the fair value of the investment properties from that determined in 2008.

Rent income derived from income-generating properties amounted to ₱88.6 million, ₱78.7 million and ₱83.0 million in 2010, 2009 and 2008, respectively (see Notes 20 and 29).

Direct operating costs relating to the investment properties that generated rent income recognized under "Cost of sales" and "General and administrative expenses" accounts amounted to ₱17.3 million, ₱20.8 million and ₱42.1 million in 2010, 2009 and 2008, respectively.

14. Goodwill

Goodwill acquired through business combinations have been allocated to five CGUs, which are subsidiaries of the Parent Company, owned directly or indirectly, as follows:

	Mang Inasal	Hong Zhuang Yuan	RRBHI and RRBI	RRBI USA	Belmont	Total
			(In Thousands)			
Balance at December 31, 2008	₱–	₱1,551,466	₱737,939	₱434,651	₱462,298	₱3,186,354
Additions (Note 11)	–	945,787	–	–	72,983	1,018,770
Balance at December 31, 2009	–	2,497,253	737,939	434,651	535,281	4,205,124
Additions (Note 11)	2,814,395	–	–	–	–	2,814,395
Balance at December 31, 2010	₱2,814,395	₱2,497,253	₱737,939	₱434,651	₱535,281	₱7,019,519

The carrying amount of goodwill on the acquisition of Belmont is related to the operations of the following indirectly-owned subsidiaries operating under the Yong He King brand:

- Shanghai Yong He King Food & Beverage Co., Ltd.
- Beijing Yong He King Food and Beverage Co., Ltd.
- Shenzhen Yong He King Food and Beverage Co., Ltd.
- Hangzhou Yonghong Food & Beverage Co., Ltd.
- Hangzhou Yongtong Food and Beverage Co., Ltd.
- Wuhan Yongchang Food and Beverage Co., Ltd.
- Tianjin Yong He King Food and Beverage Co., Ltd.

The amount of goodwill related to acquisition of Belmont is not allocated to individual CGUs at the date of acquisition but is allocated in full to such group of CGUs representing the lowest level at which goodwill is monitored for internal management purposes and is not larger than an operating segment.

Impairment Testing of Goodwill
The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by senior management covering a five-year period.

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

CGUs	Geographical Location	Pre-tax Discount Rate	Long-term Growth Rate
RRBHI and RRBI	Philippines	13.32%	3.0%
RRBI USA	USA	15.34%	0.0%
Belmont	PRC	12.73%	7.5%
Hong Zhuang Yuan	PRC	13.16%	7.5%

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

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

Aside from pre-tax discount rates and long-term growth rates, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margin is one of the key assumptions used in value in use calculations, which is based on the most recent value achieved in the year preceding the start of the budget period, and adjusted for planned efficiency improvement, if any.

Management did not identify impairment for these CGUs.

No impairment test was performed for the goodwill arising on the acquisition of 70% interest of Mang Inasal as the amount is still provisionally determined and to be finalized within the measurement period allowed by PFRS 3.

15. Other Noncurrent Assets

This account consists of:

	2010	2009
Refundable and other deposits (Notes 30 and 31)	**₱871,020,582**	₱748,014,994
Noncurrent portion of:		
Rent and other long-term prepayments	**212,322,392**	186,654,887
Employee car plan receivables (Notes 30 and 31)	**86,584,129**	130,299,281
Deferred rent expense	**59,683,173**	73,124,865
Deferred compensation	**17,143,586**	13,492,409
Other assets	**236,779,654**	364,037,314
	₱1,483,533,516	₱1,515,623,750

Refundable and other deposits represent deposits for operating leases entered into by the Jollibee Group as lessee, including returnable containers and other deposits. The refundable deposits are recoverable from the lessors at the end of the lease term. These are presented at amortized cost. The discount rates used range from 5% to 22% in 2010 and 6% to 22% in 2009. 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. Accretion of interest on financial assets amounted to ₱22.2 million, ₱28.2 million and ₱24.1 million in 2010, 2009 and 2008, respectively (see Note 23).

16. Trade Payables and Other Current Liabilities

This account consists of:

	2010	2009
Trade	**₱3,601,600,450**	₱3,720,413,153
Accruals for:		
Salaries, wages and employee benefits	**1,216,548,292**	1,241,826,410
Local and other taxes	**1,150,671,727**	934,234,445
Advertising and promotions	**869,225,014**	601,932,942
Rent	**336,956,709**	447,208,424
Utilities	**182,225,295**	82,585,784
Freight	**72,588,966**	68,583,461
Store operations, corporate events and others	**1,109,757,160**	1,132,530,077
Deposits	**264,720,117**	149,985,800
Unearned revenue from gift certificates	**123,055,811**	67,192,895
Dividends payable	**103,167,855**	356,858,525
Other current liabilities	**193,229,606**	156,378,897
	₱9,223,747,002	₱8,959,730,813

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

Accruals, deposits, dividends payable, and other current liabilities are expected to be settled within the next financial year.

Unearned revenue from gift certificates will be recognized as revenue in the statements of comprehensive income as gift certificates are used.

17. Provisions

The movement of provisions is as follows:

	2010			
	Legal Claims	**Restructuring Costs**	**Others**	**Total**
Balance at beginning and end of year	**₱29,269,304**	**₱1,231,335**	**₱–**	**₱30,500,639**

	2009			
	Legal Claims	Restructuring Costs	Others	Total
Balance at beginning of year	₱29,269,304	₱1,231,335	₱15,808,350	₱46,308,989
Reversals	–	–	(15,808,350)	(15,808,350)
Balance at end of year	₱29,269,304	₱1,231,335	₱–	₱30,500,639

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 provisions recognized are sufficient to meet the costs related to the claims.

The provisions 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. Short-term and Long-term Debts

Short-term Debt
Short-term debt consists of unsecured short-term bank loans of the Parent Company and PRC-based subsidiaries. These loans are availed with maturities of one year or less with interest rates of 3.1% and 5.8% in 2010 and 2009, respectively.

Short-term debt amounted to ₱1,842.0 million and ₱305.0 million as of December 31, 2010 and 2009, respectively. Interest expense recognized on short-term debt amounted to ₱9.5 million, ₱23.1 million and ₱23.7 million in 2010, 2009, and 2008, respectively (see Note 23).

Long-term Debt
The details of the Jollibee Group's long-term debt as of December 31, 2010 and 2009 are as follows:

	2010	2009
RMB-denominated:		
Loan 1	**₱2,309,794,661**	₱2,351,959,832
Loan 2	**45,666,920**	61,151,771
USD-denominated:		
Loan 3	**37,252,065**	56,532,678
Loan 4	**–**	22,033,559
	2,392,713,646	2,491,677,840
Less current portion	**2,341,125,065**	53,697,466
	₱51,588,581	₱2,437,980,374

RMB-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 PRC. The agreement covers a three-year loan amounting to RMB700.0 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 1 consists of Tranches A and B for RMB350.0 million each. On September 26, 2008, the Parent Company drew the full amount of Tranche A at 6.85% fixed interest rate using RMB6.82:1USD as initial exchange rate. The Parent Company did not avail of Tranche B. The loan is payable in full in USD using the spot rate five business days before September 8, 2011.

RMB-denominated loan of Shanghai Yong He King Co., Ltd. Loan 2 consists of a 5-year unsecured loan acquired from a foreign bank in February 2009 amounting to RMB10.6 million with an interest rate of 5.76%. The principal is payable in 60 monthly installments commencing on February 27, 2009 up to February 27, 2014, the date of maturity.

USD-denominated loans of RRBI USA. Loan 3 consists of a 5-year unsecured 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.

Loan 4 consists of a 3-year unsecured loan acquired from a foreign bank in December 2007 amounting to US$1.35 million with an 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. All of the loans and interests related to Loan 4 were fully paid as of December 31, 2010.

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

	2010	2009
Principal	**₱2,399,798,806**	₱2,507,838,450
Less unamortized debt issue cost	**7,085,160**	16,160,610
	₱2,392,713,646	₱2,491,677,840

The repayment schedule of the outstanding long-term debt as of December 31, 2010 is as follows:

	RMB-denominated		USD-denominated	
Year	Loan 1	Loan 2	Loan 3	Total
2011	₱2,316,879,821	₱14,051,360	₱17,279,044	₱2,348,210,225
2012	–	14,051,360	18,386,342	32,437,702
2013	–	14,051,360	1,586,679	15,638,039
2014	–	3,512,840	–	3,512,840
	₱2,316,879,821	₱45,666,920	₱37,252,065	₱2,399,798,806

Interest expense recognized on long-term debt amounted to ₱180.6 million, ₱190.5 million and ₱80.0 million in 2010, 2009 and 2008, respectively (see Note 23).

19. **Equity**

a. Capital Stock

The movements in the number of shares follow:

	2010	2009
Authorized - ₱1 par value	**1,450,000,000**	1,450,000,000
Issued:		
Balance at beginning of year	**1,049,448,859**	1,037,996,191
Issuances	**1,980,662**	11,452,668
Balance at end of year	**1,051,429,521**	1,049,448,859
Subscribed:		
Balance at beginning of year	**2,009,297**	2,009,297
Subscriptions	**1,980,662**	11,452,668
Issuances	**(1,980,662)**	(11,452,668)
Balance at end of year	**2,009,297**	2,009,297
	1,053,438,818	1,051,458,156

b. Treasury Shares

The cost of common stock held in treasury of ₱180.5 million consists of 16,447,340 shares as of December 31, 2010 and 2009.

c. Excess of cost over the carrying value of non-controlling interests acquired

The amount of excess of cost over the carrying value of non-controlling interests acquired, recognized as part of equity attributable to Parent Company section in the consolidated statements of financial position resulted from the following acquisitions of non-controlling interests:

	2010	2009
20% of Greenwich in 2006	**₱168,257,659**	₱168,257,659
15% of Belmont in 2007	**375,720,914**	375,720,914
40% of Adgraphix in 2010	**(1,214,087)**	–
	₱542,764,486	₱543,978,573

d. Retained Earnings

The Jollibee Group has a Cash Dividend Policy of declaring one-third of its net income for the year as cash dividends. It uses best estimate of its net income as basis for declaring cash dividends. Actual cash dividends per share declared as a percent of the EPS are 72.2%, 32.6% and 37.0% in 2010, 2009 and 2008, respectively.

The unappropriated retained earnings is restricted to the extent of ₱1,487.1 million and ₱1,443.3 million as of December 31, 2010 and 2009, respectively, representing appropriation for future expansion of ₱1,200.0 million and the cost of common stock held in treasury amounting to ₱180.5 million as of December 31, 2010 and 2009 and accumulated earnings of subsidiaries amounting to ₱973.0 million and ₱1,429.6 million as of December 31, 2010 and 2009, respectively.

On November 10, 2010, the BOD approved the declaration of a regular cash dividend of ₱0.57 a share and a special cash dividend of ₱0.25 a share of common stock in favor of stockholders of record as of November 25, 2010. Both regular and special cash dividends totaling to ₱0.82 a share were paid on December 21, 2010. On April 12, 2010, the BOD approved the declaration of a regular cash dividend of ₱0.43 a share and a special cash dividend of ₱1.00 a share of common stock in favor of stockholders of record as of May 7, 2010. Both regular and special cash dividends totaling to ₱1.43 a share were paid on June 3, 2010.

On November 5, 2009, the BOD approved the declaration of cash dividend of ₱0.48 a share in favor of stockholders of record as of November 23, 2009. The BOD also approved on April 28, 2009, the declaration of cash dividend of ₱0.37 a share in favor of stockholders of record as of May 14, 2009.

On November 11, 2008, the BOD approved the declaration of cash dividends of ₱0.48 a share in favor of stockholders of record as of November 28, 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.An important part of the Jollibee Group's growth strategy is the acquisition of new businesses in the Philippines and abroad. Examples were acquisitions of 85% of Yong He King in 2004 in PRC (₱1,200.0 million), 100% of Red Ribbon Bakeshop in 2005 (₱1,700.0 million), the remaining 20% minority share in Greenwich in 2007 (₱384.0 million), the remaining 15% share of Yong He King in 2007 (₱413.7 million), 100% of Hong Zhuang Yuan restaurant chain in PRC in 2008 (₱2,600.0 million) and 70% of Mang Inasal in 2010 (₱2,979.8 million).

The Jollibee Group plans to continue to make substantial acquisitions in 2011 and in the next few years. The Jollibee Group uses its cash generated from operations to finance these acquisitions and capital expenditures. These limit the amount of cash dividends that it can declare and pay making the level of the Retained Earnings higher than the paid-in Capital Stock.

20. Royalty, Franchise Fees and Others

This account consists mainly of royalty, franchise fees, rent income and service revenues.

The Parent Company and some of its subsidiaries have existing Royalty and Franchise Agreements with independent franchisees to operate QSR outlets under the "Jollibee", "Chowking", "Greenwich", "Yong He King", "Red Ribbon" and "Mang Inasal" 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:

	2010	2009	2008
Cost of inventories	**₱24,186,870,163**	₱21,520,003,001	₱20,867,044,942
Personnel costs:			
Salaries, wages and employee benefits	**6,515,788,872**	5,782,749,258	5,034,672,489
Net pension expense (Note 25)	**78,542,800**	74,930,373	85,298,371
Rent (Note 29)	**3,903,657,688**	3,359,382,394	2,751,207,602
Electricity and other utilities	**2,491,684,514**	2,081,613,784	1,862,476,746
Depreciation and amortization (Notes 12 and 13)	**1,801,293,696**	1,829,244,905	1,570,869,765
Supplies	**1,244,811,120**	1,036,947,263	1,053,362,489
Freight	**866,667,589**	697,193,711	576,891,935
Contracted services	**707,195,005**	654,434,173	586,221,240
Repairs and maintenance	**515,366,896**	468,109,510	399,622,914
Security and janitorial	**243,980,998**	225,145,839	217,615,854
Communication	**104,033,676**	109,664,719	107,192,628
Professional fees	**76,501,931**	76,027,727	90,893,405
Entertainment, amusement and recreation (EAR)	**22,066,898**	19,563,502	19,059,695
Others	**496,268,614**	453,318,095	557,744,049
	₱43,254,730,460	₱38,388,328,254	₱35,780,174,124

22. Expenses

This account consists of:

	2010	2009	2008
General and administrative expenses	**₱5,214,811,160**	₱4,997,335,552	₱4,275,192,846
Advertising and promotions	**1,246,592,522**	952,455,995	1,062,410,392
Provisions	**56,255,685**	318,250,060	86,018,445
	₱6,517,659,367	₱6,268,041,607	₱5,423,621,683

The general and administrative expenses consist of:

	2010	2009	2008
Personnel costs:			
Salaries, wages and employee benefits	**₱2,477,525,828**	₱2,361,989,088	₱1,954,662,398
Net pension expense (Note 25)	**77,575,074**	65,823,484	60,393,611
Stock options expense (Note 26)	**65,657,862**	147,522,179	107,100,435
Taxes and licenses	**625,572,401**	589,132,269	538,841,273
Professional fees	**326,009,405**	179,442,357	214,608,747

(Forward)

	2010	2009	2008
Transportation and travel	**₱250,493,661**	₱226,739,595	₱222,620,660
Rent (Note 29)	**189,141,489**	182,629,169	151,548,685
Depreciation and amortization (Notes 12 and 13)	**176,712,298**	256,704,964	158,009,998
EAR	**84,790,392**	74,319,667	47,234,312
Communication	**65,940,549**	72,778,718	68,528,787
Electricity and other utilities	**52,076,181**	44,715,764	53,597,374
Training	**47,662,662**	33,706,633	45,269,836
Supplies	**46,652,158**	57,269,728	57,711,424
Security and janitorial	**35,886,424**	35,882,287	43,695,410
Repairs and maintenance	**35,286,344**	50,413,062	34,754,003
Contracted services	**34,570,979**	36,776,355	46,270,595
Donations	**26,668,997**	46,373,823	42,457,680
Insurance	**5,643,678**	8,443,845	10,243,369
Corporate events and others	**590,944,778**	526,672,565	417,644,249
	₱5,214,811,160	₱4,997,335,552	₱4,275,192,846

The provisions consist of:

	2010	2009	2008
Impairment in value of:			
Receivables and inventories (Notes 7 and 8)	**₱56,255,685**	₱231,841,183	₱82,225,628
Property, plant and equipment (Note 12)	–	86,408,877	3,792,817
	₱56,255,685	₱318,250,060	₱86,018,445

23. Finance and Other Income (Expense)

These accounts consist of:

Finance Income

	2010	2009	2008
Interest income:			
Cash and cash equivalents			
Cash in banks	**₱19,426,990**	₱11,371,809	₱23,518,116
Short-term deposits	**118,650,729**	120,932,443	127,568,200
Accretion of interest on financial assets (Note 15)	**22,219,843**	28,208,279	24,092,552
Loan and advances	**2,783,556**	2,405,324	33,088,018
Short-term investment	–	762,760	197,195
	₱163,081,118	₱163,680,615	₱208,464,081

Finance Expense

	2010	2009	2008
Interest expense:			
Long-term debt (Note 18)	**₱180,594,225**	₱190,545,110	₱80,002,485
Short-term debt (Note 18)	**9,502,363**	23,086,379	23,666,702
Accretion of interest on financial liabilities	**3,104,615**	5,278,265	1,411,233
	₱193,201,203	₱218,909,754	₱105,080,420

Other Income

This account consists of foreign currency exchange gains and losses, gains from reversal of liabilities and other miscellaneous income.

24. Income Taxes

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

	2010	2009
Final tax withheld on:		
Royalty and franchise fee income	**₱535,435,633**	₱496,153,214
Interest income	**20,458,463**	22,984,385
RCIT		
With itemized deduction	**341,920,182**	457,840,744
With optional standard deduction	**107,504,110**	–
MCIT	**35,609,591**	9,049,550
	₱1,040,927,979	₱986,027,893

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

	2010	2009
Deferred tax assets:		
Operating lease payables	**₱341,711,440**	₱325,002,630
NOLCO:		
PRC-based entities	**174,770,129**	121,143,597
Philippine-based entities	**51,392,531**	8,065,957
Pension liability and other benefits	**103,229,414**	93,790,046
Unamortized past service costs	**67,487,877**	72,117,864
Excess of MCIT over RCIT	**41,579,894**	21,839,946
Allowance for impairment losses on receivables	**34,662,921**	25,238,955
Unaccreted discount on refundable deposits and employee car plan receivables	**26,011,175**	25,922,628
Allowance for inventory obsolescence	**25,993,290**	56,282,948
Provision for impairment in value of property, plant and equipment, investment properties, and other nonfinancial assets	**22,470,114**	53,794,452
Unrealized foreign exchange loss	**14,196,618**	21,772,687
Provisions for legal claims, restructuring costs and others	**9,150,192**	9,150,192
Others	**7,483,776**	6,986,294
	₱920,139,371	₱841,108,196

	2010	2009
Deferred tax liabilities:		
Excess of fair value over book value of property, plant and equipment of acquired businesses	₱73,662,469	₱75,571,670
Unrealized foreign exchange gain	33,779,228	18,196,668
Prepaid rent	21,063,776	22,884,818
Deferred lease expense	17,904,952	18,441,274
Operating lease receivables	8,783,367	13,451,059
Others	11,910,664	7,060,009
	₱167,104,456	₱155,605,498

As of December 31, 2010, NOLCO and excess of MCIT over RCIT of the Philippine-based entities that can be claimed as deductions from taxable income and income tax due, respectively, are as follows:

Year Incurred/Paid	Carry Forward Benefit Up to	NOLCO	MCIT
December 31, 2010	December 31, 2013	₱144,421,913	₱25,221,846
December 31, 2009	December 31, 2012	26,886,523	9,126,973
December 31, 2008	December 31, 2011	–	7,885,310
December 31, 2007	December 31, 2010	–	4,905,086
		171,308,436	47,139,215
Less:			
Applied against regular taxable income in 2010		–	654,235
Expired in 2010		–	4,905,086
		₱171,308,436	₱41,579,894

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on March 16, 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% effective January 1, 2008. The PRC-based subsidiaries, except Shenzhen Yong He King Food and Beverage Co., Ltd. who benefits from 24% preferential tax rate, which are operating in a special economic zone and were previously taxed at a preferential rate of 15%, will apply increased tax rates of 20%, 22%, 24% and 25% for the years ending December 31, 2009, 2010, 2011 and 2012, respectively.

Year Incurred	Carry Forward Benefit up to	Tax Losses
December 31, 2010	December 31, 2015	₱178,088,357
December 31, 2009	December 31, 2014	391,040,616
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
		710,611,582
Less expired in 2010		6,400,222
Balance at end of year		₱704,211,360

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

	2010	2009	2008
Provision for income tax at statutory income tax rates	**₱1,255,779,527**	₱1,096,553,778	₱1,123,872,818
Income tax effects of:			
Effect of different tax rate for royalty fees and interest	**(279,194,311)**	(248,450,444)	(371,579,442)
Difference between OSD and itemized deductions	**(35,690,321)**	–	–
Nondeductible expenses	**25,168,148**	44,256,654	40,828,955
Expired/applied NOLCO and excess of MCIT over RCIT	**11,959,542**	90,371,430	–
Effects of changes in tax rate	**–**	–	46,286,375
Others	**(4,626,823)**	5,548,097	49,839,368
	₱973,395,762	₱988,279,515	₱889,248,074

Under Republic Act No. 9337, RCIT rate for domestic corporations and resident and nonresident foreign corporations was reduced to 30% from 35% beginning January 1, 2009. The deferred income taxes and the provision for current income tax include the effect of the change in tax rates.

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

For the year ended December 31, 2010, Zenith, a wholly owned subsidiary elected to use OSD in computing for its taxable income. The tax benefit from the availment of OSD amounted to ₱35.7 million in 2010.

For the year ended December 31, 2009, the current provision for income tax of Zenith was based on the itemized deduction method.

On the basis of management review, Zenith expects to continue availing of the OSD method in the foreseeable future. Deferred tax assets and liabilities which do not have future tax consequences under the OSD method were not recognized. The underlying tax base of the remaining deferred tax assets and liabilities with future consequences under the OSD method was reduced by the 40% allowable deduction.

25. **Pension Costs**

Defined Benefit Plan

The Parent Company and certain Philippine-based subsidiaries have funded, independently administered, non-contributory defined benefit 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 pension expense recognized in the consolidated statements of comprehensive income and the funded status and amounts recognized in the consolidated statements of financial position for the plans.

Net Pension Expense

	2010	2009	2008
Current service cost	**₱91,496,560**	₱82,275,495	₱91,054,355
Interest cost on benefit obligation	**135,969,783**	97,064,311	88,432,474
Expected return on plan assets	**(71,412,182)**	(40,469,083)	(34,803,756)
Net actuarial loss	**63,713**	1,883,134	1,008,909
	₱156,117,874	₱140,753,857	₱145,691,982

Pension Liability

	2010	2009
Present value of defined benefit obligation	**₱1,364,744,185**	₱1,213,954,564
Fair value of plan assets	**(1,201,052,350)**	(973,263,844)
Present value of underfunded obligation	**163,691,835**	240,690,720
Unrecognized net actuarial gains (losses)	**48,397,353**	(66,493,104)
	₱212,089,188	₱174,197,616

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

	2010	2009
Balance at beginning of year	**₱1,213,954,564**	₱985,573,966
Interest cost on benefit obligation	**135,969,783**	97,064,311
Current service cost	**91,496,560**	82,275,495
Actual benefits paid from:		
Actual benefits paid	**(103,951,840)**	–
Actual benefits paid out of Jollibee Group's funds	**(9,557,532)**	(13,212,061)
Actuarial loss on benefit obligation	**36,832,650**	62,252,853
Balance at end of year	**₱1,364,744,185**	₱1,213,954,564

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

	2010	2009
Balance at beginning of year	**₱973,263,844**	₱531,760,226
Contributions	**108,668,770**	353,871,159
Expected return on plan assets	**71,412,182**	40,469,083
Actual benefits paid	**(103,951,840)**	–
Actuarial gain on plan assets	**151,659,394**	47,163,376
Balance at end of year	**₱1,201,052,350**	₱973,263,844
Actual return on plan assets	**₱223,071,576**	₱87,632,459

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

	2010	2009
Investment in government debt securities	**59.80%**	33.08%
Investments in shares of stock	**24.54%**	20.36%
Cash in banks	**13.75%**	37.47%
Other receivables	**1.09%**	2.09%
Loans and receivable	**0.82%**	7.00%
	100.00%	100.00%

The Jollibee Group expects to contribute in 2011, an amount equivalent to the underfunded defined benefit obligation based on the Actuarial Valuation in 2011.

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 plan is as of December 31, 2009.

As of December 31, 2010 and 2009, the principal actuarial assumptions used to determine pension benefits obligations are as follow:

	2010	2009
Discount rate	**11.00%**	11.00%-11.31%
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:

	2010	2009	2008	2007	2006
Defined benefit obligation	**₱1,364,744,185**	₱1,213,954,564	₱985,573,966	₱896,922,683	₱1,208,554,155
Plan assets	**1,201,052,350**	973,263,844	531,760,226	433,325,653	430,319,438
Deficit	**₱163,691,835**	₱240,690,720	₱453,813,740	₱463,597,030	₱778,234,717
Experience adjustments on:					
Plan obligation	**(₱36,832,650)**	(₱62,252,853)	₱–	(₱220,551,925)	₱28,704,737
Plan assets	**151,659,394**	47,163,376	(34,311,708)	2,211,130	103,583,944

Defined Contribution Plan

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

The contributions made to the scheme and recognized as net pension expense amounted to ₱94.9 million, ₱106.8 million and ₱82.8 million in 2010, 2009 and 2008, respectively.

26. **Stock Option Plans**

Senior Management Stock Option and Incentive Plan

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

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

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

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

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

The contractual term of each option is seven years. The Jollibee Group does not pay cash as a form of settlement.

On July 1, 2004, the Compensation Committee of the Jollibee Group granted 2,385,000 options under the 1st MSOP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted on each anniversary date which will start after a year from the MSOP grant date. One-third of the options granted, or 795,000 options, vested and may be exercised starting July 1, 2005 and will expire on June 30, 2012. On July 1, 2005 to 2010, the Compensation Committee granted series of MSOP grants under the 2nd to 7th MSOP cycle to eligible participants. The options vest similar to the 1st MSOP cycle.

The movements in the number of stock options outstanding for the 1st up to the 7th MSOP cycles and related weighted average exercise prices (WAEP) for the years ended December 31, 2010 and 2009 follow:

	1st MSOP Cycle (2004)	2nd MSOP Cycle (2005)	3rd MSOP Cycle (2006)	4th MSOP Cycle (2007)	5th MSOP Cycle (2008)	6th MSOP Cycle (2009)	7th MSOP Cycle (2010)	Total	WAEP
Total options granted as of 2010	2,385,000	2,577,000	3,231,500	3,014,700	4,202,450	4,690,300	3,172,744	23,273,694	₱40.39
Outstanding at December 31, 2008	1,644,864	1,802,397	2,689,937	3,014,700	4,202,450	–	–	13,354,348	36.69
Options granted during the year	–	–	–	–	–	4,690,300	–	4,690,300	45.45
Options forfeited during the year	(58,699)	(83,698)	(301,930)	(318,097)	(256,999)	(20,000)	–	(1,039,423)	39.00
Option exercised during the year	(193,665)	(154,467)	(452,958)	(68,325)	(224,528)	–	–	(1,093,943)	32.16
Outstanding at December 31, 2009	1,392,500	1,564,232	1,935,049	2,628,278	3,720,923	4,670,300	–	15,911,282	39.43
Options granted during the year	–	–	–	–	–	–	3,172,744	3,172,744	57.77
Options forfeited during the year	–	(66,667)	(16,667)	(86,999)	(143,165)	(104,514)	(30,033)	(448,045)	42.36
Option exercised during the year	(401,333)	(368,866)	(566,935)	(641,048)	(500,806)	(251,996)	–	(2,730,984)	36.78
Outstanding at December 31, 2010	991,167	1,128,699	1,351,447	1,900,231	3,076,952	4,313,790	3,142,711	15,904,997	43.46
Exercisable at December 31, 2009	1,392,500	1,564,232	1,935,049	1,623,378	919,290	–	–	7,434,449	33.96
Exercisable at December 31, 2010	991,167	1,128,699	1,351,447	1,900,231	1,676,135	1,186,923	–	8,234,602	37.86

The weighted average share price was ₱71.74 and ₱48.25 as of December 31, 2010 and 2009, respectively. The weighted average remaining contractual life for the stock options outstanding as of December 31, 2010 and 2009 is 5.31 years and 5.59 years, respectively.

The weighted average fair value of stock options granted in 2010 and 2009 is ₱22.77 and ₱13.11, respectively. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The inputs to the model used for the options granted on the dates of grant for each MSOP cycle are shown below:

	1st MSOP Cycle (2004)	2nd MSOP Cycle (2005)	3rd MSOP Cycle (2006)	4th MSOP Cycle (2007)	5th MSOP Cycle (2008)	6th MSOP Cycle (2009)	7th MSOP Cycle (2010)
Dividend yield	1.72%	1.72%	1.72%	1.70%	1.80%	2.00%	2.00%
Expected volatility	36.91%	36.91%	36.91%	28.06%	26.79%	30.37%	29.72%
Risk-free interest rate	6.20%	6.20%	6.20%	6.41%	8.38%	5.28%	5.25%
Expected life of the option	5-7 years	5-7 years	5-7 years	3-4 years	3-4 years	3-4 years	3-4 years
Stock price on grant date	₱24.00	₱29.00	₱35.00	₱52.50	₱34.00	₱48.00	₱70.00
Exercise price	₱20.00	₱27.50	₱32.32	₱50.77	₱39.85	₱45.45	₱57.77

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

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

Each ELTIP cycle refers to the period commencing on the ELTIP entitlement date and ending on the last day of the ELTIP exercise period. Vesting is conditional upon achievement of the Jollibee Group's minimum medium to long-term goals and individual targets in a given period, and the employment of the employee-participants to the Jollibee Group within the vesting period. If the goals are achieved, the options will start vesting at grant date at a rate of one-third every anniversary of the ELTIP grant date.

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

The contractual term of each option is five years. The Jollibee Group does not pay cash as a form of settlement.

On July 1, 2004, the Compensation Committee gave an entitlement of 22,750,000 options under the 1st ELTIP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted from the start of the grant date and on each anniversary of the ELTIP grant date. One-third of the options granted, or 7,583,333 options, vested and may be exercised starting July 1, 2007 and will expire on June 30, 2012. On July 1, 2008 and 2010, total entitlement of 19,649,999 options under 2nd ELTIP cycle were given to eligible participants. The options vest similar to the 1st ELTIP cycle.

The movements in the number of stock options outstanding for the 1st and 2nd ELTIP cycles and related WAEP for the years ended December 31, 2010 and 2009 follow:

	1st ELTIP Cycle (2004)	2nd ELTIP Cycle (2008)	Total	WAEP
Total entitlement to options given as of 2010	22,750,000	19,649,999	42,399,999	₱29.20
Outstanding at December 31, 2008	17,770,831	19,399,999	37,170,830	30.36
Options forfeited during the year	(1,416,666)	–	(1,416,666)	20.00
Options exercised during the year	(2,366,666)	–	(2,366,666)	20.00
Outstanding at December 31, 2009	13,987,499	19,399,999	33,387,498	31.53
Entitlement to options given during the year	–	250,000	250,000	39.85
Options exercised during the year	(2,975,763)	–	(2,975,763)	20.00
Outstanding at December 31, 2010	11,011,736	19,649,999	30,661,735	32.72
Exercisable at December 31, 2009	13,987,499	–	13,987,499	20.00
Exercisable at December 31, 2010	11,011,736	–	11,011,736	20.00

The weighted average remaining contractual life for the stock options outstanding as of December 31, 2010 and 2009 is 3.74 years and 3.95 years, respectively.

The fair value of stock options granted in 2010 is ₱7.26. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The inputs to the model used for the options granted on the dates of grant for each ELTIP cycle are shown below:

	1st ELTIP Cycle (2004)	2nd ELTIP Cycle (2008)
Dividend yield	1.72%	1.80%
Expected volatility	36.91%	26.79%
Risk-free interest rate	6.20%	8.38%
Expected life of the option	5 years	3-4 years
Stock price on grant date	₱24.00	₱34.00
Exercise price	₱20.00	₱39.85

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

The cost of the stock options expense charged to operations under "General and administrative expenses" account amounted to ₱65.7 million, ₱147.5 million and ₱107.1 million in 2010, 2009 and 2008, respectively.

27. Related Party Transactions

The Jollibee Group has transactions within and among the consolidated entities and related parties. A related party is an entity that has the ability to control or exercise significant influence, directly or indirectly, over the other party in making financial and operating decisions. Transactions between members of the Jollibee Group and the related balances are eliminated at consolidation and are no longer included in the disclosures.

Compensation of Key Management Personnel of the Jollibee Group
The aggregate compensation and benefits to key management personnel of the Jollibee Group for the years ended December 31, 2010, 2009 and 2008 are as follows:

	2010	2009	2008
Salaries and short-term benefits	**₱389,010,761**	₱387,276,428	₱351,368,465
Stock options expense (Note 26)	**65,657,862**	147,522,179	107,100,435
Net pension expense from defined benefit plan	**23,822,756**	42,141,407	22,636,807
Employee car plan and other long-term benefits	**23,818,817**	23,454,128	24,509,655
	₱502,310,196	₱600,394,142	₱505,615,362

28. Earnings Per Share Computation

Basic and diluted EPS are computed as follows:

	2010	2009	2008
(a) Net income attributable to the equity holders of the Parent Company	**₱3,197,793,977**	₱2,664,623,109	₱2,319,087,864
(b) Weighted average number of shares - basic	**1,025,590,715**	1,020,900,233	1,022,431,961
Weighted average number of shares exercisable under the stock option plan	**22,434,043**	21,915,140	15,250,887
Weighted average number of shares that would have been purchased at fair market value	**(8,649,309)**	(10,348,245)	(8,551,814)
(c) Adjusted weighted average shares - diluted	**1,039,375,449**	1,032,467,128	1,029,131,034
EPS:			
Basic (a/b)	**₱3.118**	₱2.610	₱2.268
Diluted (a/c)	**3.077**	2.581	2.253

In 2009, 1,287,108 options outstanding related to MSOP Cycle 4 were not included in the calculation of diluted EPS because they are anti-dilutive in 2009. There were no anti-dilutive options outstanding as of December 31, 2010.

29. Commitments and Contingencies

a. Operating lease commitments - Jollibee Group as lessee

The Jollibee Group has various operating lease commitments for QSR outlets and offices. The noncancellable periods of the leases range from 3 to 20 years, mostly containing renewal options. Some of the leases contain escalation clauses. The lease contracts on certain sales outlets provide for the payment of additional rentals based on certain percentages of sales of the outlets. Rent payments in accordance with the terms of the lease agreements amounted to ₱3,936.0 million, ₱3,519.4 million and ₱2,723.7 million in 2010, 2009 and 2008, respectively.

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

	2010	2009
Within one year	**₱753,175,831**	₱722,356,139
After one year but not more than five years	**3,342,741,983**	3,409,121,611
More than five years	**2,222,589,650**	2,402,465,406
	₱6,318,507,464	₱6,533,943,156

The difference of rent expense recognized under the straight-line method and the rent amounts due in accordance with the terms of the lease agreements amounting to ₱156.8 million and ₱22.9 million in 2010 and 2009, respectively, are charged to "Operating lease payables" account. Rent expense recognized on a straight-line basis amounted to ₱4,092.8 million, ₱3,542.0 million and ₱2,902.8 million in 2010, 2009 and 2008, respectively (see Notes 21 and 22).

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 rent charges on an annual basis based on prevailing market conditions. Rent income in accordance with the terms of the lease agreements amounted to ₱221.1 million, ₱113.0 million and ₱89.8 million in 2010, 2009 and 2008, respectively.

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

	2010	2009
Within one year	**₱40,020,952**	₱11,051,749
After one year but not more than five years	**215,947,396**	48,864,219
More than five years	**68,268,412**	123,333,400
	₱324,236,760	₱183,249,368

The difference of rent income recognized under the straight-line method and the rent amounts receivable in accordance with the terms of the lease agreements amounting to ₱11.8 million and ₱1.2 million in 2010 and 2009, respectively, are included under "Operating lease receivables" account. Rent income recognized on a straight-line basis amounted to ₱88.6 million, ₱78.7 million and ₱83.0 million in 2010, 2009 and 2008, respectively.

c. Contingencies

The Jollibee Group is involved in litigations, claims and disputes which are normal to its business, except for the legal claims provided in Note 17. 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.

30. 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 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 other financial assets and liabilities such as receivables, employee car plan receivables, refundable and other deposits, AFS financial assets and trade payable and other current liabilities which arises from the Jollibee Group's current operations.

The main risks arising from the Jollibee Group's financial instruments are foreign currency risk, credit 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 from the Parent Company's investments outside the Philippines, which are mainly in PRC and USA. While the foreign business has been rapidly growing, the net assets of foreign business account for only 11.44% and 10.7% of the consolidated net assets of the Jollibee Group as of December 31, 2010 and 2009, 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, receivables and long-term debt in foreign currencies.

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

	2010					
	Philippine Operations			Foreign Operations		
	USD	RMB	PHP Equivalent	USD	RMB	PHP Equivalent
Assets						
Cash and cash equivalents	2,270,158	253,911,777	1,782,958,808	24,894,237	159,830,557	2,151,039,943
Receivables	3,677,910	7,269,611	209,437,095	976,110	19,733,519	173,625,893
	5,948,068	261,181,388	1,992,395,903	25,870,347	179,564,076	2,324,665,836
Liabilities						
Payables	–	–	–	(849,727)	(13,231,410)	(124,976,280)
Long-term debt	–	(350,000,000)	(2,320,500,000)	(9,106,360)	(132,754,424)	(1,279,384,654)
	–	(350,000,000)	(2,320,500,000)	(9,956,087)	(145,985,834)	(1,404,360,934)
Net exposure	5,948,068	(88,818,612)	(328,104,097)	15,914,260	33,578,242	920,304,902

	2009					
	Philippine Operations			Foreign Operations		
	USD	RMB	PHP Equivalent	USD	RMB	PHP Equivalent
Assets						
Cash and cash equivalents	11,626,851	136,228,758	1,462,153,783	25,909,994	89,359,298	1,803,791,343
Receivables	6,157,309	4,642,931	315,993,177	1,460,287	16,481,729	179,376,185
	17,784,160	140,871,689	1,778,146,960	27,370,281	105,841,027	1,983,167,528
Liabilities						
Payables	–	–	–	(1,700,586)	(53,951,730)	(444,898,483)
Long-term debt	–	(350,000,000)	(2,376,500,000)	(7,590,579)	(116,713,463)	(1,143,169,149)
	–	(350,000,000)	(2,376,500,000)	(9,291,165)	(170,665,193)	(1,588,067,632)
Net exposure	17,784,160	(209,128,311)	(598,353,040)	18,079,116	(64,824,166)	395,099,896

Foreign Currency Risk Sensitivity Analysis

The Jollibee Group has recognized in its profit or loss, foreign currency exchange gain included under "Other income" account which amounted to ₱37.4 million, ₱46.5 million and ₱71.6 million on its net foreign currency-denominated assets and liabilities for the years ended December 31, 2010, 2009 and 2008, respectively. This resulted from the movements of the Philippine peso against the USD and RMB as shown in the following table:

	Peso to	
	RMB	USD
December 31, 2010	₱6.63	₱43.84
December 31, 2009	6.79	46.20

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

		2010	2009
	Increase (Decrease) in ₱ per Foreign Currency	**Effect on Income Before Income Tax**	Effect on Income Before Income Tax
		(In Millions)	
USD			
	₱1.50	**₱8.9**	₱26.7
	(1.50)	**(8.9)**	(26.7)
	1.00	**5.9**	17.8
	(1.00)	**(5.9)**	(17.8)
RMB			
	0.95	**(84.4)**	(198.7)
	(0.95)	**84.4**	198.7
	0.63	**(56.0)**	(131.8)
	(0.63)	**56.0**	131.8

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 Risk Exposure and Concentration. The table below shows the maximum exposure to credit risk of the Jollibee Group as of December 31, 2010 and 2009, without considering the effects of collaterals and other credit risk mitigation techniques.

	2010	2009
Loans and Receivables		
Cash and cash equivalents (excluding cash on hand)	**₱8,040,185,922**	₱8,861,543,196
Receivables:		
Trade	**1,837,711,347**	1,754,530,549
Advances to employees	**91,120,858**	90,652,777
Current portion of employee car plan receivables	**43,811,033**	41,724,556
Others	**4,515,022**	13,302,934
Other current assets:		
Receivables from suppliers and others	**588,179,523**	616,038,571
Receivable from retirement fund	**111,108,541**	149,505,948
Other noncurrent assets:		
Refundable and other deposits	**871,020,582**	748,014,995
Noncurrent portion of employee car plan receivables	**86,584,129**	130,299,281
AFS Financial Assets	**176,283,046**	155,228,494
	₱11,850,520,003	₱12,560,841,301

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 the Jollibee Group, which comprise of cash and cash equivalents, the Jollibee Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

	2010				
		Neither Past Due nor Impaired			Past Due or
	Total	A	B	C	Impaired
			(In Millions)		
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱8,040.2	₱8,040.2	₱–	₱–	₱–
Receivables:					
Trade	1,837.7	928.9	89.1	5.9	813.8
Advances to employees	91.1	91.1	–	–	–
Current portion of employee car plan receivables	43.8	43.8	–	–	–
Others	4.5	4.5	–	–	–
Other current assets:					
Receivables from suppliers and others	588.2	588.2	–	–	–
Receivable from retirement fund	111.1	111.1	–	–	–
Other noncurrent assets:					
Refundable and other deposits	871.0	854.6	–	16.4	–
Noncurrent portion of employee car plan receivables	86.6	86.6	–	–	–
AFS Financial Assets	176.3	176.3	–	–	–
	₱11,850.5	₱10,925.3	₱89.1	₱22.3	₱813.8

	2009				
		Neither Past Due nor Impaired			Past Due or
	Total	A	B	C	Impaired
			(In Millions)		
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱8,861.5	₱8,861.5	₱–	₱–	₱–
Receivables:					
Trade	1,754.5	884.4	8.4	3.6	858.1
Advances to employees	90.7	90.7	–	–	–
Current portion of employee car plan receivables	41.7	41.7			
Others	13.3	13.3	–	–	–
Other current assets:					
Receivables from suppliers and others	616.0	616.0	–	–	–
Receivable from retirement fund	149.5	149.5	–	–	–
Other noncurrent assets:					
Refundable and other deposits	748.0	732.4	–	15.6	–
Noncurrent portion of employee car plan receivables	130.3	130.3	–	–	–
AFS Financial Assets	155.2	155.2	–	–	–
	₱12,560.7	₱11,675.0	₱8.4	₱19.2	₱858.1

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

A - For counterparty that is not expected by the Jollibee Group to default in settling its obligations, thus, credit risk exposure is minimal. This counterparty normally includes financial institutions, related parties and customers who pay on or before due date.

B - For counterparty with tolerable delays (normally from 1 to 30 days) in settling its obligations to the Jollibee Group. The delays may be due to cut-off differences and/or clarifications on contracts/billings.

C - For counterparty who consistently defaults in settling its obligation 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.

AFS financial assets are unrated.

The aging analyses of receivables are as follows:

	2010						
	Total	Neither Past Due nor Impaired	Past Due but not Impaired (Age in Days) 1-30	31-60	61-120	Over 120	Impaired
				(In Millions)			
Receivables:							
Trade	₱1,973.8	₱1,160.0	₱207.6	₱63.7	₱84.1	₱322.3	₱136.1
Advances to employees	91.1	91.1	–	–	–	–	–
Current portion of employee car plan receivables	43.8	43.8					
Others	4.5	4.5	–	–	–	–	–
Other current assets:							
Receivables from suppliers and others	588.2	588.2	–	–	–	–	–
Receivable from retirement fund	111.1	111.1	–	–	–	–	–
Other noncurrent assets:							
Refundable and other deposits	871.0	871.0	–	–	–	–	–
Noncurrent portion of employee car plan receivables	86.6	86.6	–	–	–	–	–
	₱3,770.1	₱2,956.3	₱207.6	₱63.7	₱84.1	₱322.3	₱136.1

	2009						
	Total	Neither Past Due nor Impaired	Past Due but not Impaired (Age in Days) 1-30	31-60	61-120	Over 120	Impaired
				(In Millions)			
Receivables:							
Trade	₱1,854.2	₱996.1	₱406.7	₱80.5	₱135.1	₱136.1	₱99.7
Advances to employees	90.7	90.7	–	–	–	–	–
Current portion of employee car plan receivables	41.7	41.7					
Others	13.3	13.3	–	–	–	–	–
Other current assets:							
Receivables from suppliers and others	616.0	616.0	–	–	–	–	–
Receivable from retirement fund	149.5	149.5	–	–	–	–	–
Other noncurrent assets:							
Refundable and other deposits	748.0	748.0	–	–	–	–	–
Noncurrent portion of employee car plan receivables	130.3	130.3	–	–	–	–	–
	₱3,643.7	₱2785.6	₱406.7	₱80.5	₱135.1	₱136.1	₱99.7

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 of the Jollibee Group during the years ended December 31, 2010 and 2009.

The Jollibee Group's financial assets, which have maturity of less than 12 months and used to meet its short-term liquidity needs, are cash and cash equivalents and receivables amounting to ₱8,170.5 million and ₱2,676.4 million, respectively, as of December 31, 2010.

The tables below summarize the maturity profile of the Jollibee Group's financial assets used for liquidity risk management purposes and financial liabilities based on the contractual undiscounted cash flows as of December 31:

	2010				
	On Demand	Within 1 Year	2–3 Years	4–5 Years	Total
Cash and cash equivalents	₱2,925,597,936	₱5,244,891,365	₱–	₱–	₱8,170,489,301
Receivables:					
Trade	677,723,887	1,159,987,460	–	–	1,837,711,347
Advances to employees	–	91,120,858	–	–	91,120,858
Current portion of employee car plan receivables	–	43,811,033	–	–	43,811,033
Others	–	4,515,022	–	–	4,515,022
Other current assets:					
Receivables from suppliers and others	–	588,179,523	–	–	588,179,523
Receivable from retirement fund	–	111,108,541	–	–	111,108,541
Other noncurrent assets:					
Refundable and other deposits	–	–	871,020,582	–	871,020,582
Noncurrent portion of employee car plan receivables	–	–	86,584,129	–	86,584,129
	₱3,603,321,823	₱7,243,613,802	₱957,604,711	₱–	₱11,804,540,336
Trade payables and other current liabilities*	₱–	₱7,950,019,464	₱–	₱–	₱7,950,019,464
Short-term debt	–	1,899,133,822	–	–	1,899,133,822
Long-term debt (including current portion)	–	2,501,278,495	50,992,704	3,715,180	2,555,986,379
Liability for acquisition of businesses (including current portion)	–	170,194,278	141,254,668	–	311,448,946
	₱–	₱12,520,626,059	₱192,247,372	₱3,715,180	₱12,716,588,611

**Excluding accruals for local and other taxes and unearned revenue from gift certificates.*

	2009				
	On Demand	Within 1 Year	2–3 Years	4–5 Years	Total
Cash and cash equivalents	₱2,551,141,084	₱6,426,117,312	₱–	₱–	₱8,977,258,396
Receivables:					
Trade	758,400,000	996,130,549	–	–	1,754,530,549
Advances to employees	–	90,652,777	–	–	90,652,777
Current portion of employee car plan receivables	–	41,724,556	–	–	41,724,556
Others	–	13,302,934	–	–	13,302,934
Other current assets:					
Receivables from suppliers and others	–	616,038,571	–	–	616,038,571
Receivable from retirement fund	–	149,505,948	–	–	149,505,948
Other noncurrent assets:					
Refundable and other deposits	–	748,014,994	–	–	748,014,994
Noncurrent portion of employee car plan receivables	–	130,299,281	–	–	130,299,281
	₱3,309,541,084	₱9,211,786,922	₱–	₱–	₱12,521,328,006
Trade payables and other current liabilities*	₱–	₱7,958,303,473	₱–	₱–	₱7,958,303,473
Short-term debt	–	322,715,409	–	–	322,715,409
Long-term debt (including current portion)	–	57,081,325	2,774,128,009	20,802,577	2,852,011,911
Liability for acquisition of businesses (including current portion)	–	179,449,673	–	–	179,449,673
	₱–	₱8,517,549,880	₱2,774,128,009	₱20,802,577	₱11,312,480,466

**Excluding accruals for local and other taxes and unearned revenue from gift certificates.*

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 one-third of its consolidated net income, a ratio that would still leave some additional cash for future acquisitions. If needed, the Jollibee Group would borrow money for acquisitions of new businesses.

As of December 31, 2010 and 2009, the Jollibee Group's ratio of debt-to-equity and ratio of net debt-to-equity are as follows:

Debt-to-equity

	2010	2009
Total debt (a)	**₱15,514,330,588**	₱13,442,287,667
Total equity attributable to equity holders of the Parent Company	**17,119,518,222**	16,281,991,640
Total debt and equity attributable to equity holders of the Parent Company (b)	**₱32,633,848,810**	₱29,724,279,307
Debt-to-equity ratio (a/b)	**48%**	45%

Net Debt-to-equity

	2010	2009
Total debt	**₱15,514,330,588**	₱13,442,287,667
Less cash and cash equivalents	**8,170,489,301**	8,977,258,396
Net debt (a)	**7,343,841,287**	4,465,029,271
Total equity attributable to equity holders of the Parent Company	**17,119,518,222**	16,281,991,640
Total net debt and equity attributable to equity holders of the Parent Company (b)	**₱24,463,359,509**	₱20,747,020,911
Net debt-to-equity ratio (a/b)	**30%**	22%

31. **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. There are no material unrecognized financial assets and liabilities as of December 31, 2010 and 2009.

	2010		2009	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents	**₱8,170,489,301**	**₱8,170,489,301**	₱8,977,258,396	₱8,977,258,396
Receivables:				
Trade	**1,837,711,347**	**1,837,711,347**	1,754,530,549	1,754,530,549
Advances to employees	**91,120,858**	**91,120,858**	90,652,777	90,652,777
Current portion of employee car plan receivables	**43,811,033**	**43,811,033**	41,724,556	41,724,556
Others	**4,515,022**	**4,515,022**	13,302,934	13,302,934
Other current assets:				
Receivables from suppliers and others	**588,179,523**	**588,179,523**	616,038,571	616,038,571
Receivable from retirement fund	**111,108,541**	**111,108,541**	149,505,948	149,505,948
Other noncurrent assets:				
Refundable and other deposits	**871,020,582**	930,703,755	748,014,994	821,139,859
Noncurrent portion of employee car plan receivables	**86,584,129**	103,727,715	130,299,281	143,791,690
	11,804,540,336	**11,881,367,095**	12,521,328,006	12,607,945,280
AFS Financial Assets				
Investments in shares of stock and club shares	**176,283,046**	176,283,046	155,228,494	155,228,494
	₱11,980,823,382	**₱12,057,650,141**	₱12,676,556,500	₱12,763,173,774
Other Financial Liabilities				
Trade payables and other current liabilities*	**₱7,950,019,464**	**₱7,950,019,464**	₱7,958,303,473	₱7,958,303,473
Short-term debt	**1,842,030,865**	**1,842,030,865**	305,024,016	305,024,016
Long-term debt (including current portion)	**2,392,713,646**	**2,483,536,758**	2,491,677,840	2,507,838,450
Liability for acquisition of businesses (including current portion)	**311,448,946**	**311,448,946**	179,449,673	179,449,673
	₱12,496,212,921	**₱12,587,036,033**	₱10,934,455,002	₱10,950,615,612

**Excluding accruals for local and other taxes and unearned revenue from gift certificates.*

Financial Instruments with Carrying Amounts Approximate Fair Value
Management has determined that the carrying amounts of cash and cash equivalents, receivables, other current assets, trade payables and other current liabilities, short-term debt and liability for acquisition of businesses 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 and other deposits, employee car plan receivables and long-term debt are based on the discounted value of future cash flows using applicable rates.

AFS Financial Assets
The fair value of investments that are traded in organized financial markets are determined by reference to quoted market bid prices at the close of business at reporting date.

Unquoted AFS financial assets are carried at cost less any impairment in value. These financial assets are equity shares of private entities and are not traded in an active market, hence its fair value cannot be determined reliably.

The Jollibee Group does not have the intention to dispose these financial assets in the near term.

Fair Value Hierarchy
The Jollibee Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Jollibee Group's quoted AFS financial assets amounting to ₱125.4 million and ₱107.4 million as of December 31, 2010 and 2009, respectively, are the only financial instruments measured at fair value using Level 1 fair value measurement (see Note 10).

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

32. Events after the Reporting Period

Dividend Declaration
On April 13, 2011, the BOD of the Parent Company approved a regular cash dividend of ₱0.50 a share of common stock to all stockholders of record as of May 5, 2011. The cash dividend is expected to be paid out by May 31, 2011. The cash dividend is 16.3% higher than the ₱0.43 regular dividend a share declared in April 2010.

Loan Availments for Capital Expenditures and Acquisitions
On April 12, 2011, the Parent Company entered into a loan agreement for ₱900.0 million to be paid after one year bearing fixed interest rate. Likewise, the Jollibee Group, through JWPL, entered into separate loan agreements to borrow US$40.0 million and US$30.0 million from separate foreign financial institutions. Both loans are payable after 3 years bearing fixed interest rates. The proceeds of the loans shall be used to finance new store openings, existing store renovations, the construction of the Jollibee Group's logistics center in Metro Manila and its commissary to be managed by JFPPL in Anhui Province in the PRC.

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

Acquisition of Majority Stake in Chow Fun Holdings, LLC
On March 31, 2011, the Jollibee Group, through its wholly owned subsidiary, Jollibee Worldwide, acquired from Aspen Partners, LLC 2,400 shares in Chow Fun Holdings, LLC ("Chow Fun") for US$3,240,000, bringing up its equity share in Chow Fun to 80.55%. The Jollibee Group (through JWPL) had previously acquired in July 2008 a 12.25% equity share in Chow Fun for US$950,000. Chow Fun is the developer and owner of Jinja Bar and Bistro in New Mexico, USA. It presently has three (3) restaurants in New Mexico, two (2) in Albuquerque and one (1) in Santa Fe. Jinja Bar and Bistro serves Asian cuisine adapted to Western preferences to mainstream American consumers. The Jollibee Group's objective in this venture is to enhance its capability in developing Asian food restaurant concepts for the mainstream consumers in the United States as part of its long-term strategy. The carrying amount of previously held equity interest in Chow Fun is presented as part of AFS financial assets.

33. Non-cash Transaction

In 2009, significant non-cash investing activities pertain to the transfer of deposit for the acquisition of real property included under "Other noncurrent assets" account in 2008 to "Investment properties" account in 2009 amounting to ₱376.9 million.

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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

**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 at December 31, 2010 and 2009 and for each of the three years in the period ended December 31, 2010, included in this Form 17-A and have issued our report thereon dated April 13, 2011. 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 Jollibee Group'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 respect, 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-2
Tax Identification No. 102-085-577
BIR Accreditation No. 08-001998-17-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641521, January 3, 2011, Makati City

April 13, 2011

COVER SHEET

77487

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	634-1111
(Contact Person)	(Company Telephone Number)

12 31	AAPFS	06 24
Month *Day* (Fiscal Year)	(Form Type)	*Month* *Day* (Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	₱1,800,000,000	₱2,309,794,661
	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

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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

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Jollibee Foods Corporation, which comprise the parent company statements of financial position as at December 31, 2010 and 2009, and the parent company statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company 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 parent company 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 parent company financial statements.

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

SGV & Co
Ernst & Young

Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Jollibee Foods Corporation as at December 31, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information on taxes and license fees required for purposes of filing with the Bureau of Internal Revenue is presented by the management of Jollibee Foods Corporation in a separate schedule. Revenue Regulations 15-2010 require the information to be presented in the notes to parent company financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68.1. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

Ramon D. Dizon
Partner
CPA Certificate No. 46047
SEC Accreditation No. 0077-AR-2
Tax Identification No. 102-085-577
BIR Accreditation No. 08-001998-17-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641521, January 3, 2011, Makati City

April 13, 2011

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS ASSISTANCE DIVISION I
RECEIVED
PRECIOSA C. JAVIER

JOLLIBEE FOODS CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31 2010	December 31 2009
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 29 and 30)	₱3,264,582,533	₱3,175,486,220
Receivables (Notes 6, 27, 29 and 30)	1,565,433,773	1,778,274,135
Inventories (Note 7)	674,681,421	578,747,371
Other current assets (Notes 8, 29 and 30)	295,436,144	362,444,821
Total Current Assets	5,800,133,871	5,894,952,547
Noncurrent Assets		
Advances to related parties (Note 27)	2,806,897,888	6,811,456,980
Available-for-sale financial assets (Notes 9, 29 and 30)	79,469,742	65,521,009
Investments in subsidiaries and interest in joint venture (Notes 10 and 27)	15,413,097,942	7,213,353,222
Property, plant and equipment (Note 11)	1,939,635,871	1,697,396,141
Investment properties (Note 12)	852,664,731	779,820,412
Operating lease receivables (Note 28)	8,705,781	8,989,605
Deferred tax assets (Note 24)	368,431,649	396,094,130
Other noncurrent assets (Notes 13, 28, 29 and 30)	533,069,392	471,375,426
Total Noncurrent Assets	22,001,972,996	17,444,006,925
	₱27,802,106,867	₱23,338,959,472
LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables and other current liabilities (Notes 14, 27, 29 and 30)	₱5,078,309,294	₱4,951,177,524
Income tax payable	42,289,415	83,029,431
Due to related parties (Notes 27, 29 and 30)	820,516,123	26,141,063
Short-term debt (Note 16)	1,800,000,000	–
Current portion of:		
Long-term debt (Notes 16, 29 and 30)	2,309,794,661	–
Liability for acquisition of a business (Notes 10, 29 and 30)	138,528,874	–
Total Current Liabilities	10,189,438,367	5,060,348,018
Noncurrent Liabilities		
Provisions (Note 15)	30,500,639	30,500,639
Noncurrent portion of:		
Liability for acquisition of a business (Notes 10, 29 and 30)	141,254,669	–
Long-term debt (Notes 16, 29 and 30)	–	2,351,959,832
Operating lease payables (Note 28)	580,944,952	570,366,597
Pension liability (Note 25)	117,198,905	90,457,023
Deferred tax liabilities (Note 24)	77,807,924	57,719,805
Total Noncurrent Liabilities	947,707,089	3,101,003,896
Total Liabilities	11,137,145,456	8,161,351,914
Equity		
Capital stock (Notes 17 and 26)	1,053,438,818	1,051,458,156
Subscriptions receivable (Note 17)	(17,177,884)	(17,177,884)
Additional paid-in capital (Note 26)	2,773,682,164	2,635,662,843
Unrealized gain on available-for-sale financial assets (Note 9)	66,052,396	53,043,663
Retained earnings (Note 18):		
Appropriated for future expansion	1,200,000,000	1,200,000,000
Unappropriated	11,769,477,408	10,435,132,271
	16,845,472,902	15,358,119,049
Less cost of common stock held in [illegible]	180,511,491	180,511,491
Total Equity	16,664,961,411	15,177,607,558
	₱27,802,106,867	₱23,338,959,472

See accompanying Notes to Parent Company Financial Statements.

JOLLIBEE FOODS CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2010	2009
REVENUES		
Net sales	₱24,827,394,728	₱22,566,682,614
Royalty, franchise fees and others (Notes 19, 27 and 28)	2,525,489,300	2,323,018,466
	27,352,884,028	24,889,701,080
COST OF SALES (Note 20)	21,351,793,152	19,420,471,449
GROSS PROFIT	6,001,090,876	5,469,229,631
EXPENSES		
General and administrative (Note 21)	2,851,445,239	2,995,452,688
Advertising and promotions	490,664,836	367,195,555
	3,342,110,075	3,362,648,243
FINANCE CHARGES		
Interest income (Note 22)	52,374,599	72,488,993
Interest expense (Note 16)	(179,888,587)	(184,064,309)
	(127,513,988)	(111,575,316)
OTHER INCOME (Note 23)	1,818,458,541	1,201,639,606
INCOME BEFORE INCOME TAX	4,349,925,354	3,196,645,678
PROVISION FOR INCOME TAX (Note 24)		
Current	664,876,811	645,573,674
Deferred	47,750,600	(52,999,018)
	712,627,411	592,574,656
NET INCOME	3,637,297,943	2,604,071,022
OTHER COMPREHENSIVE INCOME		
Net unrealized gain on available-for-sale financial assets (Note 9)	13,008,733	38,748,171
TOTAL COMPREHENSIVE INCOME	₱3,650,306,676	₱2,642,819,193

See accompanying Notes to Parent Company Financial Statements.

JOLLIBEE FOODS CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Notes 17 and 26)	Subscriptions Receivable (Note 17)	Additional Paid-in Capital (Note 26)	Unrealized Gain on Available-for-Sale Financial Assets (Note 9)	Retained Earnings (Note 18) Appropriated for Future Expansion	Retained Earnings (Note 18) Unappropriated	Cost of Common Stock Held in Treasury (Notes 17, 18 and 26)	Total
For the Year Ended December 31, 2010								
Balances at January 1, 2010	₱1,051,458,156	(₱17,177,884)	₱2,635,662,843	₱53,043,663	₱1,200,000,000	₱10,435,132,271	(₱180,511,491)	₱15,177,607,558
Net income	–	–	–	–	–	3,637,297,943	–	3,637,297,943
Other comprehensive income - net unrealized gain on available-for-sale financial assets	–	–	–	13,008,733	–	–	–	13,008,733
Total comprehensive income	–	–	–	13,008,733	–	3,637,297,943	–	3,650,306,676
Movements in other equity accounts:								
Subscriptions and issuances of shares	1,980,662	–	77,768,356	–	–	–	–	79,749,018
Cost of stock options granted	–	–	60,250,965	–	–	–	–	60,250,965
Cash dividends - ₱2.25 a share	–	–	–	–	–	(2,302,952,806)	–	(2,302,952,806)
Balances at December 31, 2010	₱1,053,438,818	(₱17,177,884)	₱2,773,682,164	₱66,052,396	₱1,200,000,000	₱11,769,477,408	(₱180,511,491)	₱16,664,961,411
For the Year Ended December 31, 2009								
Balances at January 1, 2009	₱1,040,005,488	(₱17,177,884)	₱2,245,675,482	₱14,295,492	₱1,200,000,000	₱8,697,464,904	(₱180,511,491)	₱12,999,751,991
Net income						2,604,071,022		2,604,071,022
Other comprehensive income - net unrealized gain on available-for-sale financial assets	–	–	–	38,748,171	–		–	38,748,171
Total comprehensive income				38,748,171		2,604,071,022		2,642,819,193
Movements in other equity accounts:								
Subscriptions and issuances of shares	11,452,668	–	242,465,182	–	–	–	–	253,917,850
Cost of stock options granted	–	–	147,522,179	–	–	–	–	147,522,179
Cash dividends - ₱0.85 a share	–	–	–	–	–	(866,403,655)	–	(866,403,655)
Balances at December 31, 2009	₱1,051,458,156	(₱17,177,884)	₱2,635,662,843	₱53,043,663	₱1,200,000,000	₱10,435,132,271	(₱180,511,491)	₱15,177,607,558

See accompanying Notes to Parent Company Financial Statements.

JOLLIBEE FOODS CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱4,349,925,354**	₱3,196,645,678
Adjustments for:		
Dividend income (Note 23)	**(1,332,877,158)**	(699,502,400)
Depreciation and amortization (Notes 20 and 21)	**528,119,651**	490,099,638
Interest expense (Note 16)	**179,888,587**	184,064,309
Pension expense (Note 25)	**92,671,146**	70,101,944
Stock options expense (Note 26)	**60,250,965**	144,689,664
Interest income (Note 22)	**(52,374,599)**	(72,488,993)
Net unrealized foreign exchange gain	**(45,672,763)**	(39,581,572)
Provision for impairment loss on property, plant and equipment and investment properties (Notes 11 and 12)	**–**	7,000,000
Movements in:		
Operating lease payables (Note 28)	**10,578,355**	(4,188,292)
Operating lease receivables (Note 28)	**283,824**	1,536,688
Loss (gain) on disposals and retirements of property and equipment	**(1,943,711)**	51,043,993
Income before working capital changes	**3,788,849,651**	3,329,420,657
Provision for impairment loss on receivables	**17,588,816**	22,021,507
Decrease (increase) in:		
Short-term investment	**–**	20,002,018
Receivables	**192,807,049**	158,192,717
Inventories	**(95,934,050)**	376,652,188
Other current assets	**67,008,677**	(82,370,089)
Increase (decrease) in:		
Trade payable and other current liabilities	**398,913,312**	193,100,647
Due to related parties	**794,375,060**	(86,212,321)
Cash generated from operations	**5,163,608,515**	3,930,807,324
Taxes paid	**(705,616,827)**	(590,769,478)
Interest paid	**(180,091,046)**	(184,922,852)
Contributions to plan asset (Note 25)	**(63,267,300)**	(156,255,347)
Interest received	**32,285,790**	58,971,967
Pension benefit paid from Company's fund (Note 25)	**(2,661,964)**	(7,113,380)
Net cash provided by operating activities	**4,244,257,168**	3,050,718,234
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from subsidiaries (Note 23)	**1,332,877,158**	700,665,400
Acquisitions of:		
Property, plant and equipment and investment properties (Notes 11 and 12)	**(845,083,705)**	(633,506,330)
Available-for-sale financial assets (Note 9)	**(940,000)**	(293,613)
Decrease (increase) in:		
Advances to related parties	**(997,609,145)**	(1,745,655,385)
Investments in subsidiaries (Notes 10 and 32)	**(2,910,406,896)**	–
Other noncurrent assets	**(47,912,667)**	13,655,326
Proceeds from disposal of:		
Property, plant and equipment	**3,823,716**	115,804
Available-for-sale financial assets	**–**	17,797
Net cash used in investing activities	**(3,465,251,539)**	(1,665,001,001)

(Forward)

	Years Ended December 31	
	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Note 18)	**(₱2,556,643,476)**	(₱843,906,023)
Proceeds from:		
Short-term debt (Note 16)	**1,791,123,288**	–
Issuances of and subscriptions to capital stock	**79,749,018**	82,609,866
Net cash used in financing activities	**(685,771,170)**	(761,296,157)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(4,138,146)**	(12,282,506)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**89,096,313**	612,138,570
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,175,486,220**	2,563,347,650
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱3,264,582,533**	₱3,175,486,220

See accompanying 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 the Company's subsidiaries. The Company was registered with the Securities and Exchange Commission (SEC) on January 11, 1978.

The Company also has subsidiaries engaged in the development, operation and franchising of QSR under the trade names "Greenwich", "Chowking", "Yonghe King", "Manong Pepe", "Red Ribbon", "Hong Zhuang Yuan", "Caffe Ti-Amo" and "Mang Inasal". 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. The list of the Company's subsidiaries is presented in Note 10.

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 issuance by the Board of Directors (BOD) on April 13, 2011.

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

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. 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 SEC and the Bureau of Internal Revenue, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS also includes Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by Philippine Financial Reporting Standards Council.

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 can 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 new and amended standards and Philippine Interpretations starting January 1, 2010 except when otherwise indicated:

New Interpretation

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*, effective for annual periods beginning on or after July 1, 2009

Amendments to Standards

- PFRS 2, *Share-based Payment* (Amendment) - *Group Cash-settled Share-based Payment Transactions*, effective for annual periods beginning on or after January 1, 2010

- PFRS 3 (Revised), *Business Combinations*, and PAS 27(Amended), *Consolidated and Separate Financial Statements*, effective for annual periods beginning on or after July 1, 2009

- PAS 39, *Financial Instruments: Recognition and Measurement* (Amendment) - *Eligible Hedged Items*, effective for annual periods beginning on or after July 1, 2009

- Improvements to PFRS (2009), effective 2010

The standards that have been adopted and that are deemed to have an impact on the parent company financial statements are described below:

- PFRS 3 (Revised), *Business Combinations*, and PAS 27 (Amended), *Consolidated and Separate Financial Statements*, became effective for annual periods beginning on or after July 1, 2009. PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages.

  These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss and accounted for as equity transaction.

  Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The PFRS 3 (Revised) was applied prospectively while PAS 27 (Amended) was applied retrospectively with few exceptions.

  The Company assessed that these revised and amended standards have an impact on its current and future business acquisitions, disposals and transactions with non-controlling interest.

Future Changes in Accounting Policies
The Company did not early adopt the following standards and interpretations that have been approved but are not yet effective. The Company does not expect these new standards and interpretations to have a significant impact on its parent company financial statements.

New Standards and Interpretations Effective 2011

- PAS 24, *Related Party Disclosures* (Amendment), becomes effective for annual periods beginning on or after January 1, 2011. The amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.

- PAS 32, *Financial Instruments: Presentation* (Amendment) - *Classification of Rights Issues*, becomes effective for annual periods beginning on or after February 1, 2010. It amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro-rata to all existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement* will become effective for annual periods beginning on or after January 1, 2011 with retrospective application. It provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, becomes effective for annual periods beginning on or after July 1, 2010. This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRS (2010)

The omnibus amendments to PFRS issued in 2010 were issued primarily with a view to remove inconsistencies and clarify wordings. The amendments are effective for annual periods beginning January 1, 2011, except when otherwise stated. The Company has not yet adopted the following improvements and anticipates that these changes will have no material effect on the parent company financial statements.

- PFRS 3, *Business Combinations* (Revised), clarifies the following:

    a. the amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32, *Financial Instruments: Presentation*, and PAS 39, *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008). The amendment is applied retrospectively.

b. the amendment limits the scope of the measurement choices that only the components of non-controlling interests that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either:

   i. at fair value; or

   ii. at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS.

   The amendment is applied prospectively from the date the entity applies PFRS 3.

c. the amendment requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split share-based between consideration and post combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. The amendment also specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of non-controlling interests and measured at their market-based measure; if unvested - they are measured at market based value as if granted at acquisition date, and allocated between non-controlling interests and post-combination expense. The amendment is applied prospectively.

   The above amendments are applicable to annual periods beginning on or after July 1, 2010.

- PFRS 7, *Financial Instruments: Disclosures*, clarifies the following:

  a. the amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

  b. amendments to quantitative and credit risk disclosures are as follows:

     i. clarify that only financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk;

     ii. require, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk);

     iii. remove the disclosure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired;

     iv. remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired; and

v. clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at reporting date.

c. the amendment is applied retrospectively.

- PAS 1, *Presentation of Financial Statements*, clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is applied retrospectively.

- PAS 27, *Consolidated and Separate Financial Statements*, clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates*, and PAS 31, *Interests in Joint Ventures*, apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier. The amendment is applicable to annual periods beginning on or after July 1, 2010. The amendment is applied retrospectively.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

New Standards and Interpretation Effective 2012

- PFRS 7, *Financial Instruments: Disclosures* (Amendments) - *Transfers of Financial Assets*, will become effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- PAS 12, *Income Taxes* (Amendment) - *Deferred Tax: Recovery of Underlying Assets*, will become effective for annual periods beginning on or after January 1, 2012. It provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.

- Philippine Interpretation IFRIC 15, *Agreement for the Construction of Real Estate*, will become effective for annual periods beginning on or after January 1, 2012. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

New Standard Effective 2013

- PFRS 9, *Financial Instruments: Classification and Measurement*, will become effective for annual periods beginning on or after January 1, 2013. PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

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.

Financial Instruments

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of an instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

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

Initial Recognition. 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 fair value through profit or loss (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.

Determination of Fair Value. The fair value of financial instruments traded in active markets at reporting 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 traded in an active market, the fair value is determined using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option 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 integral part of the effective interest.

Day 1 Difference. Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a Day 1 difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is recognized in profit or loss 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 difference 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. Gains or losses on investments held for trading are recognized in profit or loss.

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 assets contain 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 Company has no financial assets at FVPL as of December 31, 2010 and 2009.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial asset or financial assets at FVPL. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are classified as current assets when the Company expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

The Company's cash and cash equivalents, receivables, receivables from suppliers and others, refundable deposits and employee car plan receivables are classified under this category (see Note 30).

HTM Investments. HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which the Company's management has the positive intention and ability to hold to maturity. Where the Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest method. Gains and losses are recognized in the profit or loss when the HTM investments are derecognized or impaired, as well as through the amortization process. Assets under this category are classified as current assets if maturity date is within 12 months from reporting date and as noncurrent assets if maturity date is more than a year from the reporting date.

The Company has no HTM investments as of December 31, 2010 and 2009.

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. AFS financial assets include equity and debt securities. Equity investments classified as AFS are those which are intended to be held for an indefinite period of time and are neither classified as held-for-trading nor designated as at FVPL. Debt securities are those which are intended to be held for an indefinite period of time and which may be sold in response to needs of liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as "Unrealized gain (loss) on available-for-sale financial assets" account in other comprehensive income until the financial asset is derecognized. If the fair value cannot be measured reliably, AFS financial assets are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of investment.

On derecognition or impairment, the cumulative gain or loss previously recognized as other comprehensive income is reclassified to either income or other expense in the parent company statements of comprehensive income as a reclassification adjustment. Interest earned on holding AFS financial assets is recognized in profit or loss using the effective interest method.

Assets under this category are classified as current assets if expected to be realized within 12 months from reporting date and as noncurrent assets if maturity date is more than a year from reporting date.

The Company's investments in shares of stocks and club shares are classified under this category as of December 31, 2010 and 2009 (see Note 30).

Financial Liabilities

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

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

The Company has no financial liability classified under this category as of December 31, 2010 and 2009.

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

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

This category includes trade payables and other current liabilities (excluding local and other taxes and other liabilities to government agencies), due to related parties and short-term and long-term debts (see Note 30).

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

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

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

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the parent company statements of comprehensive income under "Expenses" account. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. The Company also considers the financial condition or near term prospect of the related creditor, and its intent and ability to hold on the asset long enough to allow any anticipated recovery.

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

AFS Financial Assets. The Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS financial assets, an objective evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the parent company statements of comprehensive income, is removed from other comprehensive income and recognized in the parent company statements of comprehensive income. Impairment losses on equity investments are not reversed through parent company statements of comprehensive income; increases in fair value after impairment are recognized directly as other comprehensive income.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right 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.

When the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred the control of asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

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

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

Offsetting Financial Instruments

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

Inventories

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

Processed inventories	-	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, packaging, store and other supplies, and novelty items	-	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, packaging, store and other supplies and novelty items is the current replacement cost.

Investments in Subsidiaries and Interest in Joint Venture

The Company's investments in subsidiaries and interest in joint venture, classified as jointly controlled entity, are accounted for under the cost method. Distributions from retained earnings of the subsidiaries and joint venture arising after the date of acquisition and date of formation are recognized as income from the investments and interest. Any distributions in excess of the subsidiaries' and joint venture's retained earnings are regarded as a recovery of investments and interest and recognized as a reduction from the costs of the investments and interest.

Property, Plant and Equipment

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

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

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

Land improvements	5 years
Plant 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

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

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

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

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

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

Investment Properties
Investment properties consist of land and land improvements and buildings and building improvements held by the Company for capital appreciation and rental purposes. Investment properties, except land, are carried at cost, including directly attributable 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.

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

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

Transfers are made to investment property when, and only when, there is a change in use or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the Company's occupation or commencement of development with a view to sale.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that investment in subsidiaries, interest in joint venture, property, plant and equipment and investment properties may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is also 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 Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

Cost of Common Stock Held in Treasury
Acquisitions of treasury shares are recorded at cost. The total cost of treasury shares is shown in the parent company statements of financial position as a deduction from the total equity. Upon re-issuance or resale of the treasury shares, "Cost of common stock held in treasury" account is credited for the cost of the treasury shares determined using the simple average method. Gain on sale 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.

Dividend on Common Stock of the Company
Dividends on common stock are recognized as a liability and deducted from equity when they are approved by the shareholders of the Company. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the reporting period.

Revenue
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, sales taxes and duties. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in majority of its revenue arrangements.

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

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

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

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

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

Dividend Income. Dividend income is recognized when the Company's right as a shareholder to receive the payment is established.

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

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

Cost and Expenses
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses included under "Cost of Sales", "General and Administrative Expenses" and "Advertising and Promotions" are recognized as incurred.

Pension 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 in profit or loss when the net cumulative unrecognized actuarial gains and losses for the plans at the end of the previous reporting year exceeds 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 pension 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 loss of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gain 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 gain 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 the management and its 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 profit or loss 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 subsidiaries that became vested are recognized as additional investments over the vesting period with a corresponding credit to additional paid-in capital in the equity section of the parent company statements of financial position.

The fair value is determined using the Black-Scholes Option Pricing Model. The cumulative expense recognized for the share-based transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The amount recognized in profit or loss or the "Investment in subsidiaries" 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.

Leases

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

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

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 Denominated Transactions

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 the reporting date. All differences are taken in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. For income tax purposes, foreign exchange gains and losses are treated as taxable income or deductible expenses when realized.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at reporting date.

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interest in a joint venture, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transactions, affects neither the accounting profit nor taxable profit; and

- in respect of taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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 benefit is probable.

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

Events after Reporting Period
Post year-end events that provide additional information about the Company's financial position at reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material (see Note 31).

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 amounts reported in the parent company financial statements.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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. The Company has determined that its functional currency is the Philippine peso. It is the currency of the primary economic environment in which the Company operates.

Operating Lease Commitments - Company as Lessor. The Company has entered into commercial property leases on its investment property portfolio and subleased properties. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all significant risks and benefits of the owned properties which are being leased out. Accordingly, the leases are accounted for as operating leases.

Rent income amounted to ₱114.5 million and ₱111.5 million in 2010 and 2009, respectively (see Notes 19 and 28).

Operating Lease Commitments - Company as Lessee. The Company has entered into commercial property leases for its QSR and offices as the lessee. The Company has determined that all significant risks and benefits of ownership of these properties remain with the lessors. Accordingly, the leases are accounted for as operating leases.

Rent expense amounted to ₱1,038.7 million and ₱896.1 million in 2010 and 2009, respectively (see Note 28).

Impairment of AFS Financial Assets - Significant or Prolonged Decline in Fair Value and Calculation of Impairment Losses. 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 12 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.

In the computation of impairment for 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 2010 and 2009. The carrying values of AFS financial assets amounted to ₱79.5 million and ₱65.5 million as of December 31, 2010 and 2009, respectively (see Note 9).

<u>Estimates and Assumptions</u>

The key estimates and assumptions are based on management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Actual results could differ from such estimates. The key estimates and assumptions that may have significant risks of causing material adjustments 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, collection experience and average actual write-off. 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 done quarterly and annually using specific and collective assessments, respectively. 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 provision for impairment loss on receivables in 2010 and 2009 amounted to ₱17.6 million and ₱22.0 million, respectively. The carrying value of receivables amounted to ₱1,565.4 million and ₱1,778.3 million as of December 31, 2010 and 2009, 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 reporting date to the extent that such events confirm conditions existing at reporting date. The allowance account is reviewed on a regular basis to reflect the accurate valuation in the financial records.

The Company assessed that the net realizable value for some inventories is lower than cost. There was no provision for allowance on inventory in 2010 while provision for allowance on inventory in 2009 amounted to ₱180.8 million. The carrying value of inventories amounted to ₱674.7 million and ₱578.7 million as of December 31, 2010 and 2009, respectively (see Note 7).

Estimation of 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 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 were no changes in the estimated useful lives of property, plant and equipment and investment properties in 2010 and 2009.

Impairment of Property, Plant and Equipment and Investment Properties. The Company performs annual impairment review of property, plant and equipment and investment properties when certain impairment indicators are present. Determining the fair value of assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the 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.

There was no provision for impairment loss on property, plant and equipment in 2010 while provision for impairment loss amounted to ₱7.0 million in 2009. There was no provision for impairment loss on investment properties in 2010 and 2009. The aggregate carrying amounts of property, plant and equipment and investment properties amounted to ₱2,792.3 million and ₱2,477.2 million as of December 31, 2010 and 2009, respectively (see Notes 11 and 12).

Impairment of Investments in Subsidiaries and Interest in Joint Venture. Impairment review of investments in subsidiaries and interest in joint venture 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 investments in subsidiaries and interest in joint venture and to choose a suitable discount rate in order to calculate the present value of those cash flows.

There was no provision for impairment loss on investments in subsidiaries in 2010 and 2009. The carrying values of investments in subsidiaries amounted to ₱15,408.1 million and ₱7,213.4 million as of December 31, 2010 and 2009, respectively, while carrying value of interest in joint venture amounted to ₱5.0 million as of December 31, 2010 (see Note 10).

Realizability of Deferred Tax Assets. The carrying amounts of deferred tax assets at each reporting date is reviewed and reduced to the extent that sufficient taxable profits will be 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 is based on 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 ₱368.4 million and ₱396.1 million as of December 31, 2010 and 2009, respectively (see Note 24). There were no unrecognized deferred tax assets as of December 31, 2010 and 2009.

Present Value of Defined Benefit Obligation. The present value of the defined benefit obligation 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 on 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 pension liability. 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 liability 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 net pension expense and pension liability.

The Company has a net cumulative unrecognized actuarial gain of ₱16.3 million and unrealized actuarial loss of ₱74.1 million as of December 31, 2010 and 2009, respectively. Pension liability amounted to ₱117.2 million and ₱90.5 million as of December 31, 2010 and 2009, respectively (see Note 25).

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

Total expense arising from share-based payments recognized by the Company amounted to ₱60.3 million and ₱144.7 million in 2010 and 2009, respectively (see Note 26).

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 the parent company statements of comprehensive income.

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 for legal claims and restructuring costs amounted to ₱30.5 million as of December 31, 2010 and 2009 (see Note 15).

Contingencies. The Company is currently involved in litigations, claims and disputes which are normal to its business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with the Company's legal counsels and based upon an analysis of potential results. Except for those legal claims provided under Note 15, management believes that the ultimate liability, if any, with respect to the other litigations, claims and disputes will not materially affect the financial position and performance of the Company.

5. Cash and Cash Equivalents

This account consists of:

	2010	2009
Cash on hand	**₱62,307,516**	₱58,837,262
Cash in banks	**766,105,245**	791,652,506
Short-term deposits	**2,436,169,772**	2,324,996,452
	₱3,264,582,533	₱3,175,486,220

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 interest at the respective short-term deposit rates.

Interest income earned from cash in banks amounted to ₱14.0 million and ₱3.7 million in 2010 and 2009, respectively, and interest earned from short-term deposits amounted to ₱17.2 million and ₱32.7 million in 2010 and 2009, respectively (see Note 22).

6. Receivables

This account consists of:

	2010	2009
Trade:		
Franchisees and others	**₱965,989,789**	₱1,093,205,446
Subsidiaries (Note 27)	**506,957,916**	551,481,707
	1,472,947,705	1,644,687,153
Less allowance for impairment loss	**49,944,384**	38,422,450
	1,423,003,321	1,606,264,703
Receivable from retirement fund	**65,261,845**	94,691,279
Current portion of:		
Loans and advances to employees	**43,586,782**	35,955,955
Employee car plan receivables (Note 13)	**27,176,260**	22,859,385
Receivable from Meralco	**1,420,169**	7,100,842
Interest receivable	**610,229**	1,688,763
Others	**4,375,167**	9,713,208
	₱1,565,433,773	₱1,778,274,135

Trade receivables are generally on a 7-14 days term.

Receivable from retirement fund, current portion of loans and advances to employees, employee car plan receivables, receivable from Meralco, interest receivable and others are expected to be collected within the next financial year.

The movements in the allowance for impairment loss on trade receivables as of December 31 follow:

	2010	2009
Balance at beginning of year	**₱38,422,450**	₱21,268,090
Provisions (Note 21)	**17,588,816**	22,021,507
Write-off	**(6,066,882)**	(4,867,147)
Balance at end of year	**₱49,944,384**	₱38,422,450

The provisions in 2010 and 2009 resulted from specific and collective impairment assessments performed by the Company.

7. Inventories

This account consists of:

	2010	2009
At cost:		
Food supplies and processed inventories	**₱643,797,175**	₱496,571,070
Packaging, store and other supplies	**28,291,732**	31,267,637
	672,088,907	527,838,707
At net realizable value -		
Novelty items	**2,592,514**	50,908,664
Total inventories at lower of cost and net realizable value	**₱674,681,421**	₱578,747,371

The cost of novelty items carried at net realizable value amounted to ₱79.9 million and ₱235.2 million as of December 31, 2010 and 2009, respectively.

The allowance for inventory obsolescence amounted to ₱77.3 million and ₱184.3 million as of December 31, 2010 and 2009, respectively. In 2010, the Company entered to an agreement with a third party to dispose and sell its old novelty items. This resulted to the reversal of allowance for inventory obsolescence amounting to ₱106.9 million included under "General and administrative expenses" and recognition of the same amount in cost of inventories under "Cost of sales" (see Notes 20 and 21).

8. Other Current Assets

This account consists of:

	2010	2009
Prepaid expenses	**₱21,929,594**	₱26,684,568
Current portion of prepaid car plan (Note 13)	**25,036,205**	25,271,626
Receivables from suppliers and others	**248,470,345**	310,488,627
	₱295,436,144	₱362,444,821

Prepaid expenses consist of insurance, office and operating supplies, rent, advertising and others.

Receivables from suppliers and others are non-interest bearing and are expected to be collected within the next financial year.

9. Available-for-sale Financial Assets

AFS financial assets consist of quoted investments in shares of stock amounting to ₱73.8 million and ₱59.8 million in 2010 and 2009 and club shares amounting to ₱5.6 million in 2010 and 2009, respectively.

The movements in the carrying values of this account have been determined as follows:

	2010	2009
Balance at beginning of year	₱65,521,009	₱26,497,022
Additions	940,000	293,613
Disposals	–	(17,797)
Net unrealized gain on changes in fair value	13,008,733	38,748,171
Balance at end of year	₱79,469,742	₱65,521,009

The unrealized gain on AFS financial assets presented in the parent company statements of financial position amounted to ₱66.1 million and ₱53.0 million as of December 31, 2010 and 2009, respectively.

10. Investments in Subsidiaries and Interest in Joint Venture

The details of investment in subsidiaries and interest in joint venture are as follows:

	2010	2009
Acquisition costs:		
Balance at beginning of year	₱7,226,468,222	₱7,223,635,707
Additional investments	8,189,337,823	–
Share-based payments (Note 26)	5,406,897	2,832,515
Balance at end of year	15,421,212,942	7,226,468,222
Less allowance for impairment loss	13,115,000	13,115,000
Investment in subsidiaries	15,408,097,942	7,213,353,222
Interest in joint venture	5,000,000	–
	₱15,413,097,942	₱7,213,353,222

The individual balances of investments follow:

	2010	2009
Subsidiaries:		
Jollibee Worldwide Pte. Ltd. (JWPL)	₱6,022,534,098	₱1,564,348,251
Mang Inasal Philippines Inc. (Mang Inasal)	2,979,783,543	–
Fresh N' Famous Foods, Inc. (Fresh N' Famous)	2,295,660,330	2,291,994,202
Red Ribbon Holdings, Inc. (Red Ribbon)	1,997,153,258	1,795,774,927
Honeybee Foods Corporation (Honeybee)	925,979,051	374,248,180
Zenith Foods Corporation (Zenith)	857,057,104	857,057,104
Grandworth Resources Corporation (Grandworth)	270,000,000	270,000,000
Freemont Foods Corporation (Freemont)	59,930,558	59,930,558
	15,408,097,942	7,213,353,222
Joint venture -		
Coffeetap Corporation (Coffeetap)	5,000,000	–
	₱15,413,097,942	₱7,213,353,222

Additional Investments in Subsidiaries and Interest in Joint Venture through Parent Company

Capital Infusions
The BOD approved an additional capital infusion in Honeybee by converting its outstanding receivables amounting to ₱551.7 million to additional investment at December 31, 2010.

On June 25, 2010, the BOD of the Company approved an additional capital infusion amounting to ₱200.0 million to Red Ribbon. Such assignment formed part of the latter's additional paid-in capital and no additional shares were issued.

On March 9, 2010, the Company made an additional capital infusion in JWPL, by converting its outstanding receivables amounting to ₱4,457.8 million to additional investment as approved by the BOD.

Acquisition of Mang Inasal
On November 22, 2010, the Company acquired 70% of the issued and outstanding shares of Mang Inasal, owner and operator of Mang Inasal business in the Philippines, for a total acquisition cost of ₱2,979.8 million. The Company has already paid ₱2,700.0 million as of December 31, 2010. The remaining 10% of the purchase price will be payable annually for the next 3 years, with present value of ₱279.8 million, was withheld as assurance for indemnification against the seller's representations and warranties and will be settled as follows:

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

The balance of liability for acquisition of a business as of December 31, 2010 is as follows:

Principal	₱300,000,000
Less unamortized discount	20,216,457
	279,783,543
Less current portion of liability for acquisition of a business	138,528,874
Noncurrent portion of liability for acquisition of a business	₱141,254,669

As a result of the acquisition, Mang Inasal became a partially owned local subsidiary of the Company.

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

Coffeetap
On May 4, 2010, the Company, entered into a joint venture agreement with Caffe Ti-Amo Korea Co., Ltd. to become the master franchisee in the Philippines of "Caffe Ti-Amo", a Korean restaurant brand offering coffee and gelato (Italian ice cream) in casual dining format, in the Philippines. The joint venture entity, incorporated as Coffeetap Corporation, is 50% owned by the Company and 50% owned by its partners, with an initial capitalization of ₱10.0 million.

Additional Investments in Subsidiaries through JWPL

Acquisition of Majority Stake in San Pin Wang
On April 30, 2010, JWPL entered into an agreement with Guangxi Zong Kai Food Beverage Investment Company Limited (GZK) for the eventual majority ownership of San Pin Wang, a company with a chain of restaurants in Nanning and Liuzhou Guang Xi Zhuang Minority Autonomous Region in PRC. The Company owns 55% interest in the business for RMB30.0 million. Both the Company and GZK will also place additional investments totaling to RMB20.0 million in anticipation of San Pin Wang's expansion. The agreement will be finalized in 2011 pending approval from PRC government.

Jollibee Foods Processing Pte. Ltd. (JFPPL)
On July 27, 2010, JWPL signed an agreement with Hua Xia Harvest Holdings Pte. Ltd. (Hua Xia Harvest), a Singapore-based company, to undertake food manufacturing operations to supply products to food service businesses primarily to entities within the Jollibee Group. Under the terms of the agreement, the Company and Hua Xia Harvest formed JFPPL in Singapore which is 70% owned by the Company and 30% owned by Hua Xia Harvest. JFPPL is estimated to be operational in July 2011.

Incorporation of Golden Plate Pte. Ltd.
On January 1, 2009, JWPL incorporated Golden Plate Pte. Ltd., a Singapore-based holding company, with initial capital of USD0.8 million or ₱41.3 million, owning 100% of its issued and outstanding shares.

Acquisition of Beijing New Hongzhuangyuan Food & Beverage Management
Co., Ltd. (Hong Zhuang Yuan) and Southsea Binaries Ltd. (Southsea)
On August 23, 2008, JWPL acquired 100% interest in Hong Zhuang Yuan and Southsea. In 2008, total consideration paid amounted to ₱1,706.1 million, provisionally allocated to the identifiable assets and liabilities of Hong Zhuang Yuan and Southsea.

In 2009, upon determination of final consideration of ₱2,648.1 million, JWPL paid an additional consideration of ₱795.0 million and recognized a liability to Hong Zhuang Yuan and Southsea's original shareholders amounting to ₱147.0 million. Such consideration paid included other direct costs amounting to ₱10.0 million.

Additional Investments in Subsidiaries through Grandworth

Acquisition of 40% Minority Interest of Adgraphix, Inc. (Adgraphix)
In 2010, Grandworth acquired the remaining 40% share in Adgraphix, Inc. (Adgraphix) for a total consideration of ₱4.40 million which is equivalent to the fair value of the additional 40% equity in the net assets of Adgraphix. As a result of the additional investment, Adgraphix became a wholly owned subsidiary of Grandworth in 2010.

Retention of 60% Ownership in IConnect Multimedia Network, Inc. (IConnect)
On December 23, 2010, Grandworth subscribed to additional shares amounting to ₱3.0 million in IConnect, a multimedia advertising company, to retain 60% ownership of its issued and outstanding shares. The investment was initially established on August 26, 2009 with a capital of ₱6.0 million.

Sale of Delifrance Business Unit's Assets through Fresh N' Famous

Fresh N' Famous sold the Delifrance Business Unit's assets to Café France Corp. on December 31, 2010 with cash proceeds of ₱110.3 million. Fresh N' Famous terminated its franchise agreement with Delifrance Asia Limited effective December 31, 2010. This is part of the management's intention to concentrate its resources in building larger quick-service restaurants.

The Company's subsidiaries include the following:

	Country of Incorporation	Principal Activities	Percentage of Ownership 2010	2009
Fresh N' Famous Foods, Inc.	Philippines	Food service	**100**	100
▪ Chowking Food Corporation USA[a]	United States of America (USA)	Holding company	**100**	100
▪ Chowking Food Corporation (Thailand) Co. Ltd.[a]	Thailand	Dormant	**100**	100
Freemont Foods Corporation	Philippines	Food service	**100**	100
Mang Inasal Philippines Inc.	Philippines	Food service	**70**	–
RRB Holdings, Inc.	Philippines	Holding company	**100**	100
▪ Red Ribbon Bakeshop, Inc. (RRBI)[b]	Philippines	Food service	**100**	100
▪ Red Ribbon Bakeshop, Inc. (RRBI USA)[b]	USA	Food service	**100**	100
Zenith Foods Corporation	Philippines	Food service	**100**	100
Grandworth Resources Corporation	Philippines	Leasing	**100**	100
▪ Adgraphix, Inc.[c]	Philippines	Digital printing	**100**	60
▪ IConnect Multimedia Network, Inc.[c]	Philippines	Advertising	**60**	60
Donut Magic Phils., Inc. (Donut Magic)[d]	Philippines	Dormant	**100**	100
Ice Cream Copenhagen Phils., Inc. (ICCP)[d]	Philippines	Dormant	**100**	100
Mary's Foods Corporation (Mary's)[d]	Philippines	Dormant	**100**	100
QSR Builders, Inc.	Philippines	Inactive	**100**	100
Jollibee USA	USA	Dormant	**100**	100
Honeybee Foods Corporation	USA	Food service	**100**	100
▪ Tokyo Teriyaki Corporation[e]	USA	Food service	**100**	100
Jollibee Worldwide Pte. Ltd.	Singapore	Holding company	**100**	100
▪ Jollibee Worldwide Services - Regional Headquarters of JWPL (Jollibee Worldwide Services)[f]	Philippines	Accounting service	**100**	100
▪ Golden Plate Pte. Ltd. (formerly Lao Dong Pte. Ltd.)[f]	Singapore	Holding company	**100**	100
▪ Beijing New Hongzhuangyuan Food & Beverage Management Co., Ltd.[f]	Peoples' Republic of China (PRC)	Food service	**100**	100
▪ Southsea Binaries Ltd.[f]	British Virgin Island (BVI)	Holding company	**100**	100
▪ Jollibee Foods Processing Pte. Ltd.[f]	PRC	Food service	**70**	–
▪ Tianjin Yong He King Food and Beverage Co., Ltd.[f]	PRC	Food service	**100**	100
▪ Kuai Le Feng Food & Beverage (Shenzhen) Co. Ltd.[f]	PRC	Food service	**100**	100
▪ Beijing Yong He King Food and Beverage Co., Ltd.[f]	PRC	Food service	**100**	100
▪ Shenzhen Yong He King Food and Beverage Co., Ltd.[f]	PRC	Food service	**100**	100
▪ Hangzhou Yongtong Food and Beverage Co., Ltd.[f]	PRC	Food service	**100**	100
▪ Hangzhou Yonghe Food & Beverage Co., Ltd.[f]	PRC	Food service	**100**	100
▪ Shanghai Yong He King Food & Beverage Co., Ltd.[f]	PRC	Food service	**100**	100
▪ Wuhan Yongchang Food and Beverage Co., Ltd.[f]	PRC	Food service	**100**	100
▪ Shanghai Chunlv Co. Ltd.[f]	PRC	Food service	**100**	100
▪ Jollibee International (BVI) Ltd. (JIBL)[f]	BVI	Holding company	**100**	100
◦ Jollibee Vietnam Corporation Ltd.[g]	Vietnam	Food service	**100**	100
◦ PT Jollibee Indonesia[g]	Indonesia	Food service	**100**	100
PT Chowking Indonesia[g]	Indonesia	Food service	**100**	100
◦ Jollibee Hong Kong Ltd.[g]	Hong Kong	Food service	**85**	85
• Hanover Holdings Limited (Hanover)[g]	Hong Kong	Food service	**100**	100
◦ Belmont Enterprises Ventures Ltd. (Belmont)[g]	BVI	Holding company	**100**	100

	Country of Incorporation	Principal Activities	Percentage of Ownership 2010	2009
• Shanghai Belmont Enterprises Management and Adviser Co., Ltd.[(g)]	PRC	Business management service	100	100
• Yong He Holdings Co., Ltd.[(g)]	BVI	Holding company	100	100
· Centenary Ventures Limited[(g)]	BVI	Holding company	100	100
· Colossus Global Limited[(g)]	BVI	Holding company	100	100
· Granite Management Limited[(g)]	BVI	Holding company	100	100
· Cosmic Resources Limited[(g)]	BVI	Holding company	100	100
• All Great Resources Limited[(g)]	BVI	Holding company	100	100
· Eastpower Resources Limited[(g)]	BVI	Holding company	100	100
• Shanghai Yongjue Foods & Beverage Co., Ltd[(g)]	PRC	Food service	100	100
· Eaglerock Development Limited[(g)]	BVI	Holding company	100	100

(a) Indirectly owned through Fresh N' Famous.
(b) Indirectly owned through RRB Holdings, Inc.
(c) Indirectly owned through Grandworth.
(d) On June 18, 2004, the stockholders of the Company approved the Plan of Merger of the three dormant companies, namely: Donut Magic, ICCP and Mary's with the Company. The application for merger is pending approval of the SEC as of December 31, 2010.
(e) Indirectly owned through Honeybee.
(f) Indirectly owned through Jollibee Worldwide.
(g) Indirectly owned through JIBL.

11. Property, Plant and Equipment

The rollforward analysis of this account follows:

2010

	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	Total
				(In Thousands)				
Cost:								
Balance at beginning of year	₱18,586	₱536,201	₱2,083,777	₱2,211,796	₱228,963	₱161,171	₱22,473	₱5,262,967
Additions	–	9,355	248,230	359,977	43,978	40,391	112,490	814,421
Retirements and disposals	–	–	(169,038)	(126,370)	(20,459)	(47,602)	–	(363,469)
Reclassifications to investment properties	–	(48,786)	93,819	(4,742)	3,800	–	(92,877)	(48,786)
Balance at end of year	18,586	496,770	2,256,788	2,440,661	256,282	153,960	42,086	5,665,133
Accumulated depreciation:								
Balance at beginning of year	–	369,214	1,319,666	1,577,629	170,781	121,281	–	3,558,571
Additions	–	20,622	173,410	272,926	36,637	19,499	–	523,094
Disposals/retirements	–	–	(173,800)	(117,723)	(20,051)	(43,293)	–	(354,867)
Reclassifications to investment properties	–	(1,290)	(156)	145	–	–	–	(1,301)
Balance at end of year	–	388,546	1,319,120	1,732,977	187,367	97,487	–	3,725,497
Accumulated impairment loss:								
Balance at beginning of year	–	–	–	7,000	–	–	–	7,000
Write-off	–	–	–	(7,000)	–	–	–	(7,000)
Balance at end of year	–	–	–	–	–	–	–	–
Net Book Value	₱18,586	₱108,224	₱937,668	₱707,684	₱68,915	₱56,473	₱42,086	₱1,939,636

2009

	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	Total
				(In Thousands)				
Cost:								
Balance at beginning of year	₱18,586	₱521,127	₱1,904,567	₱1,971,353	₱191,709	₱157,542	₱7,743	₱4,772,627
Additions	–	15,074	215,074	324,462	40,674	8,969	27,614	631,867
Retirements and disposals	–	–	(48,684)	(84,049)	(3,178)	(5,340)	(276)	(141,527)
Reclassifications	–	–	12,820	30	(242)	–	(12,608)	–
Balance at end of year	18,586	536,201	2,083,777	2,211,796	228,963	161,171	22,473	5,262,967
Accumulated depreciation:								
Balance at beginning of year	–	346,434	1,203,698	1,363,346	142,003	107,204	–	3,162,685
Additions	–	22,780	157,654	255,199	31,355	19,265	–	486,253
Disposals/retirements	–	–	(41,686)	(42,332)	(2,577)	(3,772)	–	(90,367)
Reclassifications	–	–	–	1,416	–	(1,416)	–	–
Balance at end of year	–	369,214	1,319,666	1,577,629	170,781	121,281	–	3,558,571
Impairment loss recognized in 2009	–	–	–	7,000	–	–	–	7,000
Net Book Value	₱18,586	₱166,987	₱764,111	₱627,167	₱58,182	₱39,890	₱22,473	₱1,697,396

The cost of fully depreciated assets still in use amounted to ₱2,268.7 million and ₱1,715.4 million as of December 31, 2010 and 2009, respectively.

The construction in progress account as of December 31, 2010 and 2009 mainly pertains to cost incurred for soon-to-open stores and ongoing construction of damaged properties due to typhoons that hit the Philippines in 2009.

The Company wrote off ₱7.0 million allowance for impairment loss upon verification during the actual count that related store equipments can no longer be used.

12. Investment Properties

The rollforward analysis of this account follows:

	2010		
	Land and Land Improvements	**Buildings and Building Improvements**	**Total**
Cost:			
Balance at beginning of year	**₱742,722,739**	**₱182,510,942**	**₱925,233,681**
Additions	**16,010,666**	**14,651,614**	**30,662,280**
Disposals	**(277,200)**	–	**(277,200)**
Reclassifications from property plant and equipment	–	**48,785,547**	**48,785,547**
Balance at end of year	**758,456,205**	**245,948,103**	**1,004,404,308**
Accumulated depreciation:			
Balance at beginning of year	–	**133,413,269**	**133,413,269**
Additions	–	**5,025,642**	**5,025,642**
Reclassifications from property plant and equipment	–	**1,300,666**	**1,300,666**
Balance at end of year	–	**139,739,577**	**139,739,577**
Accumulated impairment loss:			
Balance at beginning and end of year	**12,000,000**	–	**12,000,000**
	₱746,456,205	**₱106,208,526**	**₱852,664,731**

	2009		
	Land and Land Improvements	Buildings and Building Improvements	Total
Cost:			
Balance at beginning of year	₱365,833,470	₱182,510,942	₱548,344,412
Additions	1,639,269	–	1,639,269
Transfer (Note 32)	375,250,000	–	375,250,000
Balance at end of year	742,722,739	182,510,942	925,233,681
Accumulated depreciation:			
Balance at beginning of year	–	129,566,643	129,566,643
Additions	–	3,846,626	3,846,626
Balance at end of year	–	133,413,269	133,413,269
Accumulated impairment loss:			
Balance at beginning and end of year	12,000,000	–	12,000,000
	₱730,722,739	₱49,097,673	₱779,820,412

The accumulated for impairment loss in the value of land amounting to ₱12.0 million as of December 31, 2010 represents the excess of the carrying value over the estimated recoverable amount.

The cost of fully depreciated buildings still being leased out by the Company amounted to ₱112.4 million and ₱103.5 million as of December 31, 2010 and 2009, respectively.

The fair values of investment properties were determined by independent appraisers based on appraisal reports made in 2008, which amounted to ₱805.3 million as at December 31, 2008. 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.

While fair values of the investment properties were not determined as of December 31, 2010 and 2009, the Company's management believes that there were no conditions present in 2010 and 2009 that would significantly reduce the fair value of the investment properties from that determined in 2008.

Rent income derived from income-generating properties on the straight-line basis totaled ₱11.0 million and ₱10.9 million in 2010 and 2009, respectively.

Direct operating costs relating to the investment properties recognized under "Cost of sales" and "General and administrative expenses" account amounted to ₱6.5 million and ₱8.9 million in 2010 and 2009, respectively.

13. Other Noncurrent Assets

This account consists of:

	2010	2009
Refundable deposits	**₱257,974,115**	₱241,808,011
Prepaid rent	**69,062,687**	71,280,440
Noncurrent portion of:		
Prepaid car plan (Note 8)	**67,606,145**	51,680,810
Employee car plan receivables (Note 6)	**63,802,349**	51,076,552
Deferred rent expense	**34,054,361**	31,642,193
Refundable containers	**18,057,900**	3,171,101
Others	**22,511,835**	20,716,319
	₱533,069,392	₱471,375,426

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 related lease terms. The refundable deposits are presented at amortized cost. The discount rates used range from 5% to 22% in 2010 and 6% to 22% in 2009. The difference between the fair value at initial recognition and the notional amount of the refundable deposits is recognized as deferred rent expense and amortized on straight-line basis over the lease terms.

The movements in the unaccreted discount on long-term assets consist of:

	2010			
	Refundable Deposits	**Employee Car Plan Receivables**	**Receivable from Meralco**	**Total**
Balance at beginning of year	**₱43,166,652**	**₱10,053,230**	**₱413,475**	**₱53,633,357**
Additions	**8,860,555**	**9,542,396**	**–**	**18,402,951**
Accretion (Note 22)	**(6,178,443)**	**(7,189,381)**	**(413,475)**	**(13,781,299)**
Pre-termination	**(549,504)**	**(253,281)**	**–**	**(802,785)**
Balance at end of year	**₱45,299,260**	**₱12,152,964**	**₱–**	**₱57,452,224**

	2009			
	Refundable Deposits	Employee Car Plan Receivables	Receivable from Meralco	Total
Balance at beginning of year	₱51,927,353	₱11,480,290	₱2,029,858	₱65,437,501
Additions	3,257,042	5,237,159	–	8,494,201
Accretion (Note 22)	(11,261,572)	(6,352,779)	(1,616,383)	(19,230,734)
Pre-termination	(756,171)	(311,440)	–	(1,067,611)
Balance at end of year	₱43,166,652	₱10,053,230	₱413,475	₱53,633,357

14. Trade Payables and Other Current Liabilities

This account consists of:

	2010	2009
Trade payables:		
Suppliers	**₱1,734,012,706**	₱1,736,482,946
Subsidiaries (Note 27)	**386,049,553**	316,823,230
Accruals for:		
Salaries, wages and employee benefits	**730,867,159**	710,398,069
Advertising and promotions	**609,066,819**	403,475,864
Rent	**132,127,763**	187,266,023
Professional fees	**94,260,612**	56,270,934
Electricity, other utilities and communications	**83,287,951**	83,099,498
Gift certificates	**51,305,607**	51,617,931
Interest (Note 16)	**47,068,419**	47,270,878
Repairs, maintenance and security	**35,830,894**	59,519,946
Supplies	**35,695,643**	35,271,730
Insurance	**3,553,573**	1,668,214
Others	**274,506,456**	265,016,806
Local and other taxes payable	**654,422,272**	550,793,879
Dividends payable	**103,167,855**	356,858,525
Customers' deposits	**103,086,012**	89,343,051
	₱5,078,309,294	₱4,951,177,524

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

The terms and conditions of payables to related parties are discussed in Note 27.

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

Others consist mainly of accruals for transportation and travel, freight, trainings and seminar expenses.

15. Provisions

As of December 31, 2010 and 2009, this account consists of:

	Legal Claims	Restructuring Costs	Total
Balance at beginning and end of year	₱29,269,304	₱1,231,335	₱30,500,639

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

16. Short-term and Long-term Debts

Short-term Debt

On December 21, 2010 and November 22, 2010, the Company availed loans amounting to ₱800.0 million and ₱1,000.0 million from a local bank with an interest rate of 3.85% and 2.49% payable on a quarterly basis. The proceeds of the loans were used by the Company to finance its acquisition of Mang Inasal. The loans are payable in full on December 16, 2011 and November 17, 2011.

Long-term Debt

On September 8, 2008, the Company entered into a Synthetic Credit Facility Agreement with several local financial institutions to finance its investments in the PRC. The agreement covers a three-year loan denominated in Renminbi (RMB) amounting to RMB700 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 International Swaps and Derivatives Association Master Agreement.

The loan consists of Tranches A and B amounting to RMB350 million each.
On September 26, 2008, the Company drew the full amount of Tranche A at 6.85% fixed interest rate using RMB6.82:USD1 as initial exchange rate. The Company did not avail of Tranche B.

The loan is payable in full in US dollar using the spot rate five business days before September 8, 2011. The balance of RMB loans payable as of December 31 is as follows:

	2010	2009
Principal	₱2,316,879,822	₱2,368,120,442
Less unamortized debt issue cost	7,085,161	16,160,610
	2,309,794,661	2,351,959,832
Less current portion of long-term debt	2,309,794,661	–
	₱–	₱2,351,959,832

The amortization of debt issue cost in 2010 and 2009 amounted to ₱9.1 million and ₱8.4 million, respectively, are included in "General and administrative expenses" account in the profit or loss (see Note 21).

Interest expense incurred related to short-term and long-term debts amounted to ₱174.0 million and ₱184.1 million in 2010 and 2009, respectively. Accrued interest expense included in "Trade payables and other current liabilities" account amounted to ₱47.1 million and ₱47.3 million as of December 31, 2010 and 2009, respectively (see Note 14).

17. Capital Stock

The movements in the number of shares are as follows:

	2010	2009
Authorized - ₱1 par value	1,450,000,000	1,450,000,000
Issued:		
Balance at beginning of year	1,049,448,859	1,037,996,191
Issuances	1,980,662	11,452,668
Balance at end of year	1,051,429,521	1,049,448,859
Subscribed:		
Balance at beginning of year	2,009,297	2,009,297
Subscriptions	1,980,662	11,452,668
Issuances	(1,980,662)	(11,452,668)
Balance at end of year	2,009,297	2,009,297
	1,053,438,818	1,051,458,156

The Company's common stock held in treasury amounted to ₱180.5 million which is equivalent to 16.4 million shares as of December 31, 2010 and 2009.

18. Retained Earnings

The Company has a Cash Dividend Policy of declaring one-third of its net income for the year as cash dividends. It uses best estimate of its net income as basis for declaring cash dividends. Actual cash dividends per share declared as a percent of the earnings per share are 72.2% and 32.6% in 2010 and 2009, respectively.

The unappropriated retained earnings is restricted for the payment of dividends to the extent of ₱1,380.5 million as of December 31, 2010 and 2009, representing appropriations for future expansion of ₱1,200.0 million and the cost of common stock held on treasury amounting to ₱180.5 million as of December 31, 2010 and 2009.

On November 10, 2010, the BOD approved the declaration of cash dividend of ₱0.82 a share in favor of the stockholders of record as of November 25, 2010. This was paid on December 21, 2010. The BOD also approved on April 12, 2010, the declaration of cash dividend of ₱1.43 per share in favor of stockholders of record as of May 7, 2010.

On November 5, 2009, the BOD approved the declaration of cash dividend of ₱0.48 a share in favor of the stockholders of record as of November 23, 2009. This was paid on December 15, 2009. The BOD also approved on April 28, 2009, the declaration of cash dividend of ₱0.37 per share in favor of stockholders of record as of May 14, 2009.

An important part of the Company's growth strategy is the acquisition of new businesses in the Philippines and abroad. Examples were acquisitions of 85% of Yonghe King in 2004 in PRC (₱1,200.0 million), 100% of Red Ribbon Bakeshop in 2005 (₱1,700.0 million), the remaining 20% minority share in Greenwich in 2007 (₱384.0 million), the remaining 15% share of Yonghe King in 2007 (₱413.7 million), 100% of Hong Zhuang Yuan restaurant chain in PRC in 2008 (₱2,600.0 million) and 70% of Mang Inasal in 2010 (₱2,979.8 million).

The Company plans to continue to make substantial acquisitions in 2011 and in the next few years. The Company uses its cash generated from operations to finance these acquisitions and capital expenditures. These limit the amount of cash dividends that it can declare and pay making the level of the Retained Earnings higher than the paid-in Capital Stock.

19. Royalty, Franchise Fees and Others

This account consists mainly of royalty, franchise fees, rent income and service revenues.

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 percentage of the franchisees' net sales.

The Company also charges the franchisees and subsidiaries a share in the network advertising and promotional activities based on a certain percentages of the latter's net sales.

20. Cost of Sales

This account consists of:

	2010	2009
Cost of inventories (Notes 7 and 27)	**₱15,545,700,889**	₱14,256,630,789
Personnel expenses:		
Salaries, wages and employee benefits	**1,739,267,265**	1,677,323,932
Net pension expense (Note 25)	**35,660,927**	27,614,447
Rent (Notes 27 and 28)	**924,717,998**	814,770,775
Electricity and other utilities	**832,389,117**	681,342,697
Freight	**465,509,083**	409,531,970
Depreciation and amortization (Notes 11 and 12)	**419,049,676**	380,959,217
Supplies	**357,972,668**	299,804,661
Repairs and maintenance	**164,695,418**	145,800,847
Professional fees	**141,912,365**	125,708,856
Security and janitorial	**92,269,775**	88,135,235
Taxes and licenses	**50,294,180**	44,688,722
Transportation and travel	**47,814,662**	43,967,479
Communication	**22,744,737**	28,390,613
Entertainment, amusement and recreation (EAR)	**10,595,097**	9,510,014
Training	**668,737**	926,147
Others	**500,530,558**	385,365,048
	₱21,351,793,152	₱19,420,471,449

Others consist mainly of delivery cost and share in common usage area.

21. General and Administrative Expenses

This account consists of:

	2010	2009
Personnel expenses:		
Salaries, wages and employee benefits	**₱1,302,200,800**	₱1,221,883,769
Stock options expense (Notes 26 and 27)	**60,250,965**	144,689,664
Net pension expense (Note 25)	**57,010,219**	42,487,497
Professional fees	**398,677,866**	277,594,200
Taxes and licenses	**261,092,919**	247,031,604
Corporate events	**163,425,209**	197,212,521
Transportation and travel	**124,736,253**	107,444,672
Rent (Notes 27 and 28)	**113,995,930**	81,279,308
Depreciation and amortization (Notes 11 and 12)	**109,069,975**	109,140,421
EAR	**46,633,048**	45,470,644
Training	**36,888,452**	21,124,903
Electricity and other utilities	**29,004,087**	24,872,654
Donations	**26,668,997**	46,373,823
Repairs and maintenance	**23,928,250**	28,184,704

(Forward)

	2010	2009
Communication	**₱22,720,859**	₱32,128,383
Provisions for (reversals of provisions for):		
Impairment loss on receivables (Note 6)	**17,588,816**	22,021,507
Inventory obsolescence (Note 7)	**(106,906,523)**	180,793,067
Impairment loss on property, plant and equipment (Note 11)	**-**	7,000,000
Supplies	**13,561,746**	16,540,053
Security and janitorial	**11,461,347**	12,349,616
Amortization of debt issue cost (Note 16)	**9,075,449**	8,449,818
Insurance	**3,054,372**	4,037,796
Others	**127,306,203**	117,342,064
	₱2,851,445,239	₱2,995,452,688

22. Interest Income

This account consists of interest earned from:

	2010	2009
Short-term deposits (Note 5)	**₱17,184,854**	₱32,651,501
Accretion of interest on financial assets (Note 13)	**13,781,299**	19,230,734
Advances to related parties (Note 27)	**7,386,044**	16,192,119
Cash in banks (Note 5)	**14,022,402**	3,651,879
Short-term investment	**-**	762,760
	₱52,374,599	₱72,488,993

23. Other Income

This account consists of:

	2010	2009
Dividend income (Note 27)	**₱1,332,877,158**	₱699,502,400
Management fees (Note 27)	**303,127,290**	284,237,789
Refund from suppliers and others	**166,802,995**	177,921,584
Foreign exchange gain	**9,364,842**	31,189,343
Pretermination of operating lease	**6,286,256**	8,788,490
	₱1,818,458,541	₱1,201,639,606

Others consist mainly of gain on sales of fixed assets and logistics service fees.

24. Income Taxes

The provision for current income tax consists of the following:

	2010	2009
Final taxes on:		
Royalty income	₱434,459,858	₱396,975,456
Interest income	5,384,558	5,947,797
RCIT	225,032,395	242,650,421
	₱664,876,811	₱645,573,674

The details of the Company's deferred tax assets and liabilities are as follows:

	2010	2009
Deferred tax assets:		
Operating lease payables	₱174,283,486	₱171,109,979
Accrued bonuses	42,000,000	42,000,000
Pension liability	35,159,672	27,137,107
Allowance for inventory obsolescence	23,205,058	55,277,015
Unamortized past service cost	22,317,131	25,106,773
Allowance for impairment losses on:		
Receivables	14,983,315	11,526,735
Prepaid leases	12,659,567	14,970,339
Investment properties	3,600,000	3,600,000
Property, plant and equipment	–	2,100,000
Unrealized foreign exchange loss	13,837,561	18,150,025
Unaccreted discount on:		
Refundable deposits	13,589,778	12,949,996
Employee car plan receivables	3,645,889	3,015,969
Provisions for legal claims and restructuring costs	9,150,192	9,150,192
	368,431,649	396,094,130
Deferred tax liabilities:		
Unrealized foreign exchange gain	33,779,229	18,132,166
Prepaid rent	21,063,776	22,127,835
Deferred rent expense	10,216,308	9,492,658
Unamortized discount on subscriptions payable	6,064,937	–
Operating lease receivables	2,611,734	2,696,882
Receivable from Meralco	426,051	2,130,253
Deferred interest income from Meralco receivables	–	124,042
Deferred compensation expense	3,645,889	3,015,969
	77,807,924	57,719,805
	₱290,623,725	₱338,374,325

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 comprehensive income are as follows:

	2010	2009
Provision for income tax at statutory income tax rate	₱1,304,977,606	₱958,993,703
Adjustments to provision for income tax for:		
Dividend income subjected to final tax	(399,863,147)	(209,850,720)
Effect of different tax rate for royalty and interest income	(221,207,547)	(203,659,774)
Nondeductible expenses	22,655,563	47,091,447
Unamortized discount on subscriptions payable	6,064,936	–
	₱712,627,411	₱592,574,656

Under Republic Act No. 9337, RCIT rate for domestic corporations, and resident and non-resident foreign corporations was reduced to 30% from 35% beginning January 1, 2009.

25. Pension Costs

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 pension expense recognized in profit or loss and the funded status and amounts recognized in the parent company statements of financial position for the plan.

Net Pension Expense

	2010	2009
Current service cost	₱55,424,332	₱49,846,508
Interest cost on benefit obligation	84,484,971	49,427,007
Expected return on plan assets	(47,238,157)	(28,895,176)
Net actuarial gain recognized during the year	–	(276,395)
	₱92,671,146	₱70,101,944

Pension Liability

	2010	2009
Present value of defined benefit obligation	₱844,048,159	₱755,004,212
Fair value of plan assets	(743,102,497)	(590,476,961)
Present value of underfunded obligation	100,945,662	164,527,251
Unrecognized net actuarial gain (loss)	16,253,243	(74,070,228)
	₱117,198,905	₱90,457,023

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

	2010	2009
Balance at beginning of year	**₱755,004,212**	₱486,965,586
Current service cost	**55,424,332**	49,846,508
Interest cost	**84,484,971**	49,427,007
Actual benefits paid from:		
Company's funds	**(2,661,964)**	(7,113,380)
Plan assets	**(48,203,392)**	–
Actuarial loss on benefit obligation:		
Due to experience adjustments	**–**	193,809,415
Due to change in assumptions	**–**	(17,930,924)
Balance at end of year	**₱844,048,159**	₱755,004,212

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

	2010	2009
Balance at beginning of year	**₱590,476,961**	₱359,953,803
Expected return on plan assets	**47,238,157**	28,895,176
Contributions	**63,267,300**	156,255,347
Benefits paid	**(48,203,392)**	–
Actuarial gain on plan assets	**90,323,471**	45,372,635
Balance at end of year	**₱743,102,497**	₱590,476,961
Actual return on plan assets	**₱137,561,628**	₱74,267,811

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

	2010	2009
Government and other securities	**56.88%**	40.07%
Special savings deposits	**32.28%**	30.04%
Shares of stock	**9.91%**	27.51%
Others	**0.93%**	2.38%
	100.00%	100.00%

The Company expects to contribute an amount equivalent to the underfunded defined benefit obligation based on 2011 actuarial valuation.

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, 2009.

The principal actuarial assumptions used to determine retirement benefit obligations as of December 31, 2010 and 2009 follow:

Discount rate	11.19%
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:

	2010	2009	2008	2007	2006
Defined benefit obligation	₱844,048,159	₱755,004,212	₱486,965,586	₱453,243,698	₱700,448,755
Plan assets	743,102,497	590,476,961	359,953,803	334,386,453	339,996,328
Deficit	₱100,945,662	₱164,527,251	₱127,011,783	₱118,857,245	₱360,452,427
Experience adjustments on:					
Plan obligation	₱–	₱193,809,415	₱–	₱143,277,767	₱26,542,200
Plan assets	90,323,471	45,372,635	(6,572,450)	3,691,658	96,655,200

26. Stock Option Plans

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.

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

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

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

The contractual term of each option is seven years. The Company does not pay cash as a form of settlement.

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 date which will start after a year from the MSOP grant date. One-third of the options granted, or 795,000 options, vested and may be exercised starting July 1, 2005 and will expire on June 30, 2012. On July 1, 2005 to 2010, the Compensation Committee granted series of MSOP grants under the 2nd to 7th MSOP cycle to eligible participants. The options vest similar to the 1st MSOP cycle.

The movements in the number of stock options outstanding for the 1st up to the 7th MSOP cycles and related weighted average exercise prices (WAEP) for the years ended December 31, 2010 and 2009 follow:

	1st MSOP Cycle (2004)	2nd MSOP Cycle (2005)	3rd MSOP Cycle (2006)	4th MSOP Cycle (2007)	5th MSOP Cycle (2008)	6th MSOP Cycle (2009)	7th MSOP Cycle (2010)	Total	WAEP
Total options granted as of 2010	2,385,000	2,577,000	3,231,500	3,014,700	4,202,450	4,690,300	3,172,744	23,273,694	₱40.39
Outstanding at December 31, 2008	1,644,864	1,802,397	2,689,937	3,014,700	4,202,450	-	-	13,354,348	36.69
Options granted during the year	-	-	-	-	-	4,690,300	-	4,690,300	45.45
Options forfeited during the year	(58,699)	(83,698)	(301,930)	(318,097)	(256,999)	(20,000)	-	(1,039,423)	39.00
Option exercised during the year	(193,665)	(154,467)	(452,958)	(68,325)	(224,528)	-	-	(1,093,943)	32.16
Outstanding at December 31, 2009	1,392,500	1,564,232	1,935,049	2,628,278	3,720,923	4,670,300	-	15,911,282	39.43
Options granted during the year	-	-	-	-	-	-	3,172,744	3,172,744	57.77
Options forfeited during the year	-	(66,667)	(16,667)	(86,999)	(143,165)	(104,514)	(30,033)	(448,045)	42.36
Option exercised during the year	(401,333)	(368,866)	(566,935)	(641,048)	(500,806)	(251,996)	-	(2,730,984)	36.78
Outstanding at December 31, 2010	991,167	1,128,699	1,351,447	1,900,231	3,076,952	4,313,790	3,142,711	15,904,997	43.46
Exercisable at December 31, 2009	1,392,500	1,564,232	1,935,049	1,623,378	919,290	-	-	7,434,449	33.96
Exercisable at December 31, 2010	991,167	1,128,699	1,351,447	1,900,231	1,676,135	1,186,923	-	8,234,602	37.86

The weighted average share price was ₱71.74 and ₱48.25 as of December 31, 2010 and 2009, respectively. The weighted average remaining contractual life for the stock options outstanding as of December 31, 2010 and 2009 is 5.31 years and 5.59 years, respectively.

The weighted average fair value of stock options granted in 2010 and 2009 is ₱22.77 and ₱13.11, respectively. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The inputs to the model used for the options granted on the dates of grant for each MSOP cycle are shown below:

	1st MSOP Cycle (2004)	2nd MSOP Cycle (2005)	3rd MSOP Cycle (2006)	4th MSOP Cycle (2007)	5th MSOP Cycle (2008)	6th MSOP Cycle (2009)	7th MSOP Cycle (2010)
Dividend yield	1.72%	1.72%	1.72%	1.70%	1.80%	2.00%	2.00%
Expected volatility	36.91%	36.91%	36.91%	28.06%	26.79%	30.37%	29.72%
Risk-free interest rate	6.20%	6.20%	6.20%	6.41%	8.38%	5.28%	5.25%
Expected life of the option	5-7 years	5-7 years	5-7 years	3-4 years	3-4 years	3-4 years	3-4 years
Stock price on grant date	₱24.00	₱29.00	₱35.00	₱52.50	₱34.00	₱48.00	₱70.00
Exercise price	₱20.00	₱27.50	₱32.32	₱50.77	₱39.85	₱45.45	₱57.77

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

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

Each ELTIP cycle refers to the period commencing on the ELTIP entitlement date and ending on the last day of the ELTIP exercise period. Vesting is conditional upon achievement of the Company's minimum medium to long-term goals and individual targets in a given period, and the employment of the employee-participants to the Company within the vesting period. If the goals are achieved, the options will start vesting at grant date at a rate of one-third every anniversary of the ELTIP grant date.

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

The contractual term of each option is five years. The Company does not pay cash as a form of settlement.

On July 1, 2004, the Compensation Committee gave an entitlement of 22,750,000 options under the 1st ELTIP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted from the start of the grant date and on each anniversary of the ELTIP grant date. One-third of the options granted, or 7,583,333 options, vested and may be exercised starting July 1, 2007 and will expire on June 30, 2012. On July 1, 2008 and 2010, total entitlement of 19,649,999 options under 2nd ELTIP cycle were given to eligible participants. The options vest similar to the 1st ELTIP cycle.

The movements in the number of stock options outstanding for the 1st and 2nd ELTIP cycles and related WAEP for the years ended December 31, 2010 and 2009 follow:

	1st ELTIP Cycle (2004)	2nd ELTIP Cycle (2008)	Total	WAEP
Total entitlement to options given as of 2010	22,750,000	19,649,999	42,399,999	₱29.20
Outstanding at December 31, 2008	17,770,831	19,399,999	37,170,830	30.36
Options forfeited during the year	(1,416,666)	–	(1,416,666)	20.00
Options exercised during the year	(2,366,666)	–	(2,366,666)	20.00
Outstanding at December 31, 2009	13,987,499	19,399,999	33,387,498	31.53
Entitlement to options given during the year	–	250,000	250,000	39.85
Options exercised during the year	(2,975,763)	–	(2,975,763)	20.00
Outstanding at December 31, 2010	11,011,736	19,649,999	30,661,735	32.72
Exercisable at December 31, 2009	13,987,499	–	13,987,499	20.00
Exercisable at December 31, 2010	11,011,736	–	11,011,736	20.00

The weighted average remaining contractual life for the stock options outstanding as of December 31, 2010 and 2009 is 3.74 years and 3.95 years, respectively.

The fair value of stock options granted in 2010 is ₱7.26. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The inputs to the model used for the options granted on the dates of grant for each ELTIP cycle are shown below:

	1st ELTIP Cycle (2004)	2nd ELTIP Cycle (2008)
Dividend yield	1.72%	1.80%
Expected volatility	36.91%	26.79%
Risk-free interest rate	6.20%	8.38%
Expected life of the option	5 years	3-4 years
Stock price on grant date	₱24.00	₱34.00
Exercise price	₱20.00	₱39.85

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

The cost of the stock options charged to operations under "General and administrative expenses" account amounted to ₱60.3 million and ₱144.7 million in 2010 and 2009, respectively (see Note 21). The cost of share options for employees of the subsidiaries amounted to ₱5.4 million and ₱2.8 million in 2010 and 2009, respectively, and was recognized as additional investments.

27. Related Party Transactions

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

In the normal course of business, the Company engages in transactions with its subsidiaries and other related parties. The summary of these transactions are as follows:

Related Party	Year	Net Sales	Service Revenues (Note 19)	Rent Income	Management Fee Revenue (Note 23)	Royalty Income (Note 19)	Advertising Income	Purchases	Rent Expense	Management Fee Expense	Advances to Related Parties	Due to Related Parties	Trade Receivables (Note 6)	Trade Payables (Note 14)	Dividends (Note 23)
								(In Thousands)							
Fresh N' Famous	2010	₱17,228	₱29,413	₱29,767	₱59,741	₱–	₱–	₱10,740	₱–	₱–	₱–	₱500,000	₱9,584	₱5,376	₱1,132,841
	2009	14,990	25,912	33,483	61,446	–	–	12,866	–	–	17,650	–	19,381	2,682	399,500
Zenith	2010	10,432	12,864	4,619	39,389	–	–	4,513,378	–	134,652	–	230,000	6,173	352,135	200,036
	2009	11,466	237	4,420	38,057	–	–	4,132,518	–	135,804	–	–	6,305	295,112	300,002
Red Ribbon	2010	1,736	12,462	14,642	38,322	–	–	70,380	–	–	206,370	–	22,833	12,615	–
	2009	1,887	6,295	10,456	37,428	–	–	–	–	–	327,640	9,565	20,726	6,032	–
Grandworth	2010	–	31	6	360	–	–	32,795	40,602	–	–	–	–	14,398	–
	2009	–	–	10	360	–	–	32,375	32,780	–	–	–	2	10,403	–
Freemont	2010	1,880,214	22,417	137	129,645	388,935	129,645	–	–	–	70,000	–	219,221	47	–
	2009	1,663,480	28,123	444	113,119	339,356	113,119	–	–	–	315,395	–	152,890	435	–
JIBL	2010	–	–	–	–	–	–	–	–	–	2,314,697	20,516	–	–	–
	2009	–	–	–	–	–	–	–	–	–	5,630,776	16,555	–	–	–
Honeybee	2010	26,510	1	55	–	–	–	–	–	–	–	–	13	–	–
	2009	11,732	440	64	–	–	–	–	–	–	268,847	–	184,375	–	–
Jollibee Shenzhen	2010	–	–	–	–	–	–	–	–	–	–	–	16,683	–	–
	2009	26	–	16	477	–	–	–	–	–	–	–	18,897	–	–
Jollibee Worldwide Services	2010	1	48	29,718	6,630	–	–	183,401	–	–	–	70,000	3,718	986	–
	2009	1	–	29,304	7,081	–	–	146,503	–	–	4,009	21	7,592	539	–
Jollibee Vietnam	2010	9,282	50	21	10,786	–	–	–	–	–	–	–	133,227	–	–
	2009	3,475	642	30	9,816	–	–	–	–	–	–	–	84,613	–	–
CK Indonesia	2010	–	–	229	13,811	–	–	–	–	–	–	–	42,629	–	–
	2009	–	–	48	11,552	–	–	–	–	–	–	–	27,345	–	–
Others	2010	1,156	44	102	4,443	–	–	–	–	–	215,831	–	52,777	493	–
	2009	40	–	152	4,902	–	–	–	–	–	247,141	–	29,156	1,620	–
	2010	₱1,946,559	₱77,350	₱79,296	₱303,127	₱388,935	₱129,645	₱4,810,702	₱40,602	₱134,652	₱2,806,898	₱820,516	₱506,958	₱386,050	₱1,332,877
	2009	1,707,097	61,649	78,427	284,238	339,356	113,119	4,324,262	32,780	135,804	6,811,458	26,141	551,482	316,823	699,502

Fresh N' Famous, Zenith, Red Ribbon, Grandworth, Freemont, Honeybee and JWPL are subsidiaries of the Company. JIBL, Jollibee Shenzhen and Jollibee Worldwide Services are subsidiaries of JWPL. Vietnam and CK Indonesia are subsidiaries of JIBL.

Zenith

Transactions with Zenith are as follows:

a) The Company purchases food supplies from Zenith. On the otherhand, Zenith sells processed inventories to the Company. These transactions are made at normal market prices.

b) The Company receives management and administrative fees from Zenith for services rendered by the Company's key personnel who manage Zenith under an existing Management Services Agreement.

c) The Company pays management fee to Zenith for the supply services and customer and order management, including warehousing and logistic services, to the Company under an existing Service Contract.

d) The Company (lessor) also leases to Zenith (lessee) the land where the lessee's manufacturing plant is situated. The lease is for a period of five (5) years with fixed annual rental rates commencing on January 1, 2004. On January 1, 2010, Zenith renewed the lease contract for another 5 years. 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.

e) On February 1, 2010, Zenith declared cash dividends amounting to ₱200.0 million or ₱46.5 per share in favor of stockholders of record as of December 31, 2009.

Freemont

Transactions with Freemont are as follows:

a) Freemont purchases food, packaging and other store supplies from the Company at normal market prices.

b) Freemont operates "Jollibee" stores in Visayas and Mindanao under a Franchise Agreement with the Company. Royalty and advertising fees due to the Company are based on a certain percentage of Freemont's net sales as provided in the Franchise Agreement.

c) The Company has a Management Contract with Freemont for the Company to provide managerial services on all aspects related to the operations of Freemont's stores and in the full utilization of Freemont's financial resources. Management fee due to the Company is based on a specified percentage of Freemont's net sales as provided in the Management Contract.

d) The Company grants interest-bearing cash advances to Freemont for use in operations.

Fresh N' Famous
Transactions with Fresh N' Famous are as follows:

a) Fresh N' Famous pays management fees to the Company for services rendered under an existing Management Services Agreement.

b) Fresh N' Famous purchases food items from the Company at normal market prices. Purchased items temporarily warehoused at the Company are charged for logistics and warehousing costs.

c) The Company also purchases food items from Fresh N' Famous at normal market prices.

d) Fresh N' Famous also leases its office space and some store locations 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.

e) The Company grants interest-bearing cash advances to Fresh N' Famous for use in operations.

f) On May 4, 2010, the BOD of Fresh N' Famous declared cash dividends amounting to ₱1,132.8 million or ₱3.9 dividends per share, to be taken out of the unrestricted retained earnings of Fresh N Famous as of December 31, 2009.

Grandworth
Transactions with Grandworth are as follows:

a) The Company is a lessee under various operating lease agreements with Grandworth. These lease agreements have terms ranging from five (5) to twenty (20) years, which mostly contain renewal options. The lease agreements include a clause which enables upward revision of the rental charge on an annual basis based on prevailing market conditions.

b) Grandworth pays management fees to the Company for services rendered under an existing Management Services Agreement.

c) Grandworth also provides construction services to the Company for the building and/or renovation of store spaces.

Red Ribbon
Transactions with Red Ribbon are as follows:

a) Red Ribbon purchases food items from the Company at normal market prices.

b) Red Ribbon pays management fees to the Company for the services rendered under an existing Management Services Agreement.

c) Red Ribbon leases its office space and warehouse from the Company for a period of one year, renewable annually.

d) The Company pays royalty and share in advertising expense to Red Ribbon based on the net sales of Red Ribbon booths located within JFC stores, at three percent (3%) and five percent (5%), respectively.

Jollibee Worldwide Services
Transactions with Jollibee Worldwide Services are as follows:

a) The Company avails the accounting and human resource services of Jollibee Worldwide Services.

b) Jollibee Worldwide Services pays management fees to the Company for services rendered under an existing Management Services Agreement.

c) The Company grants interest-bearing cash advances to Jollibee Worldwide Services for use in its operations

d) Jollibee Worldwide Services leases its office space from the Company for a period of one year, renewable annually.

Honeybee
Transactions with Honeybee are as follows:

a) Honeybee purchases food and packaging supplies from the Company at normal market prices.

b) Honeybee pays management fees to the Company for the salaries of seconded officers under an existing Management Services Agreement.

c) The advances made by the Company to Honeybee are intended for future capital subscription.

Shenzhen and Vietnam
Jollibee Shenzhen and Vietnam purchases food and packaging supplies from the Company at normal market prices.

JIBL
The advances made by the Company to JIBL are intended for future capital subscription.

Other Related Party Transactions
The Company, in the normal course of business, has transactions with other related parties, which consists mainly of advances, management fees and trade receivables.

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, 2010 and 2009 are as follows:

	2010	2009
Short-term employee benefits	**₱198,219,737**	₱196,338,592
Stock option expense (Note 21)	**60,250,965**	144,689,664
Employee car plan and other long term benefits	**10,649,662**	11,146,290
Pension costs	**10,154,456**	9,871,825
	₱279,274,820	₱362,046,371

28. Commitments and Contingencies

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 three (3) to twenty (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 a percentage of sales of the outlets. Rental payments in accordance with the terms of the lease agreements amounted to ₱1,015.6 million and ₱887.7 million in 2010 and 2009, respectively.

The future minimum rental payables for the noncancellable periods of the operating leases follow:

	2010	2009
Within one year	**₱377,422,031**	₱337,442,775
After one year but not more than five years	**1,726,724,616**	1,648,617,177
After more than five years	**1,199,230,240**	1,210,289,825
	₱3,303,376,887	₱3,196,349,777

The difference of rent expense recognized under the straight-line method and the rent amounts due in accordance with the terms of the lease agreements amounting to ₱580.9 million and ₱570.4 million in 2010 and 2009, respectively, are charged to "Operating lease payables" account. Rent expense recognized on a straight-line basis amounted to ₱1,038.7 million and ₱896.1 million in 2010 and 2009, respectively (see Notes 20 and 21).

Operating Lease Commitments - the Company as Lessor
The Company entered into commercial property leases for its investment property portfolio and subleased properties with third party and related party lessees. Noncancellable periods of the leases range from three (3) to twenty (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 received in accordance with the terms of the lease agreements amounted to ₱114.8 million and ₱113.0 million in 2010 and 2009, respectively.

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

	2010	2009
Within one year	**₱7,351,860**	₱6,683,509
After one year but not more than five years	**12,176,966**	19,528,826
	₱19,528,826	₱26,212,335

The difference of rent income recognized under the straight-line method and the rent amounts receivable in accordance with the terms of the lease agreements amounting to ₱8.7 million and ₱9.0 million in 2010 and 2009, respectively, are included under "Operating lease receivables" account. Rent income recognized on a straight-line basis amounted to ₱114.5 million and ₱111.5 million in 2010 and 2009, respectively.

Contingencies
The Company is involved in litigations, claims and disputes which are normal to its business. Except for those legal claims provided in Note 15, management believes that the ultimate liability, if any, with respect to these litigations, claims and disputes will not materially affect the financial position and performance of the Company. Accordingly, no additional provision for possible losses was recognized in the parent company financial statements in 2010 and 2009.

29. Financial Risk Management Objectives and Policies

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's principal financial instruments comprise of cash equivalents, trade payables and other current liabilities (excluding local and other taxes and other liabilities to government agencies) and short-term and long-term debts. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company has other financial assets such as receivables, receivables from suppliers and others, employee car plan receivables and AFS financial assets.

The Company does not actively engage in trading of financial assets for speculative purposes nor does it have options.

Foreign Currency Risk
The Company has transactional foreign currency exposures. Such exposure arises from cash in banks, short-term deposits, trade receivables, note receivables and loans payable denominated in foreign currencies.

The following table shows the Company's foreign currency-denominated monetary assets and liabilities and their peso equivalents as of December 31:

	2010			2009		
	US$	RMB	PhP	US$	RMB	PhP
Cash and cash equivalents	$954,384	RMB253,911,777	₱1,725,275,277	$11,560,272	RMB136,228,758	₱1,459,077,833
Trade receivables	3,415,576	7,269,611	197,936,373	6,157,309	4,642,931	315,993,160
Less loans payable	–	(350,000,000)	(2,320,500,000)	–	(350,000,000)	(2,376,500,000)
	$4,369,960	(RMB88,818,612)	(₱397,288,350)	$17,717,581	(RMB209,128,311)	(₱601,429,007)

The Company has recognized in profit or loss foreign exchange gain included under "Other income" account which amounted to ₱9.4 million and ₱31.2 million on its net foreign currency-denominated assets and liabilities for the years ended December 31, 2010 and 2009, respectively (see Note 23). This resulted from the movements of the Philippine peso against the US dollar and RMB as shown in the following table:

	Peso to	
	RMB	US Dollar
December 31, 2010	6.63	43.84
December 31, 2009	6.79	46.20

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, notes receivable and loans payable before income tax as of December 31, 2010 and 2009 (due to the changes in the fair value of monetary assets and liabilities).

	Increase (Decrease) of ₱	Effect in Income Before Tax	
		PhP to US$ Rate	PhP to RMB Rate
		(In millions)	
2010	**1.50**	**₱6.6**	**(₱133.2)**
	1.00	**4.3**	**(88.8)**
	(1.50)	**(6.6)**	**133.2**
	(1.00)	**(4.3)**	**88.8**
2009	1.50	26.6	(313.7)
	1.00	17.7	(209.1)
	(1.50)	(26.6)	313.7
	(1.00)	(17.7)	209.1

The increase in PhP to US$ and RMB rate means stronger foreign currency against the peso while a decrease in PhP to US$ and RMB rate means stronger peso against the foreign currency.

Credit Risk

Credit risk is the risk that a customer or a 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.

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 period, while deposits and advance payments are also required before rendering the service or delivering the goods, thus, mitigating the possibility of non-collection. In cases of non-collection, defaults of the debtors are not tolerated; the exposure is contained the moment a default occurs and transactions that will increase the exposure of the Company are not permitted. Significant credit transactions are only with related parties.

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 system-wide sales of the Company.

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

The aging analysis of financial assets as of December 31, 2010 and 2009 are as follows:

	2010						
		Neither Past Due nor	Past Due but not Impaired (Age in Days)				
	Total	Impaired	1-30	31-60	61-120	Over 120	Impaired
Loans and receivables:							
Cash and cash equivalents	₱3,264,582,533	₱3,264,582,533	₱–	₱–	₱–	₱–	₱–
Receivables:							
Trade	1,472,947,705	961,904,132	94,754,911	27,330,998	43,421,568	295,591,712	49,944,384
Receivable from retirement fund	65,261,845	65,261,845	–	–	–	–	–
Current portion of:							
Loans and advances to employees	43,586,782	43,586,782	–	–	–	–	–
Employee car plan receivables	27,176,260	27,176,260	–	–	–	–	–
Receivable from Meralco	1,420,169	1,420,169					
Interest receivable	610,229	610,229	–	–	–	–	–
Others	4,375,167	4,375,167	–	–	–	–	–
Other current assets -							
Receivable from suppliers and others	248,470,345	248,470,345	–	–	–	–	–
Other noncurrent assets:							
Refundable deposits	257,974,115	257,974,115	–	–	–	–	–
Noncurrent portion of employee car plan receivables	63,802,349	63,802,349	–	–	–	–	–
AFS Financial Assets	79,469,742	79,469,742					
Total	₱5,529,677,241	₱5,018,633,668	₱94,754,911	₱27,330,998	₱43,421,568	₱295,591,712	₱49,944,384

	2009						
		Neither Past Due nor	Past Due but not Impaired (Age in Days)				
	Total	Impaired	1-30	31-60	61-120	Over 120	Impaired
Loans and receivables							
Cash and cash equivalents	₱3,175,486,220	₱3,175,486,220	₱–	₱–	₱–	₱–	₱–
Receivables:							
Trade	1,644,687,153	812,848,297	307,121,715	48,333,922	79,649,057	358,311,712	38,422,450
Receivable from retirement fund	94,691,279	94,691,279	–	–	–	–	–
Current portion of:							
Advances to employees	35,955,955	35,955,955	–	–	–	–	–
Employee car plan receivables	22,859,385	22,859,385	–	–	–	–	–
Receivable from Meralco	7,100,842	7,100,842	–	–	–	–	–
Interest receivable	1,688,763	1,688,763	–	–	–	–	–
Others	9,713,208	9,713,208	–	–	–	–	–
Other current assets -							
Receivable from suppliers and others	310,488,627	310,488,627	–	–	–	–	–
Other noncurrent assets:							
Refundable deposits	241,808,011	241,808,011	–	–	–	–	–
Noncurrent portion of employee car plan receivables	51,076,552	51,076,552	–	–	–	–	–
AFS Financial Assets	65,521,009	65,521,009					
Total	₱5,661,077,004	₱4,829,238,148	₱307,121,715	₱48,333,922	₱79,649,057	₱358,311,712	₱38,422,450

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

	2010				
		Neither Past Due nor Impaired			
	Total	A	B	C	Past Due or Impaired
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱3,202,275,017	₱3,202,275,017	₱–	₱–	₱–
Receivables	1,615,378,157	1,038,029,301	₱32,736,690	₱3,606,956	₱541,005,210
Other current assets -					
Receivable from suppliers and others	248,470,345	248,470,345	–	–	–
Other noncurrent assets:					
Refundable deposits	257,974,115	257,974,115	–	–	–
Noncurrent portion of employee car plan receivables	63,802,349	63,802,349	–	–	–
	5,387,899,983	4,810,551,127	32,736,690	3,606,956	541,005,210
AFS Financial Assets	79,469,742	79,469,742	–	–	–
	₱5,467,369,725	₱4,890,020,869	₱32,736,690	₱3,606,956	₱541,005,210

	2009				
		Neither Past Due nor Impaired			
	Total	A	B	C	Past Due or Impaired
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱3,116,648,958	₱3,116,648,958	₱–	₱–	₱–
Receivables	1,816,696,585	979,925,011	2,010,638	2,922,080	831,838,856
Other current assets -					
Receivable from supplier and others	310,488,627	310,488,627	–	–	–
Other noncurrent assets:					
Refundable deposits	241,808,011	241,808,011	–	–	–
Noncurrent portion of employee car plan receivables	51,076,552	51,076,552	–	–	–
	5,536,718,733	4,699,947,159	2,010,638	2,922,080	831,838,856
AFS Financial Assets	65,521,009	65,521,009	–	–	–
	₱5,602,239,742	₱4,765,468,168	₱2,010,638	₱2,922,080	₱831,838,856

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.

	2010	2009
Loans and Receivables		
Cash and cash equivalents (excluding cash on hand)	**₱3,202,275,017**	₱3,116,648,958
Receivables	**1,565,433,773**	1,778,274,135
Other current assets -		
Receivable from suppliers and others	**248,470,345**	310,488,627
Noncurrent assets:		
Refundable deposits	**257,974,115**	241,808,011
Employee car plan receivables	**63,802,349**	51,076,552
AFS Financial Assets	**79,469,742**	65,521,009
	₱5,417,425,341	₱5,563,817,292

Liquidity Risk

The Company's exposure to liquidity risk refers to the risk that its financial liabilities are not serviced on 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.

On a weekly basis, the Company'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., pre-terminate money market placements if deemed necessary. In addition, the Company has short-term cash deposits and has available credit lines with accredited banking institutions. The Company maintains a sufficient level of cash and cash equivalents to finance the Company's operations.

No changes were made in the objectives, policies or processes of the Company during the years ended December 31, 2010 and 2009.

The Company's financial assets, which have maturity of less than 12 months and used to meet its short-term liquidity needs, are cash and cash equivalents and receivables amounting to ₱3,264.6 million and ₱1,565.4 million, respectively, as of December 31, 2010. Also included in the Company's financial assets used to meet its short-term liquidity needs are AFS financial assets amounting to ₱79.5 million as of December 31, 2010.

The tables below summarize the maturity profile of the Company's financial liabilities as of December 31, 2010 based on contractual undiscounted payments:

	2010				
	On Demand	**Within 1 Year**	**2-3 Years**	**4-5 Years**	**Total**
Trade payables and other current liabilities*	**₱4,386,060,669**	**₱–**	**₱–**	**₱–**	**₱4,386,060,669**
Due to related parties	–	**820,516,123**	–	–	**820,516,123**
Short-term	–	**1,851,466,901**	–	–	**1,851,466,901**
Current portion of long-term debt	–	**2,454,397,925**	–	–	**2,454,397,925**
Liability for acquisition of a business (including current portion)	–	**138,528,874**	**141,254,669**	–	**279,783,543**
	₱4,386,060,669	**₱5,264,909,823**	**₱141,254,669**	**₱–**	**₱9,792,225,161**

**Excluding local and other taxes and other liabilities to government agencies amounting to ₱692.3 million.*

	2009				
	On Demand	Within 1 Year	2-3 Years	4-5 Years	Total
Trade payables and other current liabilities*	₱4,366,582,667	₱–	₱–	₱–	₱4,366,582,667
Due to related parties	–	26,141,063	–	–	26,141,063
Long-term debt (including current portion)	–	111,883,333	2,533,379,032	–	2,645,262,365
	₱4,366,582,667	₱138,024,396	₱2,533,379,032	₱–	₱7,037,986,095

**Excluding local and other taxes and other liabilities to government agencies amounting to ₱584.6 million.*

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 necessary, the Company would borrow money for acquisitions of new businesses.

As of December 31, 2010 and 2009, the Company's ratio of liabilities to total equity and ratio of net liabilities to total equity are as follows:

Debt-to-Equity

	2010	2009
Total debt (a)	**₱11,137,145,456**	₱8,161,351,914
Total equity	**16,664,961,411**	15,177,607,558
Total debt and equity (b)	**₱27,802,106,867**	₱23,338,959,472
Debt-to-equity ratio (a/b)	**40.06%**	34.97%

Net Debt-to-Equity

	2010	2009
Total debt	₱11,137,145,456	₱8,161,351,914
Less cash and cash equivalents	3,264,582,533	3,175,486,220
Net debt (a)	7,872,562,923	4,985,865,694
Total equity	16,664,961,411	15,177,607,558
Net debt and equity (b)	₱24,537,524,334	₱20,163,473,252
Net debt-to-equity (a/b)	32.08%	24.73%

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, 2010 and 2009:

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and Receivables:				
Cash and cash equivalents	₱3,264,582,533	₱3,264,582,533	₱3,175,486,220	₱3,175,486,220
Receivables	1,565,433,773	1,565,433,773	1,778,274,135	1,778,274,135
Other current assets - Receivable from suppliers and others	248,470,345	248,470,345	310,488,627	310,488,627
Other noncurrent assets:				
Refundable deposits	257,974,115	272,185,528	241,808,011	255,128,857
Noncurrent portion of Employee car plan receivables	63,802,349	74,896,568	51,076,552	55,284,912
Total loans and receivables	5,400,263,115	5,425,568,747	5,557,133,545	5,574,662,751
AFS financial assets				
Investment in shares of stocks and club shares	79,469,742	79,469,742	65,521,009	65,521,009
Total financial assets	₱5,479,732,857	₱5,505,038,489	₱5,622,654,554	₱5,640,183,760
Financial Liabilities				
Trade payables and other current liabilities*	₱4,524,589,543	₱4,524,589,543	₱4,366,582,667	₱4,366,582,667
Due to related parties	820,516,123	820,516,123	26,414,063	26,141,063
Short-term debt	1,800,000,000	1,800,000,000	–	–
Current portion of long-term debt	2,309,794,661	2,352,368,767	2,351,959,832	2,441,168,815
Liability for acquisition of a business (including noncurrent portion)	279,783,543	281,338,976	–	–
Total financial liabilities	₱9,734,683,870	₱9,778,813,409	₱6,744,956,562	₱6,833,892,545

* *Excluding local and other taxes and other liabilities to government agencies amounting to ₱692.3 million and ₱584.6 million as of December 31, 2010 and 2009, respectively.*

Financial instruments whose carrying amounts approximate fair value. Management has determined that the carrying amounts of cash and cash equivalents, receivables, receivable from suppliers and others, trade payables and other current liabilities, due to related parties and short-term debt, 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 reporting date.

Financial Instruments Carried at Other than Fair Value. Management has determined that the estimated fair value of refundable deposits, employee car plan receivables, long-term debt and liability for acquisition of a business are based on the discounted value of future cash flows using applicable rates.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Company's AFS financial assets amounting to ₱79.5 million and ₱65.5 million as of December 31, 2010 and 2009 are the only financial instruments measured at fair value using Level 1 fair value measurement (see Note 9).

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

31. **Events after Reporting Period**

Dividend Declaration
On April 13, 2011, the BOD approved a regular cash dividend of ₱0.50 a share of common stock to all stockholders of record as of May 5, 2011. The cash dividend is expected to be paid out by May 31, 2011. The cash dividend is 16.3% higher than the ₱0.43 regular dividend a share declared in April 2010.

Loan Availments for Capital Expenditures and Acqusitions
On April 12, 2011, the Company entered into a loan agreement for ₱900.0 million to be paid after one year bearing fixed interest rate. Likewise, the Company, through JWPL, entered into separate loan agreements to borrow US$40.0 million and US$30.0 million from separate foreign financial institutions. Both loans are payable after 3 years bearing fixed interest rates. The proceeds of the loans shall be used to finance new store openings, store renovations and construction of the Company's logistics center in Metro Manila and its commissary to be managed by JFPPL in Anhui Province in the PRC.

Cessation of Operations of Manong Pepe Karinderia
On April 9, 2011, the Company, through its wholly owned subsidiary, Fresh N' Famous, discontinued operation of its Manong Pepe Karinderia business unit. The move is part of the Company's plan to concentrate its resources in building larger QSR businesses.

Acquisition of Majority Stake in Chow Fun Holdings, LLC
On March 31, 2011, JWPL acquired from Aspen Partners, LLC 2,400 shares in Chow Fun Holdings, LLC ("Chow Fun") for US$3,240,000, bringing up its equity share in Chow Fun to 80.55%. JWPL had previously acquired in July 2008 a 12.25% equity share in Chow Fun for US$950,000. Chow Fun is the developer and owner of Jinja Bar and Bistro in New Mexico, USA. It presently has three (3) restaurants in New Mexico, two in Albuquerque and one in Santa Fe.

Jinja Bar and Bistro serves Asian cuisine adapted to Western preferences to mainstream American consumers. The Company's objective in this venture is to enhance its capability in developing Asian food restaurant concepts for the mainstream consumers in the United States as part of its long-term strategy.

32. Non-cash Transaction

The Company's principal non-cash transaction under investing activities pertains to the conversion of its advances to subsidiaries amounting to ₱5,009.6 million to "Investment in subsidiaries" account in 2010 and transfer of deposit for the acquisition of real property amounting to ₱375.3 million from "Other noncurrent asset" account to "Investment properties" account in 2009. The said real property was previously hedged under "Other noncurrent asset" account due to the pending land registration which was only released and finalized in 2009.

33. Reclassification

In 2010, the Company made a reclassification on its 2009 parent company statements of financial position to conform with the 2010 presentation and classification and to provide more relevant information for the understanding of the parent company financial statements. The Company did not present a parent company statement of financial position as at the beginning of the earliest comparative period since the reclassifications made were minimal and would not have an impact on the net income of the Company.

34. Supplementary Information Required under Revenue Regulations (RR) 15-2010

The Bureau of Internal Revenue has issued RR 15-2010 on November 25, 2010 which requires certain tax information to be disclosed in the notes to parent company financial statements. The Company presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

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SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT REQUIRED ON THE SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS 15-2010

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 parent company financial statements of Jollibee Foods Corporation as of and for the years ended December 31, 2010 and 2009 and have issued our report thereon dated April 13, 2011 which contained an unqualified opinion on those parent company financial statements. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and license fees for the year ended December 31, 2010 is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68.1. Revenue Regulations 15-2010 require the information to be presented in the notes to parent company financial statements. Such information is the responsibility of the management of Jollibee Foods Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects 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-2
Tax Identification No. 102-085-577
BIR Accreditation No. 08-001998-17-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641521, January 3, 2011, Makati City

April 13, 2011

ANNEX "D"

INTERIM FINANCIAL STATEMENTS
(FOR THE QUARTER ENDING MARCH 31, 2011)

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

a.	**Consolidated Statements of Financial Position as of March 31, 2011 (Unaudited) and December 31, 2010 (Audited)**
b.	**Consolidated Statements of Comprehensive Income for the Quarters Ended March 31, 2011 and 2010 (Unaudited)**
c.	**Consolidated Statements of Changes in Equity for the Quarters Ended March 31, 2011 and 2010 (Unaudited)**
d.	**Consolidated Statements of Cash Flows as of March 31, 2011 and 2010 (Unaudited)**
e.	**Notes to Unaudited Consolidated Financial Statements**

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the First Quarter of 2011

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

Results of Operations

System-wide Sales and Revenues

The Jollibee Foods Corporation and subsidiaries (JFC Group) posted a revenue growth of 13.7% to ₱13,969.8 million from ₱12,282.2 million in the same period last year. The System Wide Sales of Jollibee Foods Corporation, a measure of all sales to consumers from both company-owned and franchised stores rose 14.7% to ₱18,742.9 million in January-March of 2011 compared with the same period last year. Sales from its restaurant chains in the Philippines grew by 13.1% including the impact of Mang Inasal. Foreign business performed strongly growing by 22.9% during the period. The JFC Group's worldwide store network as of March 31, 2011 stood at 2,338 stores, 22.7% higher than the same period last year due primarily to the new acquisition, Mang Inasal. The JFC Group opened in the first quarter of 2011 a total of 51 stores worldwide: 33 in the Philippines and 18 overseas.

Cost of Sales

Consolidated cost of sales increased by 15.5% or ₱1,541.6 million to ₱11,476.8 million. This reflects the impact of the new acquisition which contributed 7 percentage points to the growth. The following table summarizes the breakdown of the JFC Group's cost of sales for the quarters ended March 31, 2011 and 2010 and the percentage of each cost item to total revenues:

	Quarters Ended March 31		Change		Percent to Revenues	
(Amounts in Php Millions)	2011	2010	Amount	Percent	2011	2010
Cost of inventories	**6,616.0**	5,676.0	940.0	16.6%	47.4%	46.2%
Personnel costs:						
Salaries, wages and employee benefits	**1,589.3**	1,382.9	206.4	14.9%	11.4%	11.3%
Net pension expense	**18.1**	15.9	2.2	13.6%	0.1%	0.1%
Rent	**1,064.0**	884.1	179.9	20.3%	7.6%	7.2%
Electricity and other utilities	**610.0**	541.0	69.1	12.8%	4.4%	4.4%
Depreciation and amortization	**490.9**	454.5	36.4	8.0%	3.5%	3.7%
Supplies	**343.5**	298.2	45.3	15.2%	2.5%	2.4%
Contracted services	**178.7**	175.9	2.8	1.6%	1.3%	1.4%
Repairs and maintenance	**128.6**	130.6	(2.1)	-1.6%	0.9%	1.1%
Security and janitorial	**72.9**	55.8	17.1	30.7%	0.5%	0.5%
Communication	**25.4**	23.4	2.0	8.5%	0.2%	0.2%
Professional fees	**20.9**	15.5	5.4	34.7%	0.1%	0.1%
Others	**318.4**	281.3	37.1	13.2%	2.3%	2.3%
COST OF SALES	**11,476.8**	**9,935.2**	1,541.6	15.5%	82.2%	80.9%

- Cost of inventories increased driven by the new acquisition, Mang Inasal and the increase in the cost of food raw materials.

- Personnel costs increased due to additional headcount resulting from the acquisition of Mang Inasal and increase in company-owned store network as well as performance-related increases, employee promotions and upgrades.

- Rent increased on account of higher sales and increase in store network, particularly of Jollibee Philippines and Yonghe King in the People's Republic of China as well as annual rent escalation and the mix effect from faster growth in foreign business.

- Electricity and water increased due to the new acquisition and increase in company-owned store network.

- Depreciation and amortization increased due to the new acquisition and the growing asset base of the Jollibee Philippines and foreign businesses.

- Supplies increased primarily due to increase in volume (relative to increase in company-owned store network) and cost of Liquified Petroleum Gas (LPG).

- Security and janitorial likewise increased due to increase in store network coming from the new acquisition and newly-opened company-owned stores. The outsourcing of pan-washing activities of the Red Ribbon commissaries in Libis and Tarlac also contributed to the increase.

- Communication increased on account of the ₱2.6 million or 53.9%increase in telephone expenses of the foreign business partially offset by the decline in telephone expenses of the domestic business.

- Professional fees increased due to the increase in fees of Zenith Foods Corporation's service provider for logistics services.

- Cost of sales – others increased mainly due to higher expenses related to the Company's SEEDs (or Skills Enhancement and Educational Development for Students) program, increase in transportation and travel and increase in call charge rates and crews' wages related to the JFC Group's delivery services.

Gross Profit

Consolidated gross profit for the first quarter of 2011 increased by 6.2% or ₱146.0 million to ₱2,493.0 million, from ₱2,347.0 million in the first quarter of 2010. However, the JFC Group's efforts on price adjustments and cost improvements were not sufficient to recover the increase in cost of raw materials and overhead expenses thus resulting in a 1.3 percentage points decline in gross profit margin, from 19.1% in 2009 to 17.8% in 2010.

Operating Expenses

Consolidated operating expenses increased by 9.7% or ₱145.2 million to ₱1,636.6 million. This reflects the impact of the new acquisition. The following table summarizes the breakdown of the JFC Group's expenses for the years ended March 31, 2011 and 2010 and the percentage of each expense item to the total revenues:

	Quarters Ended March 31		Change		Percent to Revenues	
(Amounts in Php Millions)	2011	2010	Amount	Percent	2011	2010
Personnel costs:						
Salaries, wages and employee benefits	**676.5**	581.7	94.8	16.3%	4.8%	4.7%
Stock option expense	**16.3**	11.9	4.4	37.2%	0.1%	0.1%
Net pension expense	**15.2**	14.1	1.2	8.2%	0.1%	0.1%
Taxes and licenses	**170.8**	147.7	23.1	15.7%	1.2%	1.2%
Transportation and travel	**63.9**	53.0	10.9	20.7%	0.5%	0.4%
Professional fees	**61.8**	47.3	14.5	30.5%	0.4%	0.4%
Depreciation and amortization	**55.0**	37.9	17.1	45.0%	0.4%	0.3%
Rent	**55.0**	36.6	18.4	50.1%	0.4%	0.3%
Entertainment, amusement and recreation	**26.1**	20.1	5.9	29.5%	0.2%	0.2%
Communication	**15.6**	18.2	(2.7)	-14.6%	0.1%	0.1%
Electricity and other utilities	**13.5**	13.6	(0.1)	-1.0%	0.1%	0.1%
Training	**11.1**	11.3	(0.2)	-2.1%	0.1%	0.1%
Supplies	**15.6**	12.8	2.8	22.2%	0.1%	0.1%
Security and janitorial	**7.0**	11.9	(4.9)	-41.3%	0.0%	0.1%
Repairs and maintenance	**22.4**	8.6	13.8	160.5%	0.2%	0.1%
Contracted services	**8.4**	9.6	(1.2)	-12.8%	0.1%	0.1%
Insurance	**5.7**	2.2	3.5	157.8%	0.0%	0.0%
Corporate events and others	**111.0**	131.7	(20.7)	-15.7%	0.8%	1.1%
Operating expenses	**1,350.7**	1,170.2	180.6	15.4%	9.7%	9.5%
Advertising and promotions	**285.8**	283.0	2.8	1.0%	2.0%	2.3%
Provisions	**-**	38.1	(38.1)	-100.0%	0.0%	0.3%
EXPENSES	**1,636.6**	1,491.3	145.2	9.7%	11.7%	12.1%

- Personnel costs increased due to additional headcount resulting from the acquisition of Mang Inasal, performance-related increases, employee promotions and upgrades, increased provisions for the Management Stock Option Plan (MSOP) and additional accruals for retirement benefits.

- Taxes and licenses increased due to higher business-related taxes and license fees resulting from higher revenues.

- Transportation and travel was higher this year due to increase in fuel consumption. Also a result of local and foreign store network expansion, foreign acquisitions and company business reviews in China that required land and air travels for some company executives and employees.

- Professional fees were higher this year due to increase in third party consultations – mostly for legal and tax services, in relation to the Parent Company's business acquisitions and other special projects.

- Depreciation and amortization increased driven by the new acquisition and the higher asset base of the China business' corporate office.

- Rent increased mainly due to the additional office space for the Jollibee Corporate Office and transfer of the Corporate China Office in January 2011 to a new and larger building and the additional rent expense coming from the new acquisition.

- EAR increased mainly due to increase in meal and representation expenses primarily of the foreign business.

- Communication decreased due to the 33.8% decline in telephone expenses of Fresh N' Famous.

- Repairs and maintenance increased primarily due to the repairs and maintenance expenses of the new acquisition.

- Contracted services decreased due to reduction in contracted services of the Jollibee business by 14.9% or ₱1.0 million.

- Insurance expense increased due to increase in sum insured arising from the new acquisition.

- Corporate events and others decreased on account of lower expenses related to corporate events, entertainment and market research.

Operating Income

Considering the factors discussed above, operating income for the first quarter of 2011 increased by 0.1% or ₱.793.4 million to ₱856.4 million. Because of fast rising cost of raw materials and overhead expenses, the JFC Group was not able to preserve its operating income margins which declined by 0.9 percentage points, from 7.0% in the first quarter of 2011 to 6.1% in the same period last year.

Finance Charges

Interest Expense

Interest income decreased by ₱22.4 million or -48.5% due to lower cash balances on money market placements from ₱6,689.2 million in the first quarter of 2010 to ₱3,852.5 million in the first quarter of 2011.

Interest expense increased by ₱16.2 million or 32.9% to ₱65.5 million due to higher loan balance arising from the ₱1,842.0 million short-term debt obtained by the Parent Company in the fourth quarter of 2010.

Other Income

Consolidated other income for the year was ₱46.4 million, -23.5% lower than last year's other income of ₱60.7 million. The decrease was mainly due to lower foreign exchange gains from ₱24.9 million to ₱0.629 million partially offset by the increase in miscellaneous income by ₱13.0 million.

Net Income

Consolidated net income for the first quarter of 2011 was ₱630.6 million, lower by 8.8% versus the first quarter of 2010 consolidated net income of ₱691.3 million due to decline in gross profit margin, higher operating expenses and finance charges. Net income as a percent of revenues was down by 1.1 percentage points, from 5.6% in the first quarter last year to 4.5% this year. On a per share basis, after tax net earnings per share for the first quarter of 2011 amounted to ₱0.604, 10.6% lower compared to the previous year's after tax net earnings per share of ₱0.676.

<u>Financial Condition</u>

The JFC Group's consolidated total assets as of March 31, 2011 stood at ₱32,720.2 million, ₱54.7 million or -0.2% lower than the December 31, 2010 balance of ₱32,774.9 million. The following explain the significant movements in the asset accounts:

- The JFC Group's cash balance decreased by ₱638.9 million or -7.8% to ₱7,531.6 million. The movement in the JFC Group's cash will be explained further in the cash flow discussion.

- Receivables decreased by ₱213.4 million or -10.2% to ₱1,885.6 million on account of higher base due to higher sales and higher collection of receivables in the first quarter of 2011. The JFC Group's receivable days improved, from 14 days in the year 2010 to 13 days in the first quarter of 2011.

- Inventories increased by ₱107.5 million or 5.0% to ₱2,241.9 million primarily due to the increase in Mang Inasal's inventory balance from ₱90.6 million as of December 31, 2010 to ₱207.3 million as of March 31, 2011. The JFC Group's inventory days for the first quarter of 2011 were 30 days, slightly higher than the 29 inventory days for the year 2010.

- Other current assets increased by ₱481.0 million or 41.2% to ₱1,649.6 million primarily due to increase in insurance and other prepayments by ₱80.0 million, prepaid taxes by ₱35.1 million, and receivables from suppliers and others by ₱392.3 million, of which ₱258.7 million pertains to beef importations. The increase in other current assets was partially offset by the decrease in prepaid rent by ₱26.6 million.

The JFC Group achieved a current ratio of 1.02 : 1.00.

- Interest and advances in joint venture increased by ₱4.9 million or 22.5% to ₱26.5 million mainly due to the additional advances of Coffeetap from the Parent Company.

- Operating lease receivables decreased by ₱3.2 million or -9.7% to ₱29.9 million due to pre-termination of lease contracts resulting from store closures.

- Other non-current assets increased by ₱77.9 million or 5.3% to ₱1,561.4 million primarily due to the increase in refundable and other deposits by ₱58.4 million or 5.8% and other assets by ₱23.7 million or 10.0% .

Consolidated current liabilities amounted to ₱13,036.7 million, ₱708.2 million or -5.2% lower than the 2010 year-end balance of ₱13,744.8 million. The following explain the significant movements in the current liabilities accounts:

- Trade payables and other current liabilities decreased by 7.6% or ₱697.9 million mainly due to payment of local and other taxes – ₱229.2 million, dividends - ₱68.4 million, and decrease in accruals for employee-related expenses and store operations, corporate events and others by ₱355.6 million and ₱77.8 million, respectively.
- Income tax payable increased by ₱41.5 million or 24.7% reflecting the amount of income taxes payable by Freemont Foods Corporation, Zenith Foods Corporation and Mang Inasal for the first quarter of 2011.

Consolidated non-current liabilities amounted to ₱1,815.4 million, 2.6% or ₱45.9 million higher than the December 31, 2010 balance of ₱1,769.5 million. This was mainly due to the increase in pension liability by ₱34.9 million or 16.4% representing additional accruals for the first quarter of 2011 and operating lease payables by ₱11.3 million or 1.0% relative to increase in number of company-owned stores.

Consolidated stockholders' equity increased by ₱607.6 million or 3.5% primarily due to the ₱621.9 million net income realized during the quarter, increase in capital stock and additional paid in capital in relation to the management stock option plan partially offset by the the negative change in cumulative translation adjustments of ₱41.3 million due to lower net assets of the JFC Group's foreign business resulting from the appreciation of the Philippine Peso.

Liquidity and Capital Resources

Net cash provided by operating activities in the first quarter of 2011 was ₱427.0 million, -24.5% or ₱138.8 million lower compared to net cash provided by operating activities of ₱565.8 million in the same period in 2010 mainly due to higher working capital requirements.

Net cash used in investing activities was ₱845.8 million in the first quarter of 2011, 57.9% or ₱310.3 million higher compared to net cash used for investing activities of ₱535.5 million in quarter 1 2010 primarily due to higher level of capital expenditures and fixed and security deposits.

Net cash used in financing activities amounted to ₱216.5 million in the first quarter of 2011, primarily due to payments of cash dividends, short-term and long-term debts and interest expenses.

Overall, net cash and cash equivalents decreased by ₱1,196.3 million to ₱7,531.6 million for the quarter ended March 31, 2011.

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 ₱5.0 billion capital expenditures in 2011 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 JFC Group's financial forecast.

5. All of the JFC Group's income arose from its continuing operations.

6. Events after Reporting Date:

   Dividend Declaration
   On April 13, 2011, the BOD of the Parent Company approved a regular cash dividend of ₱0.50 a share of common stock to all stockholders of record as of May 5, 2011. The cash dividend is expected to be paid out by May 31, 2011. The cash dividend is 16.3% higher than the ₱0.43 regular cash dividend a share declared in April 2010.

   Loan Availments for Capital Expenditures and Acquisitions
   On April 12, 2011, the Parent Company entered into a loan agreement for ₱900.0 million to be paid after one year bearing fixed interest rate. Likewise, the JFC Group, through JWPL, entered into separate loan agreements to borrow US$40.0 million and US$30.0 million from separate foreign financial institutions. Both loans are payable after 3 years bearing fixed interest rates. The proceeds of the loans shall be used to finance new store openings, existing store renovations, the construction of the Jollibee Group's logistics center in Metro Manila and its China commissary to be managed by Jollibee Food Processing Pte. Ltd. (JFPPL) in Anhui Province in the PRC.

   Cessation of Operations of Manong Pepe Karinderia
   On April 9, 2011, the Jollibee Group, through its wholly owned subsidiary, Fresh N' Famous, discontinued the operations of its Manong Pepe Karinderia business unit. The move is part of the Jollibee Group's plan to concentrate resources in building larger QSR businesses. Management believes that the cessation of operation of Manong Pepe Karinderia will not have a material impact on the Jollibee Group's 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 end March 2011	As of end March 2010
System Wide Sales	₱18,742.9 million	₱16,339.7 million
% Growth vs LY	14.7%	8.4%

Revenues

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

	As of end March 2011	As of end March 2010
Revenues	₱13,969.8 million	₱12,282.2 million
% Growth vs LY	13.7%	8.3%

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 JFC Group's return for every peso of revenue earned, after deducting cost of sales, operating expenses, interests and taxes.

	As of end March 2011	As of end March 2010
Net Income	₱630.6 million	₱691.3 million
% to Revenues	6.0%	5.6%

Basic Earnings Per Share (EPS)

EPS is the portion of the JFC Group'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 JFC 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 JFC Group's profitability.

	As of end March 2011	As of end March 2010
EPS (Basic)	₱0.604	₱0.676
% Growth vs LY	-10.6%	23.1%

Return on Equity (ROE)

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

(Annualized)	As of end March 2011	As of end March 2010
Return on Equity	14.4%	16.7%

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Quarters Ended March 31				Change	
	2011		2010		2010 to 2011	
	Pesos	Pct	Pesos	Pct	Amount	Pct
REVENUES						
Net sales	13,199,540,765	94.5%	11,608,423,332	94.5%	1,591,117,433	13.7%
Royalty, franchise fees and others (Note 20)	770,247,136	5.5%	673,730,390	5.5%	96,516,746	14.3%
	13,969,787,901	100.0%	12,282,153,722	100.0%	1,687,634,179	13.7%
COST OF SALES (Note 21)						
Cost of inventories	6,616,009,839	47.4%	5,675,962,884	46.2%	940,046,955	16.6%
Store and manufacturing costs	4,860,780,753	34.8%	4,259,213,597	34.7%	601,567,156	14.1%
	11,476,790,592	82.2%	9,935,176,481	80.9%	1,541,614,111	15.5%
GROSS PROFIT	2,492,997,309	17.8%	2,346,977,241	19.1%	146,020,068	6.2%
EXPENSES (Note 22)	(1,636,557,163)	-11.7%	(1,491,330,497)	-12.1%	(145,226,666)	9.7%
OPERATING INCOME	856,440,146	6.1%	855,646,744	7.0%	793,402	0.1%
FINANCE INCOME (EXPENSE) (Note 23)						
Interest income	23,827,296	0.2%	46,242,814	0.4%	(22,415,518)	-48.5%
Interest expense	(65,468,815)	-0.5%	(49,269,564)	-0.4%	16,199,251	32.9%
	(41,641,519)	-0.3%	(3,026,750)	0.0%	38,614,769	1275.8%
OTHER INCOME (Note 23)	46,425,610	0.3%	60,682,652	0.5%	(14,257,042)	-23.5%
INCOME BEFORE INCOME TAX	861,224,237	6.2%	913,302,646	6.5%	25,151,129	2.8%
PROVISION FOR INCOME TAX (Note 24)	230,595,958	1.7%	222,042,739	1.6%	8,553,219	3.9%
NET INCOME	630,628,279	4.5%	691,259,907	5.6%	(60,631,628)	-8.8%
OTHER COMPREHENSIVE LOSS						
Translation adjustments	(41,348,704)	-0.3%	(79,065,338)	-0.6%	37,716,634	-47.7%
TOTAL COMPREHENSIVE INCOME	589,279,575	4.2%	612,194,569	5.0%	(22,914,994)	-3.7%
Net Income Attributable to:						
Equity holders of the Parent Company (Note 28)	621,880,366	4.5%	689,927,649	5.6%	(68,047,283)	-9.9%
Non-controlling interests	8,747,913	0.1%	1,332,258	0.0%	7,415,655	556.6%
	630,628,279	4.5%	691,259,907	5.6%	(60,631,628)	-8.8%
Total Comprehensive Income Attributable to:						
Equity holders of the Parent Company	580,531,662	4.2%	610,862,311	5.0%	(30,330,649)	-5.0%
Non-controlling interests	8,747,913	0.1%	1,332,258	0.0%	7,415,655	556.6%
	589,279,575	4.2%	612,194,569	5.0%	(22,914,994)	-3.7%
Earnings Per Share for Net Income Attributable to the Equity Holders of the Parent Company (Note 28)						
Basic	0.604		0.676		(0.07)	-10.6%
Diluted	0.603		0.674		(0.07)	-10.6%

See accompanying Notes to Unaudited Consolidated Financial Statements.

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JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 2011 (Unaudited) (In PHP)	December 2010 (Audited) (In PHP)	Change Amount (In PHP)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 6, 30 and 31)	7,531,593,970	8,170,489,301	(638,895,331)
Receivables (Notes 7, 30 and 31)	1,885,559,534	2,098,921,220	(213,361,686)
Inventories (Note 8)	2,241,942,454	2,134,467,159	107,475,295
Other current assets (Notes 9, 30 and 31)	1,649,610,446	1,168,579,617	481,030,829
Total Current Assets	13,308,706,404	13,572,457,297	(263,750,893)
Noncurrent Assets			
Available-for-sale financial assets (Notes 10, 30 and 31)	176,283,046	176,283,046	-
Interest and advances in a joint venture (Note 11)	26,485,634	21,622,471	4,863,163
Property, plant and equipment (Note 12)	8,899,036,070	8,770,518,572	128,517,498
Investment properties (Note 13)	778,727,901	777,719,894	1,008,007
Goodwill (Notes 14)	7,019,519,057	7,019,519,057	-
Operating lease receivables (Note 29)	29,871,971	33,086,384	(3,214,413)
Deferred tax assets (Note 24)	920,139,371	920,139,371	-
Other noncurrent assets (Notes 15, 30 and 31)	1,561,441,117	1,483,533,516	77,907,601
Total Noncurrent Assets	19,411,504,167	19,202,422,311	209,081,856
	32,720,210,571	32,774,879,608	(54,669,037)
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities (Notes 16, 30 and 31)	8,525,815,559	9,223,747,002	(697,931,443)
Income tax payable	209,254,611	167,751,504	41,503,107
Short-term debt (Notes 18, 30 and 31)	1,802,261,807	1,842,030,865	(39,769,058)
Current portion of:			
Long-term debt (Notes 18, 30 and 31)	2,329,147,487	2,341,125,065	(11,977,578)
Liability for acquisition of businesses (Notes 11, 30 and 31)	170,194,278	170,194,278	-
Total Current Liabilities	13,036,673,742	13,744,848,714	(708,174,972)
Noncurrent Liabilities			
Provisions (Note 17)	30,500,639	30,500,639	-
Noncurrent portion of:			
Long-term debt (Notes 18, 30 and 31)	51,368,779	51,588,581	(219,802)
Liability for acquisition of businesses (Notes 11, 30 and 31)	141,254,668	141,254,668	-
Pension liability (Note 25)	246,962,400	212,089,188	34,873,212
Operating lease payables (Note 29)	1,178,237,595	1,166,944,342	11,293,253
Deferred tax liabilities (Note 24)	167,104,456	167,104,456	-
Total Noncurrent Liabilities	1,815,428,537	1,769,481,874	45,946,663
Total Liabilities	14,852,102,279	15,514,330,588	(662,228,309)
Equity Attributable to Equity Holders of the Parent Company (Note 30)			
Capital stock (Note 19)	1,053,537,984	1,053,438,818	99,166
Subscriptions receivable	(17,177,884)	(17,177,884)	-
Additional paid-in capital (Note 26)	2,791,862,695	2,773,682,164	18,180,531
Cumulative translation adjustments of foreign subsidiaries	(358,371,349)	(317,022,645)	(41,348,704)
Unrealized gain on available-for-sale financial assets (Note 10)	107,164,577	107,164,577	-
Excess of cost over the carrying value of non-controlling interests acquired (Note 19)	(542,764,486)	(542,764,486)	-
Retained earnings (Note 19):			
Appropriated for future expansion	1,200,000,000	1,200,000,000	-
Unappropriated	13,664,589,535	13,042,709,169	621,880,366
	17,898,841,072	17,300,029,713	598,811,359
Less cost of common stock held in treasury (Note 19)	180,511,491	180,511,491	-
	17,718,329,581	17,119,518,222	598,811,359
Non-controlling Interests (Note 11)	149,778,711	141,030,798	8,747,913
Total Equity	17,868,108,292	17,260,549,020	607,559,272
	32,720,210,571	32,774,879,608	(54,669,037)

See accompanying Notes to Unaudited Consolidated Financial Statements.

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JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTERS ENDED MARCH 31, 2011 AND 2010

	Equity Attributable to Equity Holders of the Parent Company (In PHP)											
							Retained Earnings (Note 19)					
	Capital Stock (Note 19)	Subscriptions Receivable	Additional Paid-in Capital (Note 26)	Cumulative Translation Adjustments of Foreign Subsidiaries	Unrealized Gain on Available-for-Sale Financial Assets (Note 10)	Excess of the Acquisition Cost over the Carrying Value of Non-controlling Interests Acquired (Note 19)	Appropriated for Future Expansion	Unappropriated	Cost of Common Stock Held in Treasury (Note 19)	Total	Non-controlling Interests (Note 11) (In PHP)	Total Equity (In PHP)
Balances at January 1, 2011	1,053,438,818	(17,177,884)	2,773,682,164	(317,022,645)	107,164,577	(542,764,486)	1,200,000,000	13,042,709,169	(180,511,491)	17,119,518,222	141,030,798	17,260,549,020
Net income	-	-	-	-	-	-	-	621,880,366	-	621,880,366	8,747,913	630,628,279
Other comprehensive loss												
Translation adjustments	-	-	-	(41,348,704)	-	-	-	-	-	(41,348,704)	-	(41,348,704)
Total comprehensive loss	-	-	-	(41,348,704)	-	-	-	621,880,366	-	580,531,662	8,747,913	589,279,575
Movements in other equity accounts												
Subscriptions and issuances of shares	99,166	-	1,884,154	-	-	-	-	-	-	1,983,320	-	1,983,320
Cost of stock options granted	-	-	16,296,377	-	-	-	-	-	-	16,296,377	-	16,296,377
	99,166	-	18,180,531	-	-	-	-	-	-	18,279,697	-	18,279,697
Balances at March 31, 2011	1,053,537,984	(17,177,884)	2,791,862,695	(358,371,349)	107,164,577	(542,764,486)	1,200,000,000	13,664,589,535	(180,511,491)	17,718,329,581	149,778,711	17,868,108,292
Balances at January 1, 2010	1,051,458,156	(17,177,884)	2,635,662,843	(101,234,002)	89,904,594	(543,978,573)	1,200,000,000	12,147,867,997	(180,511,491)	16,281,991,640	3,214,087	16,285,205,727
Net income	-	-	-	-	-	-	-	689,927,650	-	689,927,650	1,332,258	691,259,908
Other comprehensive loss												
Translation adjustments	-	-	-	(79,065,338)	-	-	-	-	-	(79,065,338)	-	(79,065,338)
Total comprehensive loss	-	-	-	(79,065,338)	-	-	-	689,927,650	-	610,862,312	1,332,258	612,194,570
Movements in other equity accounts												
Subscriptions and issuances of shares	100,000	-	1,900,000	-	-	-	-	-	-	2,000,000	-	2,000,000
Cost of stock options granted	-	-	11,873,833	-	-	-	-	-	-	11,873,833	-	11,873,833
	100,000	-	13,773,833	-	-	-	-	-	-	13,873,833	-	13,873,833
Balances at March 31, 2010	1,051,558,156	(17,177,884)	2,649,436,676	(180,299,340)	89,904,594	(543,978,573)	1,200,000,000	12,837,795,647	(180,511,491)	16,906,727,785	4,546,345	16,911,274,130

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JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarters Ended March 31	
	2011 (In PHP)	2010 (In PHP)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	861,224,237	913,302,646
Adjustments for:		
Depreciation and amortization (Notes 12, 13, 21 and 22)	545,953,741	492,440,999
Interest expense (Note 23)	65,468,815	49,269,564
Loss on disposals and retirements of property, plant and equipment - net (Note 12)	46,152,588	91,180,369
Pension expense (Note 25)	34,873,212	29,201,085
Stock options expense (Note 26)	16,296,377	11,873,833
Interest income (Note 23)	(23,827,296)	(46,242,814)
Net unrealized foreign exchange loss (gain)	2,662,718	(53,095,467)
Income before working capital changes	1,548,804,392	1,487,930,215
Decreases (increases) in:		
Receivables	213,361,686	223,144,068
Inventories	(107,475,295)	(237,804,108)
Other current assets	(485,174,041)	(13,080,508)
Operating lease receivables	3,214,413	(10,466)
Increases (decreases) in:		
Trade payables and other current liabilities	(595,905,491)	(751,682,030)
Operating lease payables	11,293,253	4,960,635
Net cash generated from operations	588,118,917	713,457,806
Interest received	27,970,509	42,627,056
Income taxes paid	(189,092,851)	(190,297,440)
Net cash provided by operating activities	426,996,575	565,787,422
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment (Note 12)	(721,311,153)	(537,706,044)
Investment properties (Note 13)	(3,079,081)	(130,000)
Proceeds from disposals of property, plant and equipment	2,758,400	940,336
Advances to a joint venture	(4,863,163)	-
Decrease (increase) in other noncurrent assets	(119,256,305)	1,422,218
Net cash used in investing activities	(845,751,302)	(535,473,490)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends	(68,388,868)	(3,362,399)
Short-term debt (Note 18)	(39,749,400)	(182,847,240)
Long-term debt (Note 18)	(11,200,198)	(12,972,425)
Proceeds from issuances of and subcriptions to capital stock	1,983,320	2,000,000
Interest paid	(99,105,900)	(49,175,689)
Net cash used in financing activities	(216,461,046)	(246,357,753)
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(3,679,558)	(33,322,527)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(638,895,331)	(249,366,348)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,170,489,301	8,977,258,396
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	7,531,593,970	8,727,892,048

See accompanying Notes to Unaudited Consolidated Financial Statements.

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Jollibee Foods Corporation - Number of Stores

	31-Dec-10 Stores	Year-to-Date Open	Close	Net	Ownership Change	31-Mar-11 Stores
Domestic Business						
Jollibee						
Co-owned	352	4	3	1		**353**
Franchised	365	1	-	1		**366**
	717	5	3	2	-	**719**
Greenwich						
Co-owned	132	1	5	(4)		**128**
Franchised	84	2	2	-		**84**
Multibrand	7	-	-	-	-	**7**
	223	3	7	(4)	-	**219**
Red Ribbon -Phils						
Co-owned	125	3	3	-	1	**126**
Franchised	96	1	6	(5)	(1)	**90**
	221	4	9	(5)	-	**216**
Chowking-Phils						
Co-owned	133	5	3	2	-	**135**
Franchised	267	1	-	1	-	**268**
	400	6	3	3	-	**403**
Manong Pepe	12	-	1	(1)	-	**11**
Caffe Ti-amo	3	-	-	-	-	**3**
Total Before Acquisition	1,576	18	23	(5)	-	**1,571**
New Acquisition:						
Mang Inasal						
Co-owned	34	1	-	1	-	**35**
Franchised	311	14	-	14	-	**325**
	345	15	-	15	-	**360**
Total - Domestic	1,921	33	23	10	-	**1,931**
Foreign Business						
Jollibee:						
Hongkong	1	-	-	-	-	**1**
US	26	1	-	1	-	**27**
Brunei	11	-	-	-	-	**11**
Guam	-	-	-	-	-	**-**
Saipan	-	-	-	-	-	**-**
Vietnam	22	2	2	-	-	**22**
China	-	-	-	-	-	**-**
Jeddah	6	1	-	1	-	**7**
Qatar	1	-	-	-	-	**1**
Total	67	4	2	2	-	**69**
Chowking:						
US	19	1	-	1	-	**20**
Dubai	15	1	-	1	-	**16**
Indonesia	2	-	-	-	-	**2**
Qatar	2	-	-	-	-	**2**
Total	38	2	-	2	-	**40**
Red Ribbon - US						
Co-owned	37	1	-	1	(1)	**38**
Franchised	1	-	1	(1)	1	**-**
Total	38	1	1	-	-	**38**
Yonghe King						
Co-owned	196	10	1	9	-	**205**
Franchised	4	-	-	-	-	**4**
Total	200	10	1	9	-	**209**
Hongzhuangyuan						
Co-owned	46	1	2	(1)	-	**45**
Franchised	6	-	-	-	-	**6**
Total	52	1	2	(1)	-	**51**
Total - Foreign	395	18	6	12	-	**407**
Total - World wide	2,316	51	29	22	-	**2,338**

SYSTEM WIDE SALES (in PhP Millions)	31-Mar-11	31-Mar-10	% Growth
Quarter 1	**18,743**	16,340	14.7%

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JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED 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", "Manong Pepe", "Yong He King", "Hong Zhuang Yuan", "Caffe Ti-Amo" and "Mang Inasal". 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 2 and 5). 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 May 12, 2011.

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

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

Statement of Compliance

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and Philippine Interpretations starting January 1, 2010, except when otherwise indicated:

New Interpretation

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*, effective for annual periods beginning on or after July 1, 2009

Amendments to Standards

- PFRS 2, *Share-based Payments* (Amendment) - *Group Cash-settled and Share-based Payment Transactions*, effective for annual periods beginning on or after January 1, 2010

- PFRS 3 (Revised), *Business Combinations*, and PAS 27 (Amended), *Consolidated and Separate Financial Statements*, effective for annual periods beginning on or after July 1, 2009

- PAS 39, *Financial Instruments: Recognition and Measurement* (Amendment) - *Eligible Hedged Items*, effective for annual periods beginning on or after July 1, 2009

- Improvements to PFRS (2009), effective 2010

The standards that have been adopted and that are deemed to have an impact on the consolidated financial statements are described below:

- PFRS 3 (Revised), *Business Combinations*, and PAS 27 (Amended), *Consolidated and Separate Financial Statements*, became effective for annual periods beginning on or after July 1, 2009. PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and accounting for business combinations achieved in stages.

  These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss and accounted for as equity transaction.

  Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. PFRS 3 (Revised) was applied prospectively while PAS 27 (Amended) was applied retrospectively with few exceptions.

  The Jollibee Group assessed that these revised and amended standards have an impact on its current and future business acquisitions, disposals and transactions with non-controlling interests.

Future Changes in Accounting Policies

The Jollibee Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Jollibee Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on the consolidated financial statements.

New Standards and Interpretations Effective 2011

- PAS 24, *Related Party Disclosures* (Amendment), becomes effective for annual periods beginning on or after January 1, 2011. The amended standard clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The amended standard introduces a partial exemption of disclosure requirements for government-related entities.

- PAS 32, *Financial Instruments: Presentation* (Amendment) - *Classification of Rights Issues*, becomes effective for annual periods beginning on or after February 1, 2010. It amends the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro-rata to all existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*, becomes effective for annual periods beginning on or after January 1, 2011, with retrospective application. It provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, becomes effective for annual periods beginning on or after July 1, 2010. This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRS (2010). The omnibus amendments to PFRS issued in 2010 were issued primarily with a view to remove inconsistencies and clarify wordings. The amendments are effective for annual periods beginning January 1, 2011, except when otherwise stated. The Jollibee Group has not yet adopted the following improvements and anticipates that these changes will have no material effect on its consolidated financial statements.

- PFRS 3 (Revised), *Business Combinations*, clarifies the following:

    a. the amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32, *Financial Instruments: Presentation*, and PAS 39, *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008). The amendment is to be applied retrospectively.

    b. the amendment limits the scope of the measurement choices that only the components of non-controlling interests that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either:

        i. at fair value; or

        ii. at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by another PFRS.

    The amendment is applied prospectively from the date the entity applies PFRS 3.

c. the amendment requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., to split share-based between consideration and post combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. The amendment also specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of non-controlling interests and measured at their market-based measure; if unvested - they are measured at market-based value as if granted at acquisition date, and allocated between non-controlling interests and post-combination expenses. This amendment is to be applied prospectively.

The above amendments are applicable to annual periods beginning on or after July 1, 2010.

- PFRS 7, *Financial Instruments: Disclosures*, clarifies the following:

  a. the amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

  b. amendments to quantitative and credit risk disclosures are as follows:

     i. clarify that only financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk;

     ii. requires, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk);

     iii. remove the disclosure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired;

     iv. remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired; and,

     v. clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at reporting date.

  c. the amendment is to be applied retrospectively.

- PAS 1, *Presentation of Financial Statements*, clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statements of changes in equity or in the notes to the financial statements. The amendment is applied retrospectively.

- PAS 27, *Consolidated and Separate Financial Statements*, clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates*, and PAS 31, *Interests in Joint Ventures*, apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier. The amendment is applicable for annual periods beginning on or after July 1, 2010. The amendment is to be applied retrospectively.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

New Standards and Interpretation Effective 2012

- PFRS 7, *Financial Instruments: Disclosures* (Amendments) - *Transfers of Financial Assets*, will become effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g., securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- PAS 12, *Income Taxes* (Amendment) - *Deferred Tax: Recovery of Underlying Assets*, will become effective for annual periods beginning on or after January 1, 2012. It provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, will become effective for annual periods beginning on or after January 1, 2012. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and rewards of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

New Standard Effective 2013

- PFRS 9, *Financial Instruments: Classification and Measurement*, will become effective for annual periods beginning on or after January 1, 2013. PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Jollibee Group's financial assets. The Jollibee Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Basis of Consolidation from January 1, 2010
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at March 31, 2011 and December 31, 2010.

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 when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of comprehensive income and net assets not held by the Jollibee Group and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company. Acquisition of non-controlling 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 a direct deduction from the equity section of the consolidated statements of financial position as "Excess of cost over the carrying value of non-controlling interests acquired".

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of Consolidation Prior to January 1, 2010
Some of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses applicable to the non-controlling interest in a consolidated subsidiary may exceed the non-controlling interest in the subsidiary's equity. The excess, and any further losses applicable to the non-controlling interest, are allocated against the controlling interest except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the controlling interest until the non-controlling interest's share of losses previously absorbed by the controlling interest has been recovered. There were no losses prior to January 1, 2010 that requires allocation between non-controlling interests and equity holders of the Parent Company.

- The income and expenses of a subsidiary are included in the consolidated financial statements until the date on which the Jollibee Group ceases to control the subsidiary. The difference between the proceeds from the disposal of the subsidiary and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary recognized in equity, is recognized in the consolidated statements of comprehensive income as the gain or loss on the disposal of the subsidiary.

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 2011	2010	2009
Fresh N' Famous Foods, Inc. (Fresh N' Famous):	Philippines	Food service	**100**	100	100
▪ Chowking Food Corporation USA[a]	United States of America (USA)	Holding company	**100**	100	100
▪ Chowking Food Corporation (Thailand) Co. Ltd.[a]	Thailand	Dormant	**100**	100	100
Zenith Foods Corporation (Zenith)	Philippines	Food service	**100**	100	100
Freemont Foods Corporation	Philippines	Food service	**100**	100	100
RRB Holdings, Inc. (RRBHI):	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
Mang Inasal Philippines Inc. (Mang Inasal)	Philippines	Food service	**70**	70	–
Grandworth Resources Corporation (Grandworth):	Philippines	Leasing	**100**	100	100
▪ Adgraphix, Inc. (Adgraphix)[c]	Philippines	Digital printing	**100**	100	60
▪ IConnect Multimedia Network, Inc. (IConnect)[c]	Philippines	Advertising	**60**	60	60
Donut Magic Phils., Inc. (Donut Magic)[d]	Philippines	Dormant	**100**	100	100
Ice Cream Copenhagen Phils., Inc. (ICCP)[d]	Philippines	Dormant	**100**	100	100
Mary's Foods Corporation (Mary's)[d]	Philippines	Dormant	**100**	100	100
QSR Builders, Inc.	Philippines	Inactive	**100**	100	100
Jollibee USA	USA	Dormant	**100**	100	100
Honeybee Foods Corporation (Honeybee) -	USA	Food service	**100**	100	100
▪ Tokyo Teriyaki Corporation[e]	USA	Food service	**100**	100	100
Jollibee Worldwide Pte. Ltd. (Jollibee Worldwide):	Singapore	Holding company	**100**	100	100
▪ Jollibee Worldwide Services - Regional Headquarters of Jollibee Worldwide (JWS)[f]	Philippines	Accounting service	**100**	100	100
▪ Golden Plate Pte. Ltd. (GPPL) (formerly Lao Dong Pte. Ltd.)[f]	Singapore	Holding company	**100**	100	100
▪ Beijing New Hongzhuangyuan Food and Beverage Management Co., Ltd. (Hong Zhuang Yuan)[f]	Peoples' Republic of China (PRC)	Food service	**100**	100	100
▪ Beijing Shang Shi Lin Food & Beverage Management Co., Ltd. [f]	Peoples' Republic of China (PRC)	Food service	**100**	100	100
▪ Southsea Binaries Ltd. (Southsea)[f]	British Virgin Island (BVI)	Holding company	**100**	100	100
▪ Tianjin Yong He King Food and Beverage Co., Ltd.[f]	PRC	Food service	**100**	100	100
▪ Kuai Le Feng Food & Beverage (Shenzhen) Co., Ltd.[f]	PRC	Dormant	**100**	100	100
▪ Beijing Yong He King Food and Beverage Co., Ltd.[f]	PRC	Food service	**100**	100	100
▪ Shenzhen Yong He King Food and Beverage Co., Ltd.[f]	PRC	Food service	**100**	100	100
▪ Hangzhou Yongtong Food and Beverage Co., Ltd.[f]	PRC	Food service	**100**	100	100
▪ Hangzhou Yong He King Food & Beverage Co., Ltd.[f]	PRC	Food service	**100**	100	100
▪ Shanghai Yong He King Food & Beverage Co., Ltd.[f]	PRC	Food service	**100**	100	100
▪ Wuhan Yong He King Food and Beverage Co., Ltd.[f]	PRC	Food service	**100**	100	100
▪ Shanghai Chunlv Co. Ltd.[f]	PRC	Food service	**100**	100	100
▪ Jollibee Foods Processing Pte. Ltd. (JFPPL)[f] -	Singapore	Holding company	**70**	70	–
▫ Jollibee Foods Processing Pte. Ltd. (Anhui)[g]	PRC	Food service	**100**	100	–
▪ Jollibee International (BVI) Ltd. (JIBL)[f]:	BVI	Holding company	**100**	100	100
▫ Jollibee Vietnam Corporation Ltd.[h]	Vietnam	Food service	**100**	100	100
▫ PT Chowking Indonesia[h]	Indonesia	Food service	**100**	100	100
▫ PT Jollibee Indonesia[h]	Indonesia	Food service	**100**	100	100
▫ Jollibee (Hong Kong) Limited[h] -	Hong Kong	Food service	**85**	85	85
▫ Hanover Holdings Limited (Hanover)[i]	Hong Kong	Food service	**100**	100	100
▫ Belmont Enterprises Ventures Limited (Belmont)[h] -	BVI	Holding company	**100**	100	100
• Shanghai Belmont Enterprises Management and Adviser Co., Ltd. (SBEMAC)[j]	PRC	Business management service	**100**	100	100
• Yong He Holdings Co., Ltd.[j]:	BVI	Holding company	**100**	100	100
· Centenary Ventures Limited[k]	BVI	Holding company	**100**	100	100
· Colossus Global Limited[k]	BVI	Holding company	**100**	100	100
· Granite Management Limited[k]	BVI	Holding company	**100**	100	100
· Cosmic Resources Limited[k]	BVI	Holding company	**100**	100	100

	Country of Incorporation	Principal Activities	Percentage of Ownership 2011	2010	2009
• All Great Resources Limited[j]:	BVI	Holding company	**100**	100	100
· Eastpower Resources Limited[l] -	BVI	Holding company	**100**	100	100
· Eaglerock Development Limited[l]	BVI	Holding company	**100**	100	100

(a) *Indirectly owned through Fresh N' Famous.*
(b) *Indirectly owned through RRB Holdings, Inc.*
(c) *Indirectly owned through Grandworth.*
(d) *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 is pending approval of the SEC as of December 31, 2010.*
(e) *Indirectly owned through Honeybee.*
(f) *Indirectly owned through Jollibee Worldwide.*
(g) *Indirectly owned through JFPPL.*
(h) *Indirectly owned through JIBL.*
(i) *Indirectly owned through Jollibee (Hong Kong) Limited.*
(j) *Indirectly owned through Belmont.*
(k) *Indirectly owned through Yong He Holdings Co., Ltd.*
(l) *Indirectly owned through All Great Resources Limited.*
(m) *Indirectly owned through Eastpower Resources Limited.*

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.

Financial Instruments

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

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

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

Subsequent to initial recognition, the Jollibee Group classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets 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 reporting 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 traded 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 observable market prices exist, options pricing models and other relevant valuation models.

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

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

Financial Assets

Financial Assets at FVPL. Financial assets at FVPL include financial assets held-for-trading and financial assets designated 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. Gains or losses on investments held-for-trading are recognized in profit or loss.

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 at FVPL as of March 31, 2011 and December 31, 2010.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are classified as current assets when the Jollibee Group expects to realize or collect the asset within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Jollibee Group's cash and cash equivalents, trade receivables, advances to employees, employee car plan receivables, receivables from suppliers and others, receivable from retirement fund and refundable and other deposits are classified under this category (see Note 31).

HTM Investments. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM when there is a positive intention and ability to hold to maturity. Financial assets intended to be held for an undefined period are not included in this 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 less allowance for impairment. For financial assets carried at amortized cost, gains and losses are recognized in profit or loss when the financial assets 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 reporting date and as noncurrent assets if maturity date is more than a year from reporting date.

The Jollibee Group has no HTM investments as of March 31, 2011 and December 31, 2010.

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. AFS financial assets include equity and debt securities. Equity investments classified as AFS are those which are intended to be held for an indefinite period of time and are neither classified as held-for-trading nor designated as at FVPL. Debt securities are those which are intended to be held for an indefinite period of time and which may be sold in response to needs of liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as "Unrealized gain (loss) on available-for-sale financial assets" account in other comprehensive income until the financial asset is derecognized. If the fair value cannot be measured reliably, AFS financial assets are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of investment.

On derecognition or impairment, the cumulative gain or loss previously recognized as other comprehensive income is reclassified to either other income or other expense in the statements of comprehensive income as a reclassification adjustment. Interest earned on holding AFS financial assets is recognized in profit or loss using the effective interest method.

Assets under this category are classified as current assets if expected to be realized within 12 months from reporting date and as noncurrent assets if maturity date is more than a year from reporting date.

The Jollibee Group's investments in shares of stock and club shares are classified under this category (see Note 31).

Financial Liabilities

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

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

The Jollibee Group has no financial liability classified under this category as of March 31, 2011 and December 31, 2010.

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

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

This category includes trade payables and other current liabilities, short-term debt, long-term debt and liability for acquisition of businesses (including current portion) (see Note 31).

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

Debt Issue Costs

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

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

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

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the consolidated statements of comprehensive income under "Expenses" account. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Jollibee Group. The Jollibee Group also considers the financial condition or near term prospect of the related creditor, and its intent and ability to hold on the asset long enough to allow any anticipated recovery.

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

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

Unquoted AFS Equity Investments. 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 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.

Derecognition of Financial Assets and Liabilities

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

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

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

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

When the Jollibee Group has transferred its rights to receive cash flows from the asset or has entered into a pass-through arrangement, and neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Jollibee Group's continuing involvement in the asset.

In that case, the Jollibee Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Jollibee Group has retained.

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

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

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 profit or loss.

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

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

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

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

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

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

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

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

Land improvements	5 years
Plant 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

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

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

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

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

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

Investment Properties

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

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

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

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

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

Business Combinations and Goodwill

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

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

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

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

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

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

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

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

- represents the lowest level within the Jollibee Group at which the goodwill is monitored for internal management purposes; and

- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.

Frequency of Impairment Testing. Irrespective of whether there is any indication of impairment, the Jollibee Group tests goodwill acquired in a business combination for impairment annually.

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

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

Goodwill Included in a Disposal Group Classified as Held for Sale. Where goodwill forms part of a CGU and part of the operation within the 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 CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation adjustments and goodwill is recognized in profit or loss.

Common Control Business Combinations

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The Jollibee Group accounts for a business combination between entities under common control by applying the pooling of interests 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 Jollibee Group.

Interest in and Advances to a Joint Venture. This account consists of interest in and permanent advances to a joint venture.

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

The Jollibee Group has interest in a joint venture which is a jointly controlled entity. The Jollibee Group's interest in a joint venture is accounted for using the equity method based on the percentage share of capitalization in accordance with the joint venture agreements. Under the equity method, the interest in joint venture is carried in the consolidated statements of financial position at cost plus the Jollibee Group's share in post-acquisition changes in the net assets of the joint venture, less any impairment in value. The consolidated statements of comprehensive income include the Jollibee Group's share in the results of operations of the joint venture.

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

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

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

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

Impairment of Nonfinancial Assets

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

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

Capital Stock and Additional Paid-in Capital

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

Retained Earnings and Dividend on Common Stock of the Parent Company

The amount included in retained earnings includes profit attributable to the Parent Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the shareholders of the Parent Company and its subsidiaries. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the reporting period.

Cost of Common Stock Held in Treasury

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

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. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, sales taxes and duties. The Jollibee Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Jollibee Group has concluded that it is acting as a principal in majority of its revenue arrangements.

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

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

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

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

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

Dividend Income. Dividend income is recognized when the Jollibee Group's right as a shareholder to receive the payment is established.

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

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

Cost and Expenses
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses included under "Cost of sales" and "Expenses" in the consolidated statements of comprehensive income are recognized as incurred.

Pension Benefits
The Jollibee Group has a number of funded, non-contributory pension 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 exceeds 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.

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 pension plan, past service cost is recognized immediately.

Pension liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, and 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 loss of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gain 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 gain 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 PRC-based and USA-based subsidiaries. Under these schemes, pension benefits of existing and retired employees are guaranteed by the local pension benefit plan and each subsidiary has no further obligations beyond the annual contribution.

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

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

The fair value is determined using the Black-Scholes Option Pricing Model (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 Jollibee Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in profit or loss or the investment account for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

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

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

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

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

Leases

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

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

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 reporting date. All differences are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The functional currencies of the Jollibee Group's foreign operations are USD, PRC renminbi, Indonesia rupiah, Vietnam dong and Hong Kong dollar. As of the reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the reporting date while 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 equity under the account "Cumulative translation adjustments of subsidiaries" and in other comprehensive income. On disposal of a foreign subsidiary, the accumulated exchange differences are recognized in profit or loss as a component of the gain or loss on disposal.

Taxes

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

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interest in a joint venture, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax 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 consolidated statements of financial position.

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

Diluted EPS is computed by dividing the net income for the year attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the period, adjusted for any 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 would be stated at the same amount.

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

Business Segments
The Jollibee Group is organized and managed separately according to the nature of 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.

Events after the Reporting Period
Post year-end events that provide additional information about the Jollibee Group's financial position at reporting date (adjusting events) are reflected in the Jollibee Group's consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material (see Note 32).

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts on the consolidated financial statements.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

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

Operating Lease Commitments - Jollibee Group as 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 ₱21.9 million and ₱21.2 million for the three months ended March 31, 2011 and 2010, respectively (see Notes 13, 20 and 29).

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, based on an evaluation of the terms and condition of the arrangements that all the significant risks and benefits of ownership of these properties, which the Jollibee Group leases under operating lease arrangements, remain with the lessors. Accordingly, the leases are accounted for as operating leases.

Rent expense amounted to ₱1,118.9 million and ₱920.7 million for the three months ended March 31, 2011 and 2010, respectively (see Notes 21, 22 and 29).

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

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

For unquoted equity shares, the Jollibee Group estimates the expected future cash flows from the investment and calculates the amount of impairment as the difference between the present value of expected of future cash flows from the investment and its acquisition cost and recognizes the amount in the statements of comprehensive income.

No impairment loss for AFS financial assets was recognized in 2011 and 2010. The carrying values of AFS financial assets amounted to ₱176.3 million as of March 31, 2011 and December 31, 2010 (see Note 10).

Estimates and Assumptions

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

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

Provision for impairment loss on receivables in 2010 amounted ₱50.3 million. The carrying value of receivables amounted to ₱1,885.6 million and ₱2,098.9 million as of March 31, 2011 and December 31, 2010, respectively (see Note 7).

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

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

The Jollibee Group assessed that the net realizable value for some inventories is lower than cost, hence, it recognized provision for inventory obsolescence amounting to ₱6.0 million in 2010. The carrying values of inventories amounted to ₱2,241.9 million and ₱2,134.5 million as of March 31, 2011 and December 31, 2010, respectively (see Note 8).

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

There was no change in the estimated useful lives of property, plant and equipment and investment properties in 2011 and 2010.

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

The carrying amount of goodwill as of March 31, 2011 and December 31, 2010 amounted to ₱7,019.5 million (see Note 14).

Impairment of Property, Plant and Equipment and Investment Properties. The Jollibee Group performs annual impairment review of property, plant and equipment and investment properties when certain impairment indicators are present. Determining the fair value of assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Jollibee Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Jollibee Group to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the Jollibee Group's financial condition and performance.

There were no provisions for impairment loss on property, plant and equipment and investment properties in 2011 and 2010. As of March 31, 2011 and December 31, 2010, the aggregate carrying values of property, plant and equipment and investment properties amounted to ₱9,677.8 million and ₱9,548.2 million, respectively (see Notes 12 and 13).

Realizability of Deferred Tax Assets. The carrying amounts of deferred tax assets at each reporting date is reviewed and reduced to the extent that there are no longer sufficient taxable profits available to allow all or part of the deferred tax assets to be utilized. The Jollibee Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of 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 ₱920.1 million as of March 31, 2011 and December 31, 2010 (see Note 24).

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.

Pension liability as of March 31, 2011 and December 31, 2010 amounted to ₱247.0 million and ₱212.1 million, respectively. Unrecognized net actuarial gains amounted to ₱48.4 million as of March 31, 2011 and December 31, 2010 (see Note 25).

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

Total expense arising from share-based payment recognized by the Jollibee Group amounted to ₱16.3 million and ₱11.9 million for the three months ended March 31, 2011 and 2010, respectively (see Notes 22 and 26).

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

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

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.

Total outstanding provisions for legal claims, restructuring costs and others amounted to ₱30.5 million as of March 31, 2011 and December 31, 2010 (see Note 17).

Contingencies. The Jollibee Group is currently involved in litigations, claims and disputes which are normal to its business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with the Jollibee Group's legal counsels and based upon an analysis of potential results. Except for those legal claims provided under Note 17, management believes that the ultimate liability, if any, with respect to the other litigations, claims and disputes will not materially affect the financial position and performance of the Jollibee Group.

5. Segment Information

Business Segments

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

- The food service segment is involved in the operations of 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 following tables present certain information on revenues, expenses, assets and liabilities and other segment information of the different business segments as of and for the three months ended March 31, 2011 and 2010:

	March 2011 (Unaudited)				
	Food Service	Franchising	Leasing	Eliminations	Total
			(In Thousands)		
Revenues from external customers	₱13,249,665	₱684,641	₱35,482	₱–	₱13,969,788
Inter-segment revenues	4,733,307	102,706	261,283	(5,097,296)	–
Segment revenues	17,982,972	787,347	296,765	(5,097,296)	13,969,788
Segment expenses	(17,789,564)	(102,706)	(318,374)	5,097,296	(13,113,348)
Other segment income	46,151	–	275	–	46,426
Segment result	₱239,559	₱684,641	(₱21,334)	₱–	902,866
Interest income					23,827
Interest expense					(65,469)
Income before income tax					861,224
Provision for income tax					(230,596)
Net income					₱630,628
Assets and Liabilities					
Segment assets	₱31,447,928	₱–	₱352,144	₱–	₱31,800,072
Deferred tax assets	878,654	–	41,485	–	920,139
Total assets	₱32,326,582	₱–	₱393,629	₱–	₱32,720,211
Segment liabilities	₱11,939,053	₱–	₱156,174	₱–	₱12,095,227
Deferred tax liabilities	159,043	–	8,061	–	167,104
Long-term debt - including current portion	2,380,516	–	–	–	2,380,516
Income tax payable	205,806	–	3,449	–	209,255
Total liabilities	₱14,684,418	₱–	₱167,684	₱–	₱14,852,102
Other Segment Information					
Capital expenditures	₱721,311	₱–	₱–	₱–	₱721,311
Depreciation and amortization	544,643	–	1,311	–	545,954

	March 2010 (Unaudited)				
	Food Service	Franchising	Leasing	Eliminations	Total
			(In Thousands)		
Revenue from external customers	₱11,663,776	₱589,140	₱29,238	₱–	₱12,282,154
Inter-segment revenue	4,073,541	122,084	213,299	(4,408,924)	–
Segment revenue	15,737,317	711,224	242,537	(4,408,924)	12,282,154
Segment expenses	(15,464,422)	(122,084)	(248,926)	4,408,924	(11,426,508)
Other segment income	60,286	–	397	–	60,683
Segment result	₱333,181	₱589,140	(₱5,992)	₱–	916,329
Interest income					46,243
Interest expense					(49,270)
Income before income tax					913,302
Provision for income tax					(222,043)
Net income					₱691,259
Assets and Liabilities:					
Segment assets	₱28,248,822	₱–	₱325,673	₱–	₱28,574,495
Deferred tax assets	778,694	–	47,307	–	826,001
Total assets	₱29,027,516	₱–	₱372,980	₱–	₱29,400,496
Segment liabilities	₱9,605,814	₱–	₱149,620	₱–	₱9,755,434
Deferred tax liabilities	141,820	–	11,002	–	152,822
Long-term debt - including current portion	2,425,610	–	–	–	2,425,610
Income tax payable	155,356	–	–	–	155,356
Total liabilities	₱12,328,600	₱–	₱160,622	₱–	₱12,489,222

	March 2010 (Unaudited)				
	Food Service	Franchising	Leasing	Eliminations	Total
			(In Thousands)		
Other segment information:					
Capital expenditures	₱537,706	₱–	₱–	₱–	₱537,706
Depreciation and amortization	490,922	–	1,519	–	492,441

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

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

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

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

	Philippines	International	Total
		(In Thousands)	
March 31, 2011:			
Revenues	**₱11,320,264**	**₱2,649,524**	**₱13,969,788**
Segment assets	**22,619,866**	**9,180,206**	**31,800,072**
Capital expenditures	**485,096**	**236,215**	**721,311**
March 31, 2010:			
Revenues	₱10,149,380	₱2,132,774	₱12,282,154
Segment assets	19,886,385	8,688,110	28,574,495
Capital expenditures	299,659	238,047	537,706

6. Cash and Cash Equivalents

This account consists of:

	March 2011 (Unaudited)	December 2010 (Audited)
Cash on hand	**₱123,543,917**	₱130,303,379
Cash in banks	**3,555,535,759**	2,795,294,557
Short-term deposits	**3,852,514,294**	5,244,891,365
	₱7,531,593,970	₱8,170,489,301

Cash in banks earn interest at the respective savings or special demand deposit rates.

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

Interest income earned from cash in banks and short-term deposits amounted to ₱21.0 million and ₱42.0 million for the three months ended March 31, 2011 and 2010, respectively (see Note 23).

7. Receivables

This account consists of:

	March 2011 (Unaudited)	December 2010 (Audited)
Trade	₱1,747,012,094	₱1,973,793,420
Less allowance for impairment loss	136,082,073	136,082,073
	1,610,930,021	1,837,711,347
Receivable from retirement fund (Notes 30 and 31)	130,230,780	111,108,541
Advances to employees	82,988,049	95,726,858
Current portion of employee car plan receivables	54,361,222	43,811,033
Others	7,049,462	10,563,441
	₱1,885,559,534	₱2,098,921,220

Trade receivables are noninterest-bearing and are generally on a 7-14 days term.

Receivable from retirement fund, advances to employees, current portion of employee car plan receivables and other receivables are expected to be collected within the next financial year.

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

	March 2011 (Unaudited)	December 2010 (Audited)
Balance at beginning of year	₱136,082,073	₱99,709,174
Provisions (Note 22)	-	50,314,688
Reversals	-	(1,504,095)
Write-offs	-	(12,437,694)
Balance at end of year	₱136,082,073	₱136,082,073

The provisions in 2010 resulted from specific and collective impairment assessments performed by the Jollibee Group.

8. Inventories

This account consists of:

	March 2011 (Unaudited)	December 2010 (Audited)
At cost:		
Food supplies and processed inventories	**₱2,105,771,201**	₱1,973,039,104
Packaging, store and other supplies	**132,185,001**	155,773,504
	2,237,956,202	2,128,812,608
At net realizable value -		
Novelty items	**3,986,252**	5,654,551
Total inventories at lower of cost and net realizable value	**₱2,241,942,454**	₱2,134,467,159

The cost of novelty items carried at net realizable value amounted to 21.0 million and ₱92.3 million as of March 31, 2011 and December 31, 2010, respectively.

The allowance for inventory obsolescence amounted to ₱17.0 million and ₱86.6 million as of March 31, 2011 and December 31, 2010, respectively.

9. Other Current Assets

This account consists of:

	March 2011 (Unaudited)	December 2010 (Audited)
Prepaid expenses		
Rent	**₱254,839,848**	₱281,393,792
Insurance and other prepayments	**210,089,829**	130,129,134
Taxes	**142,526,076**	107,447,393

(Forward)

	March 2011 (Unaudited)	December 2010 (Audited)
Receivables from suppliers and others (Notes 30 and 31)	**₱969,780,005**	₱577,525,104
Supplies	**72,374,688**	72,084,194
	₱1,649,610,446	₱1,168,579,617

Prepaid expenses and supplies are charged to operation in the next financial year as the related expenses are incurred.

Receivables from suppliers and others are non-interest bearing and are normally collected within the next financial year.

10. Available-for-Sale Financial Assets

This account consists of the Jollibee Group's investment in shares of stock and club shares, which are as follows as of March 31, 2011 and December 31, 2010:

Quoted equity shares - at fair value	**₱125,416,546**
Unquoted equity shares - at cost	**50,866,500**
	₱176,283,046

The carrying value of AFS financial assets has been determined as follows:

	March 2011 (Unaudited)	December 2010 (Audited)
Balance at beginning of year	**₱176,283,046**	₱155,228,494
Additions	-	3,940,000
Disposals	-	(145,431)
Gain on changes in fair value of AFS financial assets	-	17,259,983
Balance at end of year	**₱176,283,046**	₱176,283,046

As of March 31, 2011 and December 31, 2010, the unrealized gain on AFS financial assets amounted to ₱107.2 million.

11. Business Combinations, Acquisition of Non-controlling Interests, Incorporation of New Subsidiaries and Interest in a Joint Venture

Acquisition of Majority Stake in Chow Fun Holdings, LLC

On March 31, 2011, the Jollibee Group, through its wholly owned subsidiary, Jollibee Worldwide, acquired from Aspen Partners, LLC 2,400 shares in Chow Fun Holdings, LLC ("Chow Fun") for US$3,240,000, bringing up its equity share in Chow Fun to 80.55%. The Jollibee Group (through JWPL) had previously acquired in July 2008 a 12.25% equity share in Chow Fun for US$950,000. Chow Fun is the developer and owner of Jinja Bar and Bistro in New Mexico, USA. It presently has three (3) restaurants in New Mexico, two (2) in Albuquerque and one (1) in Santa Fe. Jinja Bar and Bistro serves Asian cuisine adapted to Western preferences to mainstream American consumers. The Jollibee Group's objective in this venture is to enhance its capability in developing Asian food restaurant concepts for the mainstream consumers in the United States as part of its long-term strategy. The carrying amount of previously held equity interest in Chow Fun is presented as part of AFS financial assets.

Business Combinations

Mang Inasal. On November 22, 2010, the Jollibee Group, through its Parent Company, acquired 70% of the issued and outstanding shares of Mang Inasal from Injap Investments, Inc. (the seller), owner and operator of Mang Inasal business in the Philippines, for a total acquisition cost of ₱2,979.8 million. The Jollibee Group paid ₱2,700.0 million as of December 31, 2010. The remaining 10% of the purchase price, payable annually for the next 3 years with present value of ₱279.8 million, was withheld as assurance for indemnification against the seller's representations and warranties. The liability for acquisition of Mang Inasal (presented under current and noncurrent portion of liability for acquisition of businesses) will be settled as follows:

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

The balance of liability for acquisition of a business as of December 31, 2010 is as follows:

Principal	₱300,000,000
Less unamortized discount	20,216,457
	279,783,543
Less current portion of liability for acquisition of a business	138,528,874
Noncurrent portion of liability for acquisition of a business	₱141,254,669

As a result of the acquisition, Mang Inasal became a partially owned local subsidiary of the Jollibee Group.

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

The fair values (provisionally determined to be equal to the book values at the date of acquisition) of the identifiable assets acquired and liabilities assumed from Mang Inasal as at the date of acquisition were as follows:

	Fair Value
Cash and cash equivalents	₱132,213,023
Receivables	161,324,831
Inventories	90,564,116
Other current assets	26,878,935
Property, plant and equipment	175,408,049
Other noncurrent assets	24,823,843
Total identifiable assets	611,212,797
Less:	
Trade payables and other current liabilities	315,498,376
Income tax payable	59,445,563
Total identifiable liabilities	374,943,939
Acquisition-date fair value of net assets acquired	₱236,268,858

The fair value of Mang Inasal's receivables, which comprise mainly of receivables from franchisees, amounted to ₱161.3 million, the carrying value at acquisition. None of the receivables was assessed as impaired and it is expected to be collected in full.

Goodwill acquired in the business combination was determined as follows:

Acquisition-date fair value of consideration transferred:	
Cash	₱2,700,000,000
Liability	279,783,543
Total	2,979,783,543
Non-controlling interests' proportionate share of Mang Inasal's net assets acquired	70,880,657
Aggregate amount	3,050,664,200
Less acquisition-date fair value of net assets acquired	236,268,858
Goodwill (Note 14)	₱2,814,395,342

The goodwill of ₱2,814.4 million comprises the value of expected synergies arising from the business combination and the trademark, secret recipes and other intangible assets for which fair values are still to be determined within the measurement period allowed.

The net cash outflow on the acquisition is as follows:

Cash paid	₱2,700,000,000
Less cash acquired from subsidiary	132,213,023
Net cash outflow	₱2,567,786,977

Mang Inasal contributed ₱432.2 million and ₱49.1 million from the date of acquisition to December 31, 2010 to consolidated revenue and net income for the period, respectively. If the business combination had taken place at the beginning of 2010, consolidated revenue and net income for the year would have been ₱55,751.2 million and ₱3,392.4 million, respectively.

Hong Zhuang Yuan and Southsea. On August 23, 2008, Jollibee Worldwide, a wholly owned subsidiary of the Parent Company, acquired 100% of the issued and outstanding shares of Hong Zhuang Yuan and Southsea, which operates the Hong Zhuang Yuan restaurant chain in PRC. Consideration paid amounting to ₱1,706.1 million in 2008 was provisionally allocated to the identifiable assets and liabilities of Hong Zhuang Yuan and Southsea and excess to goodwill. Goodwill amounting to ₱1,551.5 million was provisionally recognized in 2008.

In 2009, upon determination of the final consideration of ₱2,648.1 million, Jollibee Worldwide paid an additional ₱795.0 million and recognized a liability to Hong Zhuang Yuan and Southsea's original shareholders of ₱147.0 million. Such additional consideration paid also included other direct costs of ₱10.0 million. Additional goodwill amounting to ₱945.8 million was recognized in 2009 upon determination and settlement of the final consideration (see Note 14).

The final consideration was allocated as follows:

	Fair Value	Carrying Value
Cash and cash equivalents	₱182,049,407	₱182,049,407
Inventories	3,103,119	3,103,119
Receivables	483,296	483,296
Other current assets	57,747,358	57,747,358
Property, plant and equipment	185,401,252	172,884,268
Other noncurrent assets	11,451,012	11,451,012
Total identifiable assets	440,235,444	427,718,460
Less:		
Trade payables and other current liabilities	285,604,384	285,604,384
Deferred tax liabilities	3,755,095	–
Total identifiable liabilities	289,359,479	285,604,384
Net assets	150,875,965	₱142,114,076
Goodwill arising from acquisition (Note 14)	2,497,252,905	
Total consideration	₱2,648,128,870	

The net cash outflow on the acquisition is as follows:

	2010	2009	2008
Cash paid	₱147,024,167	₱795,009,120	₱1,706,095,596
Less cash acquired from subsidiary	–	–	182,049,407
Net cash outflow	₱147,024,167	₱795,009,120	₱1,524,046,189

Hangzhou Yonghe. On August 12, 2008, Jollibee Worldwide, through its wholly owned subsidiary, Shanghai Yong He King Food & Beverage Co., Ltd., entered into an Asset Purchase Agreement with Hangzhou Yonghe, 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 ₱6.9 million.

The equipment used in the eight stores are owned by Hangzhou Huadong Xianzhi Equipment Marketing (Hangzhou Huadong). Accordingly, in relation to the Asset Purchase Agreement, Shanghai Yong He entered into an Equipment Purchase Agreement with Hangzhou Huadong to purchase the store equipment for a total consideration of ₱110.2 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 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 Shanghai Yong He.

As of December 31, 2008, lease contracts and store equipment of three stores have been transferred to Shanghai Yong He hence, a partial payment amounting to ₱33.3 million was made. Shanghai Yong He also made a deposit of ₱11.1 million which will be applied as payment for the last store to be transferred.

Pursuant to the agreements, 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.

In 2008, the purchase agreements were accounted for as business combinations. The total consideration paid of RMB4.8 million or ₱33.3 million, was initially recorded as goodwill pending the completion of the valuation of the identifiable assets at the date of acquisition.

In 2009, Shanghai Yong He made additional payments to Hangzhou Huadong, amounting to RMB5.8 million or ₱40.3 million for the lease contracts and equipment of four additional stores transferred. The final consideration was allocated as follows:

	Fair Value
Leasehold rights	₱15,442,438
Deferred tax liability	(4,632,732)
Net assets	10,809,706
Goodwill arising from acquisition	106,264,544
	₱117,074,250

The goodwill arising from the acquisition of the leasehold rights of Hangzhou Yonghe is expected to redound to the benefit of Yong He King stores in Hangzhou thus, added to the goodwill from the acquisition of Belmont, the operator of Yong He King chain of restaurants.

The cash outflow from the acquisition amounted to ₱40.3 million in 2009, and ₱33.3 million in 2008.

San Ping Wang. On April 30, 2010, the Jollibee Group, through its wholly owned subsidiary, Jollibee Worldwide, entered into an agreement with Guangxi Zong Kai Food Beverage Investment Company Limited (GZK) for the eventual majority ownership of San Pin Wang with chain of restaurants in Nanning and Liuzhou Guang Xi Zhuang Minority Autonomous Region in PRC. The Jollibee Group will own 55% interest in the business for RMB30.0 million. Both the Jollibee Group and GZK will also place additional investments totaling to RMB20.0 million in anticipation of San Pin Wang's expansion. The agreement will be finalized in 2011 pending approval from PRC government.

Acquisition of Non-controlling Interest

Adgraphix. On January 1, 2010, the Jollibee Group, through Grandworth, a wholly owned subsidiary, acquired the remaining 40% of the issued and outstanding shares of Adgraphix for a total consideration of ₱2.0 million which provided the Jollibee Group a 100% interest in Adgraphix. The difference between the consideration and the carrying value of non-controlling interest acquired of ₱1.2 million is recorded as part of "Excess of Cost over the Carrying Value of Non-controlling Interests Acquired" account in the 2010 consolidated statements of financial position.

Establishment of New Subsidiaries

JFPPL. On July 27, 2010, the Jollibee Group, through its wholly owned subsidiary, Jollibee Worldwide, signed an agreement with Hua Xia Harvest Holdings Pte. Ltd. (Hua Xia Harvest), a Singapore-based company, to undertake food manufacturing operations to supply products to food service businesses primarily to entities within the Jollibee Group. Under the terms of the agreement, the Jollibee Group and Hua Xia Harvest formed JFPPL in Singapore which is 70% owned by the Jollibee Group and 30% owned by Hua Xia Harvest. JFPPL is estimated to be operational in July 2011.

IConnect. On August 26, 2009, Grandworth, a wholly owned subsidiary of the Parent Company, established IConnect, a multimedia advertising company, with initial capital of ₱6.0 million, owning 60% of its issued and outstanding shares. On December 23, 2010, Grandworth made additional investments of ₱3.0 million without change in the ownership percentage.

GPPL. On January 1, 2009, Jollibee Worldwide, a wholly owned subsidiary of the Parent Company, incorporated GPPL, a Singapore-based holding company, with initial capital of US$0.8 million or ₱41.3 million, owning 100% of its issued and outstanding shares.

Sale of Delifrance Business Unit's Assets

Fresh N' Famous terminated its franchise agreement with Delifrance Asia Limited effective December 31, 2010. Assets of Delifrance Business Unit were sold to Café France Corporation on December 31, 2010 with cash proceeds of ₱110.3 million. The termination of the franchise agreement is part of the management's intention to concentrate its resources in building larger QSRs.

Interest in a Joint Venture

Coffeetap Corporation (Coffeetap). On May 4, 2010, the Jollibee Group, through its Parent Company, entered into a joint venture agreement with its partners to become the master franchisee in the Philippines of "Caffe Ti-Amo", a Korean restaurant brand offering coffee and gelato (Italian ice cream) in casual dining format. The joint venture entity, incorporated as Coffeetap Corporation, is 50% owned by the Jollibee Group and 50% by its partners, with an initial capitalization of ₱10.0 million.

The details of the Jollibee Group's interest in and advances to the joint venture as of March 31, 2011 and December 31, 2010 are as follows:

	March 2011 (Unaudited)	December 2010 (Audited)
Interest in a joint venture - cost	**₱5,000,000**	₱5,000,000
Accumulated equity in net losses		
Beginning for the period	**(2,181,411)**	–
Equity in net loss for the period	**–**	(2,181,411)
	2,818,589	2,818,589
Advances	**23,667,045**	18,803,882
	₱26,485,634	₱21,622,471

The aggregate amounts in 2010 related to the Jollibee Group's 50% interest in Coffeetap follow:

Current assets	₱17,980,629
Noncurrent assets	10,407,512
Total assets	₱28,388,141
Current liabilities	₱22,746,057
Noncurrent liabilities	4,906
Total liabilities	₱22,750,963
Income	₱8,362,370
Less Expenses	12,725,192
Net loss	₱4,362,822

12. Property, Plant and Equipment

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

	March 2011 (Unaudited)							
	Land and Land Improvements	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	Total
				(In Thousands)				
Cost								
Balance at beginning of period	₱657,165	₱996,048	₱9,126,262	₱8,604,349	₱611,650	₱364,786	₱205,466	₱20,565,726
Additions (Note 11)	–	100	213,781	219,061	23,433	16,775	248,161	721,311
Retirements and disposals	(595)	(735)	(70,879)	(54,306)	(6,415)	67	(172)	(133,035)
Reclassifications (Note 13)	–	–	110,198	7,878	(292)	–	(117,784)	0
Balance at end of period	656,570	995,413	9,379,362	8,776,982	628,376	381,628	335,671	21,154,002
Accumulated Depreciation and Amortization								
Balance at beginning of period	6,674	680,629	4,568,886	5,843,478	456,008	239,532	–	11,795,207
Depreciation and amortization (Notes 21 and 22)	351	8,487	242,016	261,562	22,309	9,158	–	543,883
Retirements and disposals	–	(709)	(34,580)	(40,805)	(6,769)	(1,261)	–	(84,124)
Balance at end of period	7,025	688,407	4,776,322	6,064,235	471,548	247,429	–	12,254,966
Net Book Value	₱649,545	₱307,006	₱4,603,040	₱2,712,747	₱156,828	₱134,199	₱335,671	₱8,899,036

	December 2010 (Audited)							
	Land and Land Improvements	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	Total
				(In Thousands)				
Cost								
Balance at beginning of year	₱651,035	₱1,042,691	₱8,341,624	₱8,016,620	₱576,957	₱335,723	₱203,922	₱19,168,572
Additions (Note 11)	–	10,951	1,149,425	905,664	90,991	47,769	348,649	2,553,449
Arising from business combination (Note 11)	1,769	–	79,414	115,416	–	49,640	–	246,239
Retirements and disposals	(3,118)	(10,086)	(650,944)	(557,970)	(60,822)	(73,732)	(4,908)	(1,361,580)
Reclassifications (Note 13)	7,479	(47,508)	206,743	124,619	4,524	5,386	(342,197)	(40,954)
Balance at end of year	657,165	996,048	9,126,262	8,604,349	611,650	364,786	205,466	20,565,726
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	626,926	4,011,021	5,362,403	425,460	256,040	–	10,681,850
Depreciation and amortization (Notes 21 and 22)	1,416	51,392	890,801	911,954	87,217	33,853	–	1,976,633
Arising from business combination (Note 11)	–	–	23,075	35,019	–	12,737	–	70,831
Retirements and disposals	–	(4,978)	(353,601)	(463,365)	(57,170)	(66,442)	–	(945,556)
Reclassifications (Note 13)	5,258	7,289	(2,410)	(2,533)	501	3,344	–	11,449
Balance at end of year	6,674	680,629	4,568,886	5,843,478	456,008	239,532	–	11,795,207
Accumulated Impairment Loss								
Balance at beginning of year	–	–	89,629	46,381	18	121	–	136,149
Retirements	–	–	(89,629)	(46,381)	(18)	(121)	–	(136,149)
Balance at end of year	–	–	–	–	–	–	–	–
Net Book Value	₱650,491	₱315,419	₱4,557,376	₱2,760,871	₱155,642	₱125,254	₱205,466	₱8,770,519

The cost of fully depreciated assets still in use by the Jollibee Group amounted to ₱5,424.0 million and ₱5,256.1 million as of March 31, 2011 and December 31, 2010, respectively.

The construction in progress account as of March 31, 2011 and December 31, 2010 mainly pertains to cost incurred for soon-to-open stores and commissaries.

Loss on disposals and retirements of property, plant and equipment amounted to ₱46.2 million and ₱91.2 million for the three months ended March 31, 2011 and 2010, respectively.

13. Investment Properties

The rollforward analysis of this account follows:

	March 2011 (Unaudited)		
	Land	**Buildings and Building Improvements**	**Total**
		(In Thousands)	
Cost			
Balance at beginning of period	**₱684,853**	**₱331,959**	**₱1,016,812**
Additions	**3,002**	**77**	**3,079**
Balance at end of period	**687,855**	**332,036**	**1,019,891**
Accumulated Depreciation			
Balance at beginning of period	–	**213,822**	**213,822**
Depreciation (Notes 21 and 22)	–	**2,071**	**2,071**
Balance at end of period	–	**215,893**	**215,893**
Accumulated Impairment Losses			
Balance at beginning and end of period	**25,270**	–	**25,270**
Net Book Value	**₱662,585**	**₱116,143**	**₱778,728**

	December 2010 (Audited)		
	Land	Buildings and Building Improvements	Total
		(In Thousands)	
Cost			
Balance at beginning of year	₱669,119	₱276,354	₱945,473
Additions	16,011	14,651	30,662
Disposals	(277)	–	(277)
Reclassifications/Transfers (Note 12)	–	40,954	40,954
Balance at end of year	684,853	331,959	1,016,812
Accumulated Depreciation			
Balance at beginning of year	–	223,898	223,898
Depreciation (Notes 21 and 22)	–	1,373	1,373
Reclassifications/Transfers (Note 12)	–	(11,449)	(11,449)
Balance at end of year	–	213,822	213,822
Accumulated Impairment Losses			
Balance at beginning of year	43,504	–	43,504
Reversal	(18,234)	–	(18,234)
Balance at end of year	25,270	–	25,270
Net Book Value	₱659,583	₱118,137	₱777,720

The accumulated impairment loss provided in the value of land amounting to ₱25.3 million as of March 31, 2011 and December 31, 2010 represents the excess of the carrying values over the estimated recoverable amounts of non-income-generating investment properties, which is its estimated fair value less costs to sell.

The cost of fully depreciated buildings still being leased out by the Jollibee Group amounted to ₱189.5 million and ₱176.2 million as of March 31, 2011 and December 31, 2010, respectively.

The reversal of previously recognized impairment loss in 2010 resulted from the increase in fair value of land of ₱18.2 million as determined by an independent appraiser as of December 31, 2010.

The fair values of other investment properties were determined by independent appraisers based on appraisal reports made in 2008, which amounted to ₱1,161.7 million as at December 31, 2008. 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.

While fair values of the majority of investment properties were not determined as of March 31, 2011 and December 31, 2010, the Jollibee Group's management believes that there were no conditions present in 2011 and 2010 that would significantly reduce the fair value of the investment properties from that determined in 2008.

Rent income derived from income-generating properties amounted to ₱7.8 million and ₱15.9 million for the three months ended March 31, 2011 and 2010, respectively (see Notes 20 and 29).

Direct operating costs relating to the investment properties that generated rent income recognized under "Cost of sales" and "General and administrative expenses" accounts amounted to ₱4.6 million and ₱4.0 million for the three months ended March 31, 2011 and 2010, respectively.

14. Goodwill

Goodwill acquired through business combinations have been allocated to five CGUs, which are subsidiaries of the Parent Company, owned directly or indirectly, as follows:

	Mang Inasal	Hong Zhuang Yuan	RRBHI and RRBI	RRBI USA	Belmont	Total
			(In Thousands)			
Balance at December 31, 2008	₱–	₱1,551,466	₱737,939	₱434,651	₱462,298	₱3,186,354
Additions (Note 11)	–	945,787	–	–	72,983	1,018,770
Balance at December 31, 2009	–	2,497,253	737,939	434,651	535,281	4,205,124
Additions (Note 11)	2,814,395	–	–	–	–	2,814,395
Balance at December 31, 2010	₱2,814,395	₱2,497,253	₱737,939	₱434,651	₱535,281	₱7,019,519

The carrying amount of goodwill on the acquisition of Belmont is related to the operations of the following indirectly-owned subsidiaries operating under the Yong He King brand:

- Shanghai Yong He King Food & Beverage Co., Ltd.
- Beijing Yong He King Food and Beverage Co., Ltd.
- Shenzhen Yong He King Food and Beverage Co., Ltd.
- Hangzhou Yonghong Food & Beverage Co., Ltd.
- Hangzhou Yongtong Food and Beverage Co., Ltd.
- Wuhan Yongchang Food and Beverage Co., Ltd.
- Tianjin Yong He King Food and Beverage Co., Ltd.

The amount of goodwill related to acquisition of Belmont is not allocated to individual CGUs at the date of acquisition but is allocated in full to such group of CGUs representing the lowest level at which goodwill is monitored for internal management purposes and is not larger than an operating segment.

Impairment Testing of Goodwill
The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by senior management covering a five-year period.

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

CGUs	Geographical Location	Pre-tax Discount Rate	Long-term Growth Rate
RRBHI and RRBI	Philippines	13.32%	3.0%
RRBI USA	USA	15.34%	0.0%
Belmont	PRC	12.73%	7.5%
Hong Zhuang Yuan	PRC	13.16%	7.5%

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

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

Aside from pre-tax discount rates and long-term growth rates, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margin is one of the key assumptions used in value in use calculations, which is based on the most recent value achieved in the year preceding the start of the budget period, and adjusted for planned efficiency improvement, if any.

Management did not identify impairment for these CGUs.

No impairment test was performed for the goodwill arising on the acquisition of 70% interest of Mang Inasal as the amount is still provisionally determined and to be finalized within the measurement period allowed by PFRS 3.

15. Other Noncurrent Assets

This account consists of:

	March 2011 (Unaudited)	December 2010 (Audited)
Refundable and other deposits (Notes 30 and 31)	**₱929,416,498**	₱871,020,582
Noncurrent portion of:		
Rent and other long-term prepayments	**208,155,769**	212,322,392
Employee car plan receivables (Notes 30 and 31)	**86,584,129**	86,584,129
Deferred rent expense	**59,683,173**	59,683,173
Deferred compensation	**17,143,586**	17,143,586
Returnable containers and others	**260,457,962**	236,779,654
	₱1,561,441,117	₱1,483,533,516

Refundable and other deposits represent deposits for operating leases entered into by the Jollibee Group as lessee, including returnable containers and other deposits. The refundable deposits are recoverable from the lessors at the end of the lease term. These are presented at amortized cost. The discount rates used range from 5% to 22% in 2010. 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. Accretion of interest on financial assets amounted to ₱2.8 million and ₱3.6 million for the three months ended March 31, 2011 and 2010, respectively (see Note 23).

16. Trade Payables and Other Current Liabilities

This account consists of:

	March 2011 (Unaudited)	December 2010 (Audited)
Trade	**₱3,612,689,829**	₱3,601,600,450
Accruals for:		
Salaries, wages and employee benefits	**819,793,543**	1,175,349,935
Local and other taxes	**962,664,829**	1,191,870,084
Advertising and promotions	**890,066,461**	869,225,014
Rent	**308,884,214**	336,956,709
Utilities	**212,715,211**	182,225,295
Freight	**73,184,930**	72,588,966
Store operations, corporate events and others	**1,031,978,746**	1,109,757,160
Deposits	**341,732,854**	264,720,117
Unearned revenue from gift certificates	**62,924,444**	123,055,811
Dividends payable	**34,778,988**	103,167,855
Other current liabilities	**174,401,510**	193,229,606
	₱8,525,815,559	₱9,223,747,002

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

Accruals, deposits, dividends payable, and other current liabilities are expected to be settled within the next financial year.

Unearned revenue from gift certificates will be recognized as revenue in the statements of comprehensive income as gift certificates are redeemed.

17. Provisions

There is no movement in provisions as of March 31, 2011 and December 31, 2010.

	Legal Claims	Restructuring Costs	Total
Balance at beginning and end of period	**₱29,269,304**	**₱1,231,335**	**₱30,500,639**

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 provisions recognized are sufficient to meet the costs related to the claims.

The provisions 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. Short-term and Long-term Debts

Short-term Debt

Short-term debt consists of unsecured short-term bank loans of the Parent Company and PRC-based subsidiaries. These loans are availed with maturities of one year or less with interest rates of 3.1% and 5.8% in 2010 and 2009, respectively.

Short-term debt amounted to ₱1,802.3 million and ₱1,842.0 million as of March 31, 2011 and December 31, 2010, respectively. Interest expense recognized on short-term debt amounted to ₱20.0 million and ₱2.9 million for the three months ended March 31, 2011 and 2010, respectively (see Note 23).

Long-term Debt

The details of the Jollibee Group's long-term debt as of March 31, 2011 and December 31, 2010 are as follows:

	March 2011 (Unaudited)	December 2010 (Audited)
RMB-denominated:		
Loan 1	**₱2,309,201,215**	₱2,309,794,661
Loan 2	**38,623,167**	45,666,920
USD-denominated:		
Loan 3	**32,691,884**	37,252,065
	2,380,516,266	2,392,713,646
Less current portion	**2,329,147,487**	2,341,125,065
	₱51,368,779	₱51,588,581

RMB-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 PRC. The agreement covers a three-year loan amounting to RMB700.0 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 1 consists of Tranches A and B for RMB350.0 million each. On September 26, 2008, the Parent Company drew the full amount of Tranche A at 6.85% fixed interest rate using RMB6.82:1USD as initial exchange rate. The Parent Company did not avail of Tranche B. The loan is payable in full in USD using the spot rate five business days before September 8, 2011.

RMB-denominated loan of Shanghai Yong He King Co., Ltd. Loan 2 consists of a 5-year unsecured loan acquired from a foreign bank in February 2009 amounting to RMB10.6 million with an interest rate of 5.76%. The principal is payable in 60 monthly installments commencing on February 27, 2009 up to February 27, 2014, the date of maturity.

USD-denominated loans of RRBI USA. Loan 3 consists of a 5-year unsecured 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.

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

	March 2011 (Unaudited)	December 2010 (Audited)
Principal	**₱2,387,601,426**	₱2,399,798,806
Less unamortized debt issue cost	**7,085,160**	7,085,160
	₱2,380,516,266	₱2,392,713,646

The repayment schedule of the outstanding long-term debt as of December 31, 2010 is as follows:

	RMB-denominated		USD-denominated	
Year	Loan 1	Loan 2	Loan 3	Total
2011	₱2,309,201,215	₱7,007,607	₱12,718,863	₱2,328,927,685
2012	–	14,051,360	18,386,342	32,437,702
2013	–	14,051,360	1,586,679	15,638,039
2014	–	3,512,840	–	3,512,840
	₱2,309,201,215	₱38,623,167	₱32,691,884	₱2,380,516,266

Interest expense recognized on long-term debt amounted to ₱44.3 million and ₱45.8 million for the three months ended March 31, 2011 and 2010, respectively (see Note 23).

19. Equity

a. Capital Stock

The movements in the number of shares follow:

	March 2011 (Unaudited)	December 2010 (Audited)
Authorized - ₱1 par value	**1,450,000,000**	1,450,000,000
Issued:		
Balance at beginning of year	**1,051,429,521**	1,049,448,859
Issuances	**99,166**	1,980,662
Balance at end of year	**1,051,528,687**	1,051,429,521
Subscribed:		
Balance at beginning of year	**2,009,297**	2,009,297
Subscriptions	**99,166**	1,980,662
Issuances	**(99,166)**	(1,980,662)
Balance at end of year	**2,009,297**	2,009,297
	1,053,537,984	1,053,438,818

b. Treasury Shares

The cost of common stock held in treasury of ₱180.5 million consists of 16,447,340 shares as of March 31, 2011 and December 31, 2010.

c. Excess of cost over the carrying value of non-controlling interests acquired

The amount of excess of cost over the carrying value of non-controlling interests acquired, recognized as part of equity attributable to Parent Company section in the consolidated statements of financial position resulted from the following acquisitions of non-controlling interests:

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

d. Retained Earnings

The Jollibee Group has a Cash Dividend Policy of declaring one-third of its net income for the year as cash dividends. It uses best estimate of its net income as basis for declaring cash dividends. Actual cash dividends per share declared as a percent of the EPS are 72.2%, 32.6% and 37.0% in 2010, 2009 and 2008, respectively.

The unappropriated retained earnings is restricted to the extent of ₱2,466.1 million and ₱2,353.5 million as of March 31, 2011 and December 31, 2010, respectively, representing appropriation for future expansion of ₱1,200.0 million and the cost of common stock held in treasury amounting to ₱180.5 million as of March 31, 2011 and December 31, 2010 and accumulated earnings of subsidiaries amounting to ₱1,085.6 million and ₱973.0 million as of March 31, 2011 and December 31, 2010, respectively.

On November 10, 2010, the BOD approved the declaration of a regular cash dividend of ₱0.57 a share and a special cash dividend of ₱0.25 a share of common stock in favor of stockholders of record as of November 25, 2010. Both regular and special cash dividends totaling to ₱0.82 a share were paid on December 21, 2010. On April 12, 2010, the BOD approved the declaration of a regular cash dividend of ₱0.43 a share and a special cash dividend of ₱1.00 a share of common stock in favor of stockholders of record as of May 7, 2010. Both regular and special cash dividends totaling to ₱1.43 a share were paid on June 3, 2010.

On November 5, 2009, the BOD approved the declaration of cash dividend of ₱0.48 a share in favor of stockholders of record as of November 23, 2009. The BOD also approved on April 28, 2009, the declaration of cash dividend of ₱0.37 a share in favor of stockholders of record as of May 14, 2009.

On November 11, 2008, the BOD approved the declaration of cash dividends of ₱0.48 a share in favor of stockholders of record as of November 28, 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.

An important part of the Jollibee Group's growth strategy is the acquisition of new businesses in the Philippines and abroad. Examples were acquisitions of 85% of Yong He King in 2004 in PRC (₱1,200.0 million), 100% of Red Ribbon Bakeshop in 2005 (₱1,700.0 million), the remaining 20% minority share in Greenwich in 2007 (₱384.0 million), the remaining 15% share of Yong He King in 2007 (₱413.7 million), 100% of Hong Zhuang Yuan restaurant chain in PRC in 2008 (₱2,600.0 million) and 70% of Mang Inasal in 2010 (₱2,979.8 million).

The Jollibee Group plans to continue to make substantial acquisitions in 2011 and in the next few years. The Jollibee Group uses its cash generated from operations to finance these acquisitions and capital expenditures. These limit the amount of cash dividends that it can declare and pay making the level of the Retained Earnings higher than the paid-in Capital Stock.

20. Royalty, Franchise Fees and Others

This account consists mainly of royalty, franchise fees, rent income and service revenues.

The Parent Company and some of its subsidiaries have existing Royalty and Franchise Agreements with independent franchisees to operate QSR outlets under the "Jollibee", "Chowking", "Greenwich", "Yong He King", "Red Ribbon" and "Mang Inasal" 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:

	March 2011 (Unaudited)	March 2011 (Unaudited)
Cost of inventories	**₱6,616,009,839**	₱5,675,962,884
Personnel costs:		
Salaries, wages and employee benefits	**1,589,300,998**	1,382,908,679
Net pension expense (Note 25)	**18,089,266**	15,918,525
Rent (Note 29)	**1,063,960,524**	884,098,443
Electricity and other utilities	**610,046,820**	540,982,755
Depreciation and amortization (Notes 12 and 13)	**490,928,048**	454,504,554
Supplies	**343,508,366**	298,190,928
Contracted services	**178,730,029**	175,914,369
Repairs and maintenance	**128,558,044**	130,630,046
Security and janitorial	**72,924,160**	55,809,034
Communication	**25,434,443**	23,442,997
Professional fees	**20,880,768**	15,499,789
Others	**318,419,287**	281,313,478
	₱11,476,790,592	₱9,935,176,481

22. Expenses

This account consists of:

	March 2011 (Unaudited)	March 2011 (Unaudited)
General and administrative expenses	**₱1,350,734,655**	₱1,170,176,337
Advertising and promotions	**285,822,508**	283,038,468
Provisions	**-**	38,115,692
	₱1,636,557,163	₱1,491,330,497

The general and administrative expenses consist of:

	March 2011 (Unaudited)	March 2011 (Unaudited)
Personnel costs:		
Salaries, wages and employee benefits	**₱676,466,006**	₱581,680,631
Stock options expense (Note 26)	**16,296,377**	11,873,832
Net pension expense (Note 25)	**15,240,076**	14,080,322
Taxes and licenses	**170,797,238**	147,683,502
Transportation and travel	**63,929,174**	52,979,901
Professional fees	**61,803,743**	47,349,916

(Forward)

	March 2011 (Unaudited)	March 2011 (Unaudited)
Depreciation and amortization (Notes 12 and 13)	**₱55,025,693**	₱37,936,444
Rent (Note 29)	**54,957,652**	36,605,361
EAR	**26,053,128**	20,124,697
Communication	**15,566,347**	18,230,526
Electricity and other utilities	**13,486,951**	13,621,697
Training	**11,057,452**	11,290,429
Supplies	**15,583,500**	12,750,398
Security and janitorial	**6,960,530**	11,861,368
Repairs and maintenance	**22,379,913**	8,589,820
Contracted services	**8,361,835**	9,584,057
Insurance	**5,741,609**	2,227,502
Corporate events and others	**111,027,431**	131,705,934
	₱1,350,734,655	₱1,170,176,337

23. Finance and Other Income (Expense)

These accounts consist of:

Finance Income

	March 2011 (Unaudited)	March 2011 (Unaudited)
Interest income:		
Cash and cash equivalents		
Cash in banks	**₱2,678,343**	₱2,601,754
Short-term deposits	**18,307,960**	39,431,415
Accretion of interest on financial assets (Note 15)	**2,840,993**	3,615,758
Loan and advances	**–**	593,887
	₱23,827,296	₱46,242,814

Finance Expense

	March 2011 (Unaudited)	March 2011 (Unaudited)
Interest expense:		
Long-term debt (Note 18)	**₱44,276,880**	₱45,777,762
Short-term debt (Note 18)	**19,975,624**	2,856,181
Accretion of interest on financial liabilities	**1,216,311**	635,621
	₱65,468,815	₱49,269,564

Other Income

This account consists of foreign currency exchange gains and losses, gains from reversal of liabilities and other miscellaneous income.

24. Income Taxes

The Jollibee Group's provision for current income tax for the three months ended March 31, 2011 consists of the following:

Final tax withheld on:	
Royalty and franchise fee income	₱131,861,532
Interest income	3,569,947
RCIT	
With itemized deduction	60,821,888
With optional standard deduction	28,131,717
MCIT	6,210,874
	₱230,595,958

The components of the Jollibee Group's deferred tax assets and liabilities follow as of March 31, 2011 and December 31, 2010:

Deferred tax assets:	
Operating lease payables	₱341,711,440
NOLCO:	
PRC-based entities	174,770,129
Philippine-based entities	51,392,531
Pension liability and other benefits	103,229,414
Unamortized past service costs	67,487,877
Excess of MCIT over RCIT	41,579,894
Allowance for impairment losses on receivables	34,662,921
Unaccreted discount on refundable deposits and employee car plan receivables	26,011,175
Allowance for inventory obsolescence	25,993,290
Provision for impairment in value of property, plant and equipment, investment properties, and other nonfinancial assets	22,470,114
Unrealized foreign exchange loss	14,196,618
Provisions for legal claims, restructuring costs and others	9,150,192
Others	7,483,776
	₱920,139,371
Deferred tax liabilities:	
Excess of fair value over book value of property, plant and equipment of acquired businesses	₱73,662,469
Unrealized foreign exchange gain	33,779,228
Prepaid rent	21,063,776
Deferred lease expense	17,904,952
Operating lease receivables	8,783,367
Others	11,910,664
	₱167,104,456

As of December 31, 2010, NOLCO and excess of MCIT over RCIT of the Philippine-based entities that can be claimed as deductions from taxable income and income tax due, respectively, are as follows:

Year Incurred/Paid	Carry Forward Benefit Up to	NOLCO	MCIT
December 31, 2010	December 31, 2013	₱144,421,913	₱25,221,846
December 31, 2009	December 31, 2012	26,886,523	9,126,973
December 31, 2008	December 31, 2011	–	7,885,310
December 31, 2007	December 31, 2010	–	4,905,086
		171,308,436	47,139,215
Less:			
Applied against regular taxable income in 2010		–	654,235
Expired in 2010		–	4,905,086
		₱171,308,436	₱41,579,894

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on March 16, 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% effective January 1, 2008. The PRC-based subsidiaries, except Shenzhen Yong He King Food and Beverage Co., Ltd. who benefits from 24% preferential tax rate, which are operating in a special economic zone and were previously taxed at a preferential rate of 15%, will apply increased tax rates of 20%, 22%, 24% and 25% for the years ending December 31, 2009, 2010, 2011 and 2012, respectively.

Year Incurred	Carry Forward Benefit up to	Tax Losses
December 31, 2010	December 31, 2015	₱178,088,357
December 31, 2009	December 31, 2014	391,040,616
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
		710,611,582
Less expired in 2010		6,400,222
Balance at end of year		₱704,211,360

Under Republic Act No. 9337, RCIT rate for domestic corporations and resident and nonresident foreign corporations was reduced to 30% from 35% beginning January 1, 2009. The deferred income taxes and the provision for current income tax include the effect of the change in tax rates.

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

For the year ended December 31, 2010, Zenith, a wholly owned subsidiary elected to use OSD in computing for its taxable income. The tax benefit from the availment of OSD amounted to ₱35.7 million in 2010.

On the basis of management review, Zenith expects to continue availing of the OSD method in the foreseeable future. Deferred tax assets and liabilities which do not have future tax consequences under the OSD method were not recognized. The underlying tax base of the remaining deferred tax assets and liabilities with future consequences under the OSD method was reduced by the 40% allowable deduction.

25. Pension Costs

Defined Benefit Plan

The Parent Company and certain Philippine-based subsidiaries have funded, independently administered, non-contributory defined benefit 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 pension expense recognized in the consolidated statements of comprehensive income and the funded status and amounts recognized in the consolidated statements of financial position for the plans.

Net Pension Expense

	2010	2009	2008
Current service cost	₱91,496,560	₱82,275,495	₱91,054,355
Interest cost on benefit obligation	135,969,783	97,064,311	88,432,474
Expected return on plan assets	(71,412,182)	(40,469,083)	(34,803,756)
Net actuarial loss	63,713	1,883,134	1,008,909
	₱156,117,874	₱140,753,857	₱145,691,982

Pension Liability

	2010	2009
Present value of defined benefit obligation	₱1,364,744,185	₱1,213,954,564
Fair value of plan assets	(1,201,052,350)	(973,263,844)
Present value of underfunded obligation	163,691,835	240,690,720
Unrecognized net actuarial gains (losses)	48,397,353	(66,493,104)
	₱212,089,188	₱174,197,616

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

	2010	2009
Balance at beginning of year	₱1,213,954,564	₱985,573,966
Interest cost on benefit obligation	135,969,783	97,064,311
Current service cost	91,496,560	82,275,495
Actual benefits paid from:		
Actual benefits paid	(103,951,840)	–
Actual benefits paid out of Jollibee Group's funds	(9,557,532)	(13,212,061)
Actuarial loss on benefit obligation	36,832,650	62,252,853
Balance at end of year	₱1,364,744,185	₱1,213,954,564

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

	2010	2009
Balance at beginning of year	₱973,263,844	₱531,760,226
Contributions	108,668,770	353,871,159
Expected return on plan assets	71,412,182	40,469,083
Actual benefits paid	(103,951,840)	–
Actuarial gain on plan assets	151,659,394	47,163,376
Balance at end of year	₱1,201,052,350	₱973,263,844
Actual return on plan assets	₱223,071,576	₱87,632,459

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

	2010	2009
Investment in government debt securities	59.80%	33.08%
Investments in shares of stock	24.54%	20.36%
Cash in banks	13.75%	37.47%
Other receivables	1.09%	2.09%
Loans and receivable	0.82%	7.00%
	100.00%	100.00%

The Jollibee Group expects to contribute in 2011, an amount equivalent to the underfunded defined benefit obligation based on the Actuarial Valuation in 2011.

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 plan is as of December 31, 2009.

As of December 31, 2010 and 2009, the principal actuarial assumptions used to determine pension benefits obligations are as follow:

	2010	2009
Discount rate	11.00%	11.00%-11.31%
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:

	2010	2009	2008	2007	2006
Defined benefit obligation	₱1,364,744,185	₱1,213,954,564	₱985,573,966	₱896,922,683	₱1,208,554,155
Plan assets	1,201,052,350	973,263,844	531,760,226	433,325,653	430,319,438
Deficit	₱163,691,835	₱240,690,720	₱453,813,740	₱463,597,030	₱778,234,717
Experience adjustments on:					
Plan obligation	(₱36,832,650)	(₱62,252,853)	₱–	(₱220,551,925)	₱28,704,737
Plan assets	151,659,394	47,163,376	(34,311,708)	2,211,130	103,583,944

Defined Contribution Plan

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

The contributions made to the scheme and recognized as net pension expense amounted to ₱94.9 million, ₱106.8 million and ₱82.8 million in 2010, 2009 and 2008, respectively.

26. Stock Option Plans

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

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

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

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

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

The contractual term of each option is seven years. The Jollibee Group does not pay cash as a form of settlement.

On July 1, 2004, the Compensation Committee of the Jollibee Group granted 2,385,000 options under the 1st MSOP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted on each anniversary date which will start after a year from the MSOP grant date. One-third of the options granted, or 795,000 options, vested and may be exercised starting July 1, 2005 and will expire on June 30, 2012. On July 1, 2005 to 2010, the Compensation Committee granted series of MSOP grants under the 2nd to 7th MSOP cycle totaling to 20,887,694 shares to eligible participants. The options vest similar to the 1st MSOP cycle.

The movements in the number of stock options outstanding for the 1st up to the 7th MSOP cycles and related weighted average exercise prices (WAEP) for the three months ended March 31, 2011 and December 31, 2010 follow:

	1st MSOP Cycle (2004)	2nd MSOP Cycle (2005)	3rd MSOP Cycle (2006)	4th MSOP Cycle (2007)	5th MSOP Cycle (2008)	6th MSOP Cycle (2009)	7th MSOP Cycle (2010)	Total	WAEP
Total options granted as of March 2011	2,385,000	2,577,000	3,231,500	3,014,700	4,202,450	4,690,300	3,172,744	23,273,694	₱40.39
Outstanding at December 31, 2009	1,392,500	1,564,232	1,935,049	2,628,278	3,720,923	4,670,300	–	15,911,282	39.43
Options granted during the year	–	–	–	–	–	–	3,172,744	3,172,744	57.77
Options forfeited during the year	–	(66,667)	(16,667)	(86,999)	(143,165)	(104,514)	(30,033)	(448,045)	42.36
Option exercised during the year	(401,333)	(368,866)	(566,935)	(641,048)	(500,806)	(251,996)	–	(2,730,984)	36.78
Outstanding at December 31, 2010	991,167	1,128,699	1,351,447	1,900,231	3,076,952	4,313,790	3,142,711	15,904,997	43.46
Options exercised during the period	(12,000)	(18,000)	(20,106)	–	(25,335)	(8,901)	–	(84,342)	33.19
Outstanding at March 31, 2011	979,167	1,110,699	1,331,341	1,900,231	3,051,617	4,304,889	3,142,711	15,820,655	43.52
Exercisable at December 31, 2010	991,167	1,128,699	1,351,447	1,900,231	1,676,135	1,186,923	–	8,234,602	37.86
Exercisable at March 31, 2011	979,167	1,110,699	1,331,341	1,900,231	1,650,800	1,178,022	–	8,150,260	37.91

The weighted average share price was ₱76.75 and ₱71.74 as of March 31, 2011 and December 31, 2010, respectively. The weighted average remaining contractual life for the stock options outstanding as of December 31, 2010 and 2009 is 5.31 years and 5.59 years, respectively.

The weighted average fair value of stock options granted in 2010 and 2009 is ₱22.77 and ₱13.11, respectively. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The inputs to the model used for the options granted on the dates of grant for each MSOP cycle are shown below:

	1st MSOP Cycle (2004)	2nd MSOP Cycle (2005)	3rd MSOP Cycle (2006)	4th MSOP Cycle (2007)	5th MSOP Cycle (2008)	6th MSOP Cycle (2009)	7th MSOP Cycle (2010)
Dividend yield	1.72%	1.72%	1.72%	1.70%	1.80%	2.00%	2.00%
Expected volatility	36.91%	36.91%	36.91%	28.06%	26.79%	30.37%	29.72%
Risk-free interest rate	6.20%	6.20%	6.20%	6.41%	8.38%	5.28%	5.25%
Expected life of the option	5-7 years	5-7 years	5-7 years	3-4 years	3-4 years	3-4 years	3-4 years
Stock price on grant date	₱24.00	₱29.00	₱35.00	₱52.50	₱34.00	₱48.00	₱70.00
Exercise price	₱20.00	₱27.50	₱32.32	₱50.77	₱39.85	₱45.45	₱57.77

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

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

Each ELTIP cycle refers to the period commencing on the ELTIP entitlement date and ending on the last day of the ELTIP exercise period. Vesting is conditional upon achievement of the Jollibee Group's minimum medium to long-term goals and individual targets in a given period, and the employment of the employee-participants to the Jollibee Group within the vesting period. If the goals are achieved, the options will start vesting at grant date at a rate of one-third every anniversary of the ELTIP grant date.

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

The contractual term of each option is five years. The Jollibee Group does not pay cash as a form of settlement.

On July 1, 2004, the Compensation Committee gave an entitlement of 22,750,000 options under the 1st ELTIP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted from the start of the grant date and on each anniversary of the ELTIP grant date. One-third of the options granted, or 7,583,333 options, vested and may be exercised starting July 1, 2007 and will expire on June 30, 2012. On July 1, 2008 and 2010, total entitlement of 19,649,999 options under 2nd ELTIP cycle were given to eligible participants. The options vest similar to the 1st ELTIP cycle.

The movements in the number of stock options outstanding for the 1st and 2nd ELTIP cycles and related WAEP for the quarter ended March 31, 2011 and years ended December 31, 2010 and 2009 follow:

	1st ELTIP Cycle (2004)	2nd ELTIP Cycle (2008)	Total	WAEP
Total entitlement to options given as of 2010	22,750,000	19,649,999	42,399,999	₱29.20
Outstanding at December 31, 2008	17,770,831	19,399,999	37,170,830	30.36
Options forfeited during the year	(1,416,666)	–	(1,416,666)	20.00
Options exercised during the year	(2,366,666)	–	(2,366,666)	20.00
Outstanding at December 31, 2009	13,987,499	19,399,999	33,387,498	31.53
Entitlement to options given during the year	–	250,000	250,000	39.85
Options exercised during the year	(2,975,763)	–	(2,975,763)	20.00
Outstanding at December 31, 2010	11,011,736	19,649,999	30,661,735	32.72
Options exercised during the period	(87,166)	–	(87,166)	20.00
Outstanding at March 31, 2011	10,924,570	19,649,999	30,574,569	32.76
Exercisable at December 31, 2009	13,987,499	–	13,987,499	20.00
Exercisable at December 31, 2010	11,011,736	–	11,011,736	20.00
Exercisable at March 31, 2011	10,924,570	–	10,924,570	20.00

The weighted average remaining contractual life for the stock options outstanding as of December 31, 2010 and 2009 is 3.74 years and 3.95 years, respectively.

The fair value of stock options granted in 2010 is ₱7.26. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The inputs to the model used for the options granted on the dates of grant for each ELTIP cycle are shown below:

	1st ELTIP Cycle (2004)	2nd ELTIP Cycle (2008)
Dividend yield	1.72%	1.80%
Expected volatility	36.91%	26.79%
Risk-free interest rate	6.20%	8.38%
Expected life of the option	5 years	3-4 years
Stock price on grant date	₱24.00	₱34.00
Exercise price	₱20.00	₱39.85

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

The cost of the stock options expense charged to operations under "General and administrative expenses" account amounted to ₱16.3 million and ₱11.9 million for the three months ended March 31, 2011 and 2010, respectively.

27. Related Party Transactions

The Jollibee Group has transactions within and among the consolidated entities and related parties. A related party is an entity that has the ability to control or exercise significant influence, directly or indirectly, over the other party in making financial and operating decisions. Transactions between members of the Jollibee Group and the related balances are eliminated at consolidation and are no longer included in the disclosures.

Compensation of Key Management Personnel of the Jollibee Group
The aggregate compensation and benefits to key management personnel of the Jollibee Group for the years ended December 31, 2010, 2009 and 2008 are as follows:

	2010	2009	2008
Salaries and short-term benefits	₱389,010,761	₱387,276,428	₱351,368,465
Stock options expense (Note 26)	65,657,862	147,522,179	107,100,435
Net pension expense from defined benefit plan	23,822,756	42,141,407	22,636,807
Employee car plan and other long-term benefits	23,818,817	23,454,128	24,509,655
	₱502,310,196	₱600,394,142	₱505,615,362

28. Earnings Per Share Computation

Basic and diluted EPS are computed as follows:

	March 2011 (Unaudited)	March 2011 (Unaudited)
(a) Net income attributable to the equity holders of the Parent Company	**₱621,880,366**	₱689,927,649
(b) Weighted average number of shares - basic	**1,028,810,848**	1,021,153,025
Weighted average number of shares exercisable under the stock option plan	**4,863,259**	5,181,815
Weighted average number of shares that would have been purchased at fair market value	**(1,750,675)**	(2,279,754)
(c) Adjusted weighted average shares - diluted	**1,031,923,432**	1,024,055,086
EPS:		
Basic (a/b)	**₱0.604**	₱0.676
Diluted (a/c)	**0.603**	0.674

29. Commitments and Contingencies

a. Operating lease commitments - Jollibee Group as lessee

The Jollibee Group has various operating lease commitments for QSR outlets and offices. The noncancellable periods of the leases range from 3 to 20 years, mostly containing renewal options. Some of the leases contain escalation clauses. The lease contracts on certain sales outlets provide for the payment of additional rentals based on certain percentages of sales of the outlets. Rent payments in accordance with the terms of the lease agreements amounted to ₱1,105.9 million and ₱912.7 million for the three months ended March 31, 2011 and 2010, respectively.

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

	2010	2009
Within one year	₱753,175,831	₱722,356,139
After one year but not more than five years	3,342,741,983	3,409,121,611
More than five years	2,222,589,650	2,402,465,406
	₱6,318,507,464	₱6,533,943,156

The difference of rent expense recognized under the straight-line method and the rent amounts due in accordance with the terms of the lease agreements amounting to ₱13.1 million and ₱8.0 million for the three months ended March 31, 2011 and 2010, respectively, are charged to "Operating lease payables" account. Rent expense recognized on a straight-line basis amounted to ₱1,118.9 million and ₱920.7 million for the three months ended March 31, 2011 and 2010, respectively (see Notes 21 and 22).

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 rent charges on an annual basis based on prevailing market conditions. Rent income in accordance with the terms of the lease agreements amounted to ₱22.3 million and ₱20.8 million for the three months ended March 31, 2011 and 2010, respectively.

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

	2010	2009
Within one year	₱40,020,952	₱11,051,749
After one year but not more than five years	215,947,396	48,864,219
More than five years	68,268,412	123,333,400
	₱324,236,760	₱183,249,368

The difference of rent income recognized under the straight-line method and the rent amounts receivable in accordance with the terms of the lease agreements amounting to (₱0.4) million and ₱0.4 million for the three months ended March 31, 2011 and 2010, respectively, are included under "Operating lease receivables" account. Rent income recognized on a straight-line basis amounted to ₱21.9 million and ₱21.2 million for the three months ended March 31, 2011 and 2010, respectively.

c. Contingencies

The Jollibee Group is involved in litigations, claims and disputes which are normal to its business, except for the legal claims provided in Note 17. 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.

30. 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 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 other financial assets and liabilities such as receivables, employee car plan receivables, refundable and other deposits, AFS financial assets and trade payable and other current liabilities which arise from the Jollibee Group's current operations.

The main risks arising from the Jollibee Group's financial instruments are foreign currency risk, credit 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 from the Parent Company's investments outside the Philippines, which are mainly in PRC and USA. While the foreign business has been rapidly growing, the net assets of foreign business account for only 11.44% and 10.7% of the consolidated net assets of the Jollibee Group as of December 31, 2010 and 2009, 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, receivables and long-term debt in foreign currencies.

The following table shows the Jollibee Group's foreign currency-denominated monetary assets and liabilities and their peso equivalents as of March 31, 2011 and December 31, 2010:

	March 2011 (Unaudited)					
	Philippine Operations			Foreign Operations		
	USD	RMB	PHP Equivalent	USD	RMB	PHP Equivalent
Assets						
Cash and cash equivalents	7,068,836	254,080,087	1,973,482,165	24,880,161	109,910,851	1,800,565,368
Receivables	4,684,955	8,332,591	257,876,394	751,831	16,091,241	138,180,488
	11,753,791	262,412,678	2,231,358,559	25,631,992	126,002,092	1,938,745,856
Liabilities						
Payables	–	–	–	(8,493,321)	(123,231,790)	(1,176,925,741)
Long-term debt	–	(350,000,000)	(2,296,000,000)	(753,443)	(6,171,410)	(73,176,341)
	–	(350,000,000)	(2,296,000,000)	(9,246,764)	(129,403,200)	(1,250,102,082)
Net exposure	11,753,791	(87,587,322)	(64,641,441)	16,385,228	(3,401,108)	688,643,774

	December 2010 (Audited)					
	Philippine Operations			Foreign Operations		
	USD	RMB	PHP Equivalent	USD	RMB	PHP Equivalent
Assets						
Cash and cash equivalents	2,270,158	253,911,777	1,782,958,808	24,894,237	159,830,557	2,151,039,943
Receivables	3,677,910	7,269,611	209,437,095	976,110	19,733,519	173,625,893
	5,948,068	261,181,388	1,992,395,903	25,870,347	179,564,076	2,324,665,836
Liabilities						
Payables	–	–	–	(849,727)	(13,231,410)	(124,976,280)
Long-term debt	–	(350,000,000)	(2,320,500,000)	(9,106,360)	(132,754,424)	(1,279,384,654)
	–	(350,000,000)	(2,320,500,000)	(9,956,087)	(145,985,834)	(1,404,360,934)
Net exposure	5,948,068	(88,818,612)	(328,104,097)	15,914,260	33,578,242	920,304,902

Foreign Currency Risk Sensitivity Analysis

The Jollibee Group has recognized in its profit or loss, foreign currency exchange gain included under "Other income" account which amounted to ₱0.6 million and ₱24.9 million on its net foreign currency-denominated assets and liabilities for the three months ended March 31, 2011 and 2010, respectively. This resulted from the movements of the Philippine peso against the USD and RMB as shown in the following table:

	Peso to	
	RMB	USD
March 31, 2011	₱6.56	₱43.39
March 31, 2010	6.62	45.17

The following table demonstrates the sensitivity to a reasonably possible change in USD and RMB to Philippine peso exchange rate, with all other variables held constant, of the Jollibee Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of March 31, 2011 and December 31, 2010:

		March 2011 (Unaudited)	December 2010 (Audited)
	Increase (Decrease) in ₱ per Foreign Currency	Effect on Income Before Income Tax	Effect on Income Before Income Tax
		(In Millions)	
USD			
	₱1.50	₱17.6	₱8.9
	(1.50)	(17.6)	(8.9)
	1.00	11.8	5.9
	(1.00)	(11.8)	(5.9)
RMB			
	0.95	(83.2)	(84.4)
	(0.95)	83.2	84.4
	0.63	(55.2)	(56.0)
	(0.63)	55.2	56.0

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 Risk Exposure and Concentration. The table below shows the maximum exposure to credit risk of the Jollibee Group as of March 31, 2011 and December 31, 2010, without considering the effects of collaterals and other credit risk mitigation techniques.

	March 2011 (Unaudited)	December 2010 (Audited)
Loans and Receivables		
Cash and cash equivalents (excluding cash on hand)	₱7,408,050,053	₱8,040,185,922
Receivables:		
Trade	1,610,930,021	1,837,711,347
Receivable from retirement fund	130,230,780	111,108,541
Advances to employees	82,988,049	95,726,858
Current portion of employee car plan receivables	54,361,222	43,811,033
Others	7,049,462	10,563,441
Other current assets:		
Receivables from suppliers and others	969,780,005	577,525,104
Other noncurrent assets:		
Refundable and other deposits	929,416,498	871,020,582
Noncurrent portion of employee car plan receivables	86,584,129	86,584,129
AFS Financial Assets	176,283,046	176,283,046
	₱11,455,673,265	₱11,850,520,003

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 the Jollibee Group, which comprise of cash and cash equivalents, the Jollibee Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Credit Quality. The tables below show the credit quality by class of financial assets that are neither past due nor impaired, based on the Jollibee Group's credit rating system as of March 31, 2011 and December 31, 2010.

	March 2011 (Unaudited)				
		Neither Past Due nor Impaired			Past Due or
	Total	A	B	C	Impaired
			(In Millions)		
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱7,408.1	₱7,408.1	₱–	₱–	₱–
Receivables:					
Trade	1,610.9	792.1	76.0	5.0	737.8
Receivable from retirement fund	130.2	130.2	–	–	–
Advances to employees	83.0	83.0	–	–	–
Current portion of employee car plan receivables	54.4	54.4	–	–	–
Others	7.0	7.0	–	–	–
Other current assets:					
Receivables from suppliers and others	969.8	969.8	–	–	–
Other noncurrent assets:					
Refundable and other deposits	929.4	929.4	–	–	–
Noncurrent portion of employee car plan receivables	86.6	86.6	–	–	–
AFS Financial Assets	176.3	176.3	–	–	–
	₱11,455.7	₱10,636.9	₱76.0	₱5.0	₱737.8

	December 2010 (Audited)				
		Neither Past Due nor Impaired			Past Due or
	Total	A	B	C	Impaired
			(In Millions)		
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱8,040.2	₱8,040.2	₱–	₱–	₱–
Receivables:					
Trade	1,837.7	928.9	89.1	5.9	813.8
Receivable from retirement fund	111.1	111.1	–	–	–
Advances to employees	95.7	95.7	–	–	–
Current portion of employee car plan receivables	43.8	43.8	–	–	–
Others	10.6	10.6	–	–	–
Other current assets:					
Receivables from suppliers and others	577.5	577.5	–	–	–
Other noncurrent assets:					
Refundable and other deposits	871.0	854.6	–	16.4	–
Noncurrent portion of employee car plan receivables	86.6	86.6	–	–	–
AFS Financial Assets	176.3	176.3	–	–	–
	₱11,850.5	₱10,925.3	₱89.1	₱22.3	₱813.8

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

A - For counterparty that is not expected by the Jollibee Group to default in settling its obligations, thus, credit risk exposure is minimal. This counterparty normally includes financial institutions, related parties and customers who pay on or before due date.

B - For counterparty with tolerable delays (normally from 1 to 30 days) in settling its obligations to the Jollibee Group. The delays may be due to cut-off differences and/or clarifications on contracts/billings.

C - For counterparty who consistently defaults in settling its obligation 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.

AFS financial assets are unrated.

The aging analyses of receivables are as follows:

	March 2011 (Unaudited)						
		Neither Past Due nor	Past Due but not Impaired (Age in Days)				
	Total	Impaired	1-30	31-60	61-120	Over 120	Impaired
				(In Millions)			
Receivables:							
Trade	₱1,747.0	₱873.1	₱163.7	₱107.5	₱100.0	₱366.6	₱136.1
Receivable from retirement fund	130.2	130.2	–	–	–	–	–
Advances to employees	83.0	83.0	–	–	–	–	–
Current portion of employee car plan receivables	54.4	54.4	–	–	–	–	–
Others	7.0	7.0	–	–	–	–	–
Other current assets:							
Receivables from suppliers and others	969.8	969.8	–	–	–	–	–
Other noncurrent assets:							
Refundable and other deposits	929.4	929.4	–	–	–	–	–
Noncurrent portion of employee car plan receivables	86.6	86.6	–	–	–	–	–
	₱4,007.4	₱3,133.5	₱163.7	₱107.5	₱100.0	₱366.6	₱136.1

	December 2010 (Audited)						
		Neither Past Due nor	Past Due but not Impaired (Age in Days)				
	Total	Impaired	1-30	31-60	61-120	Over 120	Impaired
				(In Millions)			
Receivables:							
Trade	₱1,973.8	₱1,160.0	₱207.6	₱63.7	₱84.1	₱322.3	₱136.1
Receivable from retirement fund	111.1	111.1	–	–	–	–	–
Advances to employees	95.7	95.7	–	–	–	–	–
Current portion of employee car plan receivables	43.8	43.8					
Others	10.6	10.6	–	–	–	–	–
Other current assets:							
Receivables from suppliers and others	577.5	577.5	–	–	–	–	–
Other noncurrent assets:							
Refundable and other deposits	871.0	871.0	–	–	–	–	–
Noncurrent portion of employee car plan receivables	86.6	86.6	–	–	–	–	–
	₱3,770.1	₱2,956.3	₱207.6	₱63.7	₱84.1	₱322.3	₱136.1

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 of the Jollibee Group during the period ended March 31, 2011 and December 31, 2010.

The Jollibee Group's financial assets, which have maturity of less than 12 months and used to meet its short-term liquidity needs, are cash and cash equivalents and receivables amounting to ₱7,531.6 million and ₱2,855.3 million, respectively, as of March 31, 2011.

The tables below summarize the maturity profile of the Jollibee Group's financial assets used for liquidity risk management purposes and financial liabilities based on the contractual undiscounted cash flows as of March 31, 2011 and December 31, 2010:

	March 2011 (Unaudited)				
	On Demand	Within 1 Year	2–3 Years	4–5 Years	Total
Cash and cash equivalents	₱3,679,079,676	₱3,852,514,294	₱–	₱–	₱7,531,593,970
Receivables:					
Trade	737,768,855	873,161,166	–	–	1,610,930,021
Receivable from retirement fund	–	130,230,780	–	–	130,230,780
Advances to employees	–	82,988,049	–	–	82,988,049
Current portion of employee car plan receivables	–	54,361,222	–	–	54,361,222
Others	–	7,049,462	–	–	7,049,462
Other current assets:					
Receivables from suppliers and others	–	969,780,005	–	–	969,780,005
Other noncurrent assets:					
Refundable and other deposits	–	–	929,416,498	–	929,416,498
Noncurrent portion of employee car plan receivables	–	–	86,584,129	–	86,584,129
	₱4,416,848,531	₱5,970,084,978	₱1,016,000,627	₱–	₱11,402,934,136
Trade payables and other current liabilities*	₱–	₱7,500,226,286	₱–	₱–	₱7,500,226,286
Short-term debt	–	1,802,261,807	–	–	1,802,261,807
Long-term debt (including current portion)	–	2,328,927,685	48,075,741	3,512,840	2,380,516,266
Liability for acquisition of businesses (including current portion)	–	170,194,278	141,254,668	–	311,448,946
	₱–	₱11,801,610,056	₱189,330,409	₱3,512,840	₱11,994,453,305

*Excluding accruals for local and other taxes and unearned revenue from gift certificates.

	December 2010 (Audited)				
	On Demand	Within 1 Year	2–3 Years	4–5 Years	Total
Cash and cash equivalents	₱2,925,597,936	₱5,244,891,365	₱–	₱–	₱8,170,489,301
Receivables:					
Trade	677,723,887	1,159,987,460	–	–	1,837,711,347
Receivable from retirement fund	–	111,108,541	–	–	111,108,541
Advances to employees	–	95,726,858	–	–	95,726,858
Current portion of employee car plan receivables	–	43,811,033	–	–	43,811,033
Others	–	10,563,441	–	–	10,563,441
Other current assets:					
Receivables from suppliers and others	–	577,525,104	–	–	577,525,104
Other noncurrent assets:					
Refundable and other deposits	–	–	871,020,582	–	871,020,582
Noncurrent portion of employee car plan receivables	–	–	86,584,129	–	86,584,129
	₱3,603,321,823	₱7,243,613,802	₱957,604,711	₱–	₱11,804,540,336
Trade payables and other current liabilities*	₱–	₱7,950,019,464	₱–	₱–	₱7,950,019,464
Short-term debt	–	1,899,133,822	–	–	1,899,133,822
Long-term debt (including current portion)	–	2,501,278,495	50,992,704	3,715,180	2,555,986,379
Liability for acquisition of businesses (including current portion)	–	170,194,278	141,254,668	–	311,448,946
	₱–	₱12,520,626,059	₱192,247,372	₱3,715,180	₱12,716,588,611

**Excluding accruals for local and other taxes and unearned revenue from gift certificates.*

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 one-third of its consolidated net income, a ratio that would still leave some additional cash for future acquisitions. If needed, the Jollibee Group would borrow money for acquisitions of new businesses.

As of March 31, 2011 and December 31, 2010, the Jollibee Group's ratio of debt-to-equity and ratio of net debt-to-equity are as follows:

Debt-to-equity

	March 2011 (Unaudited)	December 2010 (Audited)
Total debt (a)	**₱14,852,102,279**	₱15,514,330,588
Total equity attributable to equity holders of the Parent Company	**17,718,329,581**	17,119,518,222
Total debt and equity attributable to equity holders of the Parent Company (b)	**₱32,570,431,860**	₱32,633,848,810
Debt-to-equity ratio (a/b)	**46%**	48%

Net Debt-to-equity

	March 2011 (Unaudited)	December 2010 (Audited)
Total debt	**₱14,852,102,279**	₱15,514,330,588
Less cash and cash equivalents	**7,531,593,970**	8,170,489,301
Net debt (a)	**7,320,508,309**	7,343,841,287
Total equity attributable to equity holders of the Parent Company	**17,718,329,581**	17,119,518,222
Total net debt and equity attributable to equity holders of the Parent Company (b)	**₱25,038,837,890**	₱24,463,359,509
Net debt-to-equity ratio (a/b)	**29%**	30%

31. 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 March 31, 2011 and December 31, 2010. There are no material unrecognized financial assets and liabilities as of March 31, 2011 and December 31, 2010.

	March 2011 (Unaudited)		December 2010 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents	**₱7,531,593,970**	**₱7,531,593,970**	₱8,170,489,301	₱8,170,489,301
Receivables:				
Trade	**1,610,930,021**	**1,610,930,021**	1,837,711,347	1,837,711,347
Receivable from retirement fund	**130,230,780**	**130,230,780**	111,108,541	111,108,541
Advances to employees	**82,988,049**	**82,988,049**	95,726,858	95,726,858
Current portion of employee car plan receivables	**54,361,222**	**54,361,222**	43,811,033	43,811,033
Others	**7,049,462**	**7,049,462**	10,563,441	10,563,441
Other current assets:				
Receivables from suppliers and others	**969,780,005**	**969,780,005**	577,525,104	577,525,104
Other noncurrent assets:				
Refundable and other deposits	**929,416,498**	**929,416,498**	871,020,582	930,703,755
Noncurrent portion of employee car plan receivables	**86,584,129**	**86,584,129**	86,584,129	103,727,715
	11,402,934,136	11,402,934,136	11,804,540,336	11,881,367,095
AFS Financial Assets				
Investments in shares of stock and club shares	176,283,046	176,283,046	176,283,046	176,283,046
	₱11,579,217,182	**₱11,579,217,182**	₱11,980,823,382	**₱12,057,650,141**
Other Financial Liabilities				
Trade payables and other current liabilities*	**₱7,500,226,286**	**₱7,500,226,286**	₱7,950,019,464	₱7,950,019,464
Short-term debt	**1,802,261,807**	**1,802,261,807**	1,842,030,865	1,842,030,865
Long-term debt (including current portion)	**2,380,516,266**	**2,380,516,266**	2,392,713,646	2,483,536,758
Liability for acquisition of businesses (including current portion)	**311,448,946**	311,448,946	311,448,946	311,448,946
	₱11,994,453,305	**₱11,994,453,305**	₱12,496,212,921	₱12,587,036,033

**Excluding accruals for local and other taxes and unearned revenue from gift certificates.*

Financial Instruments with Carrying Amounts Approximate Fair Value
Management has determined that the carrying amounts of cash and cash equivalents, receivables, other current assets, trade payables and other current liabilities, short-term debt and liability for acquisition of businesses 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 and other deposits, employee car plan receivables and long-term debt are based on the discounted value of future cash flows using applicable rates.

AFS Financial Assets
The fair value of investments that are traded in organized financial markets are determined by reference to quoted market bid prices at the close of business at reporting date.

Unquoted AFS financial assets are carried at cost less any impairment in value. These financial assets are equity shares of private entities and are not traded in an active market, hence its fair value cannot be determined reliably.

The Jollibee Group does not have the intention to dispose these financial assets in the near term.

Fair Value Hierarchy
The Jollibee Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Jollibee Group's quoted AFS financial assets amounting to ₱125.4 million as of March 31, 2011 and December 31, 2010, are the only financial instruments measured at fair value using Level 1 fair value measurement (see Note 10).

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

32. Events after the Reporting Period

Dividend Declaration
On April 13, 2011, the BOD of the Parent Company approved a regular cash dividend of ₱0.50 a share of common stock to all stockholders of record as of May 5, 2011. The cash dividend is expected to be paid out by May 31, 2011. The cash dividend is 16.3% higher than the ₱0.43 regular dividend a share declared in April 2010.

Loan Availments for Capital Expenditures and Acquisitions
On April 12, 2011, the Parent Company entered into a loan agreement for ₱900.0 million to be paid after one year bearing fixed interest rate. Likewise, the Jollibee Group, through JWPL, entered into separate loan agreements to borrow US$40.0 million and US$30.0 million from separate foreign financial institutions. Both loans are payable after 3 years bearing fixed interest rates. The proceeds of the loans shall be used to finance new store openings, existing store renovations, the construction of the Jollibee Group's logistics center in Metro Manila and its commissary to be managed by JFPPL in Anhui Province in the PRC.

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

33. Reclassification

In 2011, the Jollibee Group changed the presentation of its 2010 consolidated statement of financial position to conform with the 2011 presentation and classification and to provide more relevant information for the understanding of the Jollibee Group's financial statements.

ANNEX "E"

CERTIFICATIONS OF INDEPENDENT DIRECTORS

CERTIFICATION OF NOMINEE AS AN INDEPENDENT DIRECTOR

I, FELIPE B. ALFONSO, Filipino, of legal age and a resident c/o Asian Institute of Management, 123 Paseo de Roxas St., Makait City, after having been duly sworn to in accordance with law do hereby declare that:

1. I was nominated for election to the board of directors of Jollibee Foods Corporation ("JFC") and I accept the nomination;
2. As of May 31, 2011, I am a shareholder of JFC having in my name 1share;
3. I possess all the qualifications and none of the disqualifications of a director under law and JFC's Articles of Incorporation, by-laws and Manual of Corporate Governance, and that I have no knowledge or notice of any fact that would disqualify my nomination to the JFC Board, including but not limited to the grounds enumerated in *Annex A* of this Certification;
4. I am independent of management and am free from any business or other relationship which could, or could reasonably be perceived to materially interfere with my exercise of independent judgment in carrying out my responsibilities as director;
5. I am not a director or officer of JFC or any of its subsidiaries, affiliates or substantial shareholder except as an independent director;
6. I do not and will not be an owner of more than two percent (2%) of the shares of JFC and/or its subsidiaries, affiliates or any of its substantial shareholders;
7. I am not related to any director, officer or substantial shareholder of JFC, its subsidiary, affiliate or substantial shareholder;
8. I have not been employed in any executive capacity by JFC, or any of its subsidiaries, affiliates or substantial shareholders within the last five (5) years;
9. I am not retained, either personally or through any entity as professional adviser by JFC, or any of its subsidiaries, affiliates or substantial shareholder within the last five (5) years;
10. I have not engaged and do not engage in any transaction with JFC and/or with any of its subsidiaries, affiliates or substantial shareholders, whether by myself or through another entity other than transactions which are conducted at arms length and are immaterial.
11. I am not engaged in any business which competes with or is antagonistic to that of JFC nor am I a nominee of any person who is engaged in such business. In this connection, I am affiliated with the companies listed below:

Company/Organization	Position/Relationship	Period of Service
* see attached (Annex B)		

12. I shall faithfully and diligently comply with my duties and responsibilities as director of JFC should I be elected; and
13. I shall inform JFC's Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done this MAY 1 9 2011 day of ______________ at MAKATI CITY.

FELIPE B. ALFONSO

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

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

Name	Community Tax Certificate No.	Place/ Date of Issue

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

Witness my hand and seal this ___ day of MAY 1 9 2011 2011.

Doc. No. 36;
Page No. 09;
Book No. 252;
Series of 2011.

Atty. LOPE M. VELASCO
NOTARY PUBLIC
Until Dec. 31, 2011
Appt. No. M-117, Makati City
IBP # 809262 - Pasig City 01/04/11
PTR # 2643149 - Makati 01/04/11
TIN 212-965-989
S.C. Roll No. 28757
G/F Jaka Center 2111 Chino Roces Ave.
Makati City

Annex A – Certification of Nominee
Grounds for Disqualification

The nominee is not:

i. An officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of share of, any corporation(other than one in which the company owns at least thirty percent (30%) of the capital stock) engaged in a business which the Board by a majority vote, determines to be competitive, antagonistic, and/or in clear or interest to that of the Company; or

ii. An officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business of the company, when in the judgment of the Board, by a majority vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors;

iii. A nominee of any person set forth in (1) or (2), provided that he acknowledges that the Board, may in the exercise of its judgment, determine by a majority vote that is such a nominee or agent of, or otherwise represents, any person set forth in (1) or (2);

iv. Convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person or any of them;

v. By reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission (the "Commission") or any court or administrative body or competent jurisdiction from: (a) acting as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities;

vi. The subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or the Bangko Sentral ng Pilipinas ("BSP") or any rule or regulation issued by the Commission or the BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

vii. Convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent act or transgressions;

viii. Finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or BSP, or any rule, regulation or order of the Commission or the BSP;

ix. Elected as independent director who becomes an officer, employee or consultant of the Company;

x. Judicially declared as insolvent;

xi. Found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct in paragraphs (4) to (8) above; or

xii. Convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

Company/Organization	Position/Relationship	Period of Service
Lopez Holdings	Director	
Jollibee Foods Corp.	Director	
E-Meralco Ventures	Chairman	
STI	Chairman	
Phinma Inc.	Director	
Asian Institute of Management (AIM) – Scientific Research Foundation, Inc.	Vice-Chairman, Board of Trustees	
Asian Forum for Corporate Social Responsibility -RVR	Executive Adviser	
Cartwheel	Treasurer	
iAcademy	Chairman	

CERTIFICATION OF NOMINEE AS AN INDEPENDENT DIRECTOR

I, CEZAR P. CONSING, Filipino, of legal age and a resident of Hong Kong, after having been duly sworn to in accordance with law do hereby declare that:

1. I was nominated for election to the board of directors of Jollibee Foods Corporation ("JFC") and I accept the nomination;
2. As of May 31, 2011, I am a shareholder of JFC having in my name 1 share;
3. I possess all the qualifications and none of the disqualifications of a director under law and JFC's Articles of Incorporation, by-laws and Manual of Corporate Governance, and that I have no knowledge or notice of any fact that would disqualify my nomination to the JFC Board, including but not limited to the grounds enumerated in *Annex A* of this Certification;
4. I am independent of management and am free from any business or other relationship which could, or could reasonably be perceived to materially interfere with my exercise of independent judgment in carrying out my responsibilities as director;
5. I am not a director or officer of JFC or any of its subsidiaries, affiliates or substantial shareholder except as an independent director;
6. I do not and will not be an owner of more than two percent (2%) of the shares of JFC and/or its subsidiaries, affiliates or any of its substantial shareholders;
7. I am not related to any director, officer or substantial shareholder of JFC, its subsidiary, affiliate or substantial shareholder;
8. I have not been employed in any executive capacity by JFC, or any of its subsidiaries, affiliates or substantial shareholders within the last five (5) years;
9. I am not retained, either personally or through any entity as professional adviser by JFC, or any of its subsidiaries, affiliates or substantial shareholder within the last five (5) years;
10. I have not engaged and do not engage in any transaction with JFC and/or with any of its subsidiaries, affiliates or substantial shareholders, whether by myself or through another entity other than transactions which are conducted at arms length and are immaterial.
11. I am not engaged in any business which competes with or is antagonistic to that of JFC nor am I a nominee of any person who is engaged in such business. In this connection, I am affiliated with the companies listed below:

Company/Organization	Position/Relationship	Period of Service
* see attached (Annex B)		

12. I shall faithfully and diligently comply with my duties and responsibilities as director of JFC should I be elected; and
13. I shall inform JFC's Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done this ________ day of MAY 1 8 2011 ____________ at ____________________.

CEZAR P. CONSING

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

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

Name	Community Tax Certificate No.	Place/ Date of Issue

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

Witness my hand and seal this ___ day of MAY 1 8 2011 ____________ 2011.

Doc. No. 11 ;
Page No. 17 ;
Book No. 265 ;
Series of 2011.

ATTY. DELFIN R. AGCAOILI, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2011
PTR NO. 9237325 /01-04-11 /MLA.
IBP NO. 797299 /01-10-11 /MLA.
ROLL NO. 24655 / TIN -144519066
MCLE COMPLIANCE II- 0015473

Annex A – Certification of Nominee
Grounds for Disqualification

The nominee is not:

i. An officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of share of, any corporation(other than one in which the company owns at least thirty percent (30%) of the capital stock) engaged in a business which the Board by a majority vote, determines to be competitive, antagonistic, and/or in clear or interest to that of the Company; or

ii. An officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business of the company, when in the judgment of the Board, by a majority vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors;

iii. A nominee of any person set forth in (1) or (2), provided that he acknowledges that the Board, may in the exercise of its judgment, determine by a majority vote that is such a nominee or agent of, or otherwise represents, any person set forth in (1) or (2);

iv. Convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person or any of them;

v. By reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission (the "Commission") or any court or administrative body or competent jurisdiction from: (a) acting as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities;

vi. The subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or the Bangko Sentral ng Pilipinas ("BSP") or any rule or regulation issued by the Commission or the BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

vii. Convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent act or transgressions;

viii. Finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or BSP, or any rule, regulation or order of the Commission or the BSP;

ix. Elected as independent director who becomes an officer, employee or consultant of the Company;

x. Judicially declared as insolvent;

xi. Found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct in paragraphs (4) to (8) above; or

xii. Convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

Cezar P. Consing
Annex B

Company/Organization	Position/Relationship	Period of Service
TRG Management LP	Board of Partners	29 January 2010 up to present
TRG Management Hong Kong Ltd. (The Rohatyn Group)	Partner/Managing Director	July 2004 up to present
Bank of the Philippine Islands	Independent Board Director	15 April 2010 up to present
Jollibee Foods Corporation	Independent Non-Executive Board Director	25 June 2010 up to present
FILGIFTS.com	Non-executive Chairman/ Board Director	December 2003 up to present
First Gen Corporation	Independent Board Director	August 2005 upto present
CIMB Group Holdings Berhad	Independent Board Director	7 November 2006 up to present
CIMB Group Sdn. Berhad	Independent Board Director	1 July 2006 up to present
CIMB Securities International Pte Ltd.	Independent Board Director	November 2006 up to present
Premiere Development Bank	Board Director and Chairman of the Executive Committee	23 January 2007 up to present
Arch Capital Management	Board Director	7 March 2011 up to present

CERTIFICATION OF NOMINEE AS AN INDEPENDENT DIRECTOR

I, MONICO JACOB, Filipino, of legal age and a resident of 447 Duke St., Greenhills East, Mandaluyong City, after having been duly sworn to in accordance with law do hereby declare that:

1. I was nominated for election to the board of directors of Jollibee Foods Corporation ("JFC") and I accept the nomination;
2. As of May 31, 2011, I am a shareholder of JFC having in my name 100 shares;
3. I possess all the qualifications and none of the disqualifications of a director under law and JFC's Articles of Incorporation, by-laws and Manual of Corporate Governance, and that I have no knowledge or notice of any fact that would disqualify my nomination to the JFC Board, including but not limited to the grounds enumerated in *Annex A* of this Certification;
4. I am independent of management and am free from any business or other relationship which could, or could reasonably be perceived to materially interfere with my exercise of independent judgment in carrying out my responsibilities as director;
5. I am not a director or officer of JFC or any of its subsidiaries, affiliates or substantial shareholder except as an independent director;
6. I do not and will not be an owner of more than two percent (2%) of the shares of JFC and/or its subsidiaries, affiliates or any of its substantial shareholders;
7. I am not related to any director, officer or substantial shareholder of JFC, its subsidiary, affiliate or substantial shareholder;
8. I have not been employed in any executive capacity by JFC, or any of its subsidiaries, affiliates or substantial shareholders within the last five (5) years;
9. I am not retained, either personally or through any entity as professional adviser by JFC, or any of its subsidiaries, affiliates or substantial shareholder within the last five (5) years;
10. I have not engaged and do not engage in any transaction with JFC and/or with any of its subsidiaries, affiliates or substantial shareholders, whether by myself or through another entity other than transactions which are conducted at arms length and are immaterial.
11. I am not engaged in any business which competes with or is antagonistic to that of JFC nor am I a nominee of any person who is engaged in such business. In this connection, I am affiliated with the companies listed below:

Company/Organization	Position/Relationship	Period of Service
* see attached (Annex B)		

12. I shall faithfully and diligently comply with my duties and responsibilities as director of JFC should I be elected; and
13. I shall inform JFC's Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done this 26th day of May 2011 at Makati City.

MONICO JACOB

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

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

Name	Community Tax Certificate No.	Place/ Date of Issue
Monico V. Jacob	05929217	Makati City, 4 June 2011

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

Witness my hand and seal this ___ day of MAY 30 2011 ___ 2011.

Doc. No. 453;
Page No. 92;
Book No. XV;
Series of 2011.

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2011
Appt. No. M-36 (2010-2011) Attorney's Roll No.34562
MCLE Compliance No.III - 0011439 / 4-7-2010
PTR No. 2666527 / 1-4-2011 / Makati City
IBP Lifetime Member Roll No.05413

Annex A – Certification of Nominee
Grounds for Disqualification

The nominee is not:

i. An officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of share of, any corporation(other than one in which the company owns at least thirty percent (30%) of the capital stock) engaged in a business which the Board by a majority vote, determines to be competitive, antagonistic, and/or in clear or interest to that of the Company; or

ii. An officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business of the company, when in the judgment of the Board, by a majority vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors;

iii. A nominee of any person set forth in (1) or (2), provided that he acknowledges that the Board, may in the exercise of its judgment, determine by a majority vote that is such a nominee or agent of, or otherwise represents, any person set forth in (1) or (2);

iv. Convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person or any of them;

v. By reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission (the "Commission") or any court or administrative body or competent jurisdiction from: (a) acting as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities;

vi. The subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or the Bangko Sentral ng Pilipinas ("BSP") or any rule or regulation issued by the Commission or the BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

vii. Convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent act or transgressions;

viii. Finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or BSP, or any rule, regulation or order of the Commission or the BSP;

ix. Elected as independent director who becomes an officer, employee or consultant of the Company;

x. Judicially declared as insolvent;

xi. Found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct in paragraphs (4) to (8) above; or

xii. Convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

Company/Organization	Position/Relationship	Period of Service
STI Education Services Group, Inc.	President and CEO	2003 to present
Information and Communications Technology Academy, (iAcademy, Inc.)	President and CEO	2003 to present
PhilPlans First, Inc.	President and CEO	2009 to present
Philhealthcare, Inc.	President and CEO	2009 to present
Global Resource for Outsourced Workers, Inc.	Chairman	2003 to present
Total Consolidated Asset Management, Inc.	Chairman	2006 to present
Phoenix Petroleum Phils., Inc.	Director	2009 to present