JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 2013 (Unaudited)	December 31, 2012 (Audited - As Restated - Note 2)	January 1, 2012 (Audited - As Restated - Note 2)	Change June 2013 vs Dec 2012 Amount	Change June 2013 vs Dec 2012 Pct
		(in PHP)			
ASSETS					
Current Assets					
Cash and cash equivalents (Notes 6, 30 and 31)	**9,652,788,207**	8,848,591,584	6,655,312,875	804,196,623	9.1
Receivables (Notes 7, 30 and 31)	**2,526,825,921**	2,750,341,491	2,388,617,052	(223,515,570)	(8.1)
Inventories (Note 8)	**3,301,315,554**	2,629,743,477	2,860,103,279	671,572,077	25.5
Other current assets (Note 9)	**1,539,602,985**	1,394,525,363	1,354,914,695	145,077,622	10.4
Total Current Assets	**17,020,532,667**	15,623,201,915	13,258,947,901	1,397,330,752	8.9
Noncurrent Assets					
Available-for-sale financial assets (Notes 10 and 31)	**128,449,438**	128,149,438	120,649,438	300,000	0.2
Interests in and advances to joint ventures, co-venturers and associate (Note 11)	**3,145,887,261**	3,011,501,581	3,188,515	134,385,680	4.5
Property, plant and equipment (Note 12)	**11,400,303,135**	11,059,464,042	10,580,366,696	340,839,093	3.1
Investment properties (Note 13)	**754,275,858**	754,012,771	772,468,616	263,087	0.0
Goodwill and other intangible asset (Notes 14)	**8,755,130,564**	8,705,038,888	8,534,640,751	50,091,676	0.6
Operating lease receivables (Note 29)	**23,940,002**	22,560,089	26,838,873	1,379,913	6.1
Deferred tax assets (Note 24)	**1,196,790,448**	1,110,408,644	881,077,844	86,381,804	7.8
Other noncurrent assets (Notes 15, 30 and 31)	**1,697,850,446**	1,656,636,144	4,626,813,046	41,214,302	2.5
Total Noncurrent Assets	**27,102,627,152**	26,447,771,597	25,546,043,779	654,855,555	2.5
	44,123,159,819	42,070,973,512	38,804,991,680	2,052,186,307	4.9
LIABILITIES AND EQUITY					
Current Liabilities					
Trade payables and other current liabilities (Notes 16, 30 and 31)	**12,155,230,109**	11,753,066,052	10,165,594,869	402,164,057	3.4
Income tax payable	**107,480,995**	78,958,189	154,717,083	28,522,806	36.1
Short-term debt (Note 18)	**-**	-	900,000,000	-	-
Current portion of:					
Long-term debt (Notes 18, 30 and 31)	**3,004,974,357**	4,572,839,927	777,301,991	(1,567,865,570)	(34.3)
Liability for acquisition of businesses (Notes 11, 30 and 31)	**102,229,858**	166,276,801	104,763,179	(64,046,943)	(38.5)
Total Current Liabilities	**15,369,915,319**	16,571,140,969	12,102,377,122	(1,201,225,650)	(7.2)
Noncurrent Liabilities					
Provisions (Note 17)	**30,500,639**	30,500,639	30,500,639	-	-
Noncurrent portion of:					
Long-term debt (Notes 18, 30 and 31)	**2,040,370,000**	854,616,489	3,942,742,029	1,185,753,511	138.7
Liability for acquisition of businesses (Notes 11, 30 and 31)	**55,812,316**	79,551,944	178,964,787	(23,739,628)	(29.8)
Derivative liability (Notes 18, 30 and 31)	**22,782,819**	22,782,819	-	-	-
Pension liability (Note 25)	**670,843,506**	555,639,713	-	115,203,793	20.7
Operating lease payables (Note 29)	**1,595,827,061**	1,460,167,999	1,343,261,889	135,659,062	9.3
Deferred tax liabilities (Note 24)	**772,166,147**	790,275,735	782,772,619	(18,109,588)	(2.3)
Total Noncurrent Liabilities	**5,188,302,488**	3,793,535,338	6,278,241,963	1,394,767,150	36.8
Total Liabilities	**20,558,217,807**	20,364,676,307	18,380,619,085	193,541,500	1.0
Equity Attributable to Equity Holders of the Parent Company (Note 30)					
Capital stock (Note 19)	**1,065,771,121**	1,063,859,559	1,054,953,233	1,911,562	0.2
Subscriptions receivable	**(17,177,884)**	(17,177,884)	(17,177,884)	-	-
Additional paid-in capital (Note 26)	**3,423,226,493**	3,284,139,309	2,914,463,925	139,087,184	4.2
Cumulative translation adjustments of foreign subsidiaries	**(94,593,900)**	(351,379,055)	(187,186,852)	256,785,155	(73.1)
Remeasurements of defined benefit plans - net of deferred income tax (Note 2)	**(219,212,904)**	(219,212,904)	157,137,718	-	-
Unrealized gain on available-for-sale financial assets (Note 10)	**102,626,829**	102,626,829	102,626,829	-	-
Comprehensive loss on derivative liability (Note 18)	**(7,087,197)**	(7,087,197)	-	-	-
Excess of cost over the carrying value of non-controlling interests acquired (Note 19)	**(542,764,486)**	(542,764,486)	(542,764,486)	-	-
Retained earnings (Note 19):					
Appropriated for future expansion	**10,200,000,000**	5,000,000,000	1,200,000,000	5,200,000,000	104.0
Unappropriated	**9,066,420,456**	12,840,703,544	15,219,140,358	(3,774,283,088)	(29.4)
	22,977,208,528	21,153,707,715	19,901,192,841	1,823,500,813	8.6
Less cost of common stock held in treasury (Note 19)	**180,511,491**	180,511,491	180,511,491	-	-
	22,796,697,037	20,973,196,224	19,720,681,350	1,823,500,813	8.7
Non-controlling Interests (Note 11)	**768,244,975**	733,100,982	703,691,245	35,143,993	4.8
Total Equity	**23,564,942,012**	21,706,297,206	20,424,372,595	1,858,644,806	8.6
	44,123,159,819	42,070,973,513	38,804,991,680	2,052,186,306	4.9

See accompanying Notes to Unaudited Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Quarters Ended June 30				Change	
	2013		2012 (As Restated)		2012 to 2013	
	Pesos	Pct	Pesos	Pct	Amount	Pct
REVENUES						
Net sales	**18,922,702,069**	**95.0%**	16,805,092,759	95.0%	2,117,609,310	12.6%
Royalty, franchise fees and others	**990,285,035**	**5.0%**	884,466,936	5.0%	105,818,099	12.0%
	19,912,987,104	**100.0%**	17,689,559,695	100.0%	2,223,427,409	12.6%
COST OF SALES						
Cost of inventories	**9,454,011,290**	**47.5%**	8,502,863,130	48.1%	951,148,160	11.2%
Store and manufacturing costs	**6,746,861,095**	**33.9%**	6,227,392,849	35.2%	519,468,246	8.3%
	16,200,872,385	**81.4%**	14,730,255,979	83.3%	1,470,616,406	10.0%
GROSS PROFIT	**3,712,114,719**	**18.6%**	2,959,303,716	16.7%	752,811,003	25.4%
EXPENSES						
General and administrative expenses	**(1,776,789,538)**	**-8.9%**	(1,561,218,920)	-8.8%	215,570,618	13.8%
Advertising and promotions	**(385,063,351)**	**-1.9%**	(332,175,263)	-1.9%	52,888,088	15.9%
	(2,161,852,889)	**-10.9%**	(1,893,394,183)	-10.7%	268,458,706	14.2%
OPERATING INCOME	**1,550,261,830**	**7.8%**	1,065,909,533	6.0%	484,352,297	45.4%
INTEREST INCOME (EXPENSE)						
Interest income	**58,179,204**	**0.3%**	60,894,504	0.3%	(2,715,300)	-4.5%
Interest expense	**(33,346,344)**	**-0.2%**	(55,703,725)	-0.3%	22,357,381	40.1%
	24,832,860	**0.1%**	5,190,779	0.0%	19,642,081	378.4%
EQUITY IN NET LOSS OF JOINT VENTURES AND ASSOCIATE	**(25,110,919)**	**-0.1%**	(25,206,057)	-0.1%	95,138	-0.4%
OTHER INCOME	**67,747,693**	**0.3%**	71,327,021	0.4%	(3,579,328)	5.0%
INCOME BEFORE INCOME TAX	**1,617,731,464**	**8.1%**	1,117,221,276	6.3%	500,510,188	44.8%
PROVISION FOR INCOME TAX						
Current	**405,598,062**	**2.0%**	287,317,971	1.6%	118,280,091	41.2%
Deferred	**(7,819,023)**	**0.0%**	(107,532,626)	-0.6%	99,713,603	-92.7%
	397,779,039	**2.0%**	179,785,345	1.0%	217,993,694	121.3%
NET INCOME	**1,219,952,425**	**6.1%**	937,435,931	5.3%	282,516,494	30.1%
OTHER COMPREHENSIVE INCOME (LOSS)						
Translation adjustments	**264,479,110**	**1.3%**	(96,740,448)	-0.5%	361,219,558	-373.4%
Remeasurements on defined benefit plans - net of deferred income tax	**-**	**0.0%**	(188,175,311)	-1.1%	188,175,311	-100.0%
	264,479,110	**1.3%**	(284,915,759)	-1.6%	549,394,869	-192.8%
TOTAL COMPREHENSIVE INCOME	**1,484,431,535**	**7.5%**	652,520,172	3.7%	831,911,363	127.5%
Net Income Attributable to:						
Equity holders of the Parent Company	**1,211,066,906**	**6.1%**	914,862,786	5.2%	296,204,120	32.4%
Non-controlling interests	**8,885,519**	**0.0%**	22,573,145	0.1%	(13,687,626)	-60.6%
	1,219,952,425	**6.1%**	937,435,931	5.3%	282,516,494	30.1%
Total Comprehensive Income Attributable to:						
Equity holders of the Parent Company	**1,475,546,016**	**7.4%**	629,947,027	3.6%	845,598,989	134.2%
Non-controlling interests	**8,885,519**	**0.0%**	22,573,145	0.1%	(13,687,626)	-60.6%
	1,484,431,535	**7.5%**	652,520,172	3.7%	831,911,363	127.5%
Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company						
Basic	**1.155**		0.879		0.276	31.4%
Diluted	**1.150**		0.875		0.275	31.4%

See accompanying Notes to Unaudited Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended June 30				Change	
	2013		2012 (As Restated - Note 2)		2012 to 2013	
	Pesos	Pct	Pesos	Pct	Pesos	Pct
REVENUES						
Net sales	**36,146,613,136**	**95.0%**	32,462,452,316	95.0%	3,684,160,820	11.3%
Royalty, franchise fees and others (Note 20)	**1,921,302,151**	**5.0%**	1,713,516,889	5.0%	207,785,262	12.1%
	38,067,915,287	**100.0%**	34,175,969,205	100.0%	3,891,946,082	11.4%
COST OF SALES (Note 21)						
Cost of inventories	**18,139,206,607**	**47.6%**	16,478,617,997	48.2%	1,660,588,610	10.1%
Store and manufacturing costs	**12,929,198,183**	**34.0%**	12,060,624,959	35.3%	868,573,224	7.2%
	31,068,404,790	**81.6%**	28,539,242,956	83.5%	2,529,161,834	8.9%
GROSS PROFIT	**6,999,510,497**	**18.4%**	5,636,726,249	16.5%	1,362,784,248	24.2%
EXPENSES						
General and administrative expenses (Note 22)	**(3,501,845,334)**	**-9.2%**	(3,083,970,473)	-9.0%	417,874,861	-13.5%
Advertising and promotions	**(771,188,781)**	**-2.0%**	(601,887,141)	-1.8%	169,301,640	-28.1%
	(4,273,034,115)	**-11.2%**	(3,685,857,614)	-10.8%	587,176,501	-15.9%
OPERATING INCOME	**2,726,476,382**	**7.2%**	1,950,868,635	5.7%	775,607,747	39.8%
INTEREST INCOME (EXPENSE) (Note 23)						
Interest income	**127,316,404**	**0.3%**	114,166,226	0.3%	13,150,178	11.5%
Interest expense	**(77,035,572)**	**-0.2%**	(102,349,506)	-0.3%	(25,313,934)	-24.7%
	50,280,832	**0.1%**	11,816,720	0.0%	38,464,112	325.5%
EQUITY IN NET LOSS OF JOINT VENTURES AND ASSOCIATE (Note 11)	**(53,647,056)**	**-0.1%**	(48,337,242)	-0.1%	(5,309,814)	11.0%
OTHER INCOME (Note 23)	**84,831,191**	**0.2%**	106,322,300	0.3%	(21,491,109)	-20.2%
INCOME BEFORE INCOME TAX	**2,807,941,349**	**7.4%**	2,020,670,413	5.9%	787,270,936	39.0%
PROVISION FOR INCOME TAX (Note 24)						
Current	**786,595,769**	**2.1%**	568,552,191	1.7%	218,043,578	38.4%
Deferred	**(79,240,500)**	**-0.2%**	(167,745,805)	-0.5%	88,505,305	-52.8%
	707,355,269	**1.9%**	400,806,386	1.2%	306,548,883	76.5%
NET INCOME	**2,100,586,080**	**5.5%**	1,619,864,027	4.7%	480,722,053	29.7%
OTHER COMPREHENSIVE INCOME (LOSS)						
Translation adjustments	**256,785,155**	**0.7%**	(172,952,950)	-0.5%	429,738,105	-248.5%
Remeasurements on defined benefit plans - net of deferred income tax	**-**	**0.0%**	(188,175,311)	-0.6%	188,175,311	-100.0%
	256,785,155	**0.7%**	(361,128,261)	-1.1%	617,913,416	-171.1%
TOTAL COMPREHENSIVE INCOME	**2,357,371,235**	**6.2%**	1,258,735,766	3.7%	1,098,635,469	87.3%
Net Income Attributable to:						
Equity holders of the Parent Company (Note 28)	**2,105,734,836**	**5.5%**	1,587,327,992	4.6%	518,406,844	32.7%
Non-controlling interests	**(5,148,756)**	**0.0%**	32,536,035	0.1%	(37,684,791)	-115.8%
	2,100,586,080	**5.5%**	1,619,864,027	4.7%	480,722,053	29.7%
Total Comprehensive Income Attributable to:						
Equity holders of the Parent Company	**2,362,519,991**	**6.2%**	1,226,199,731	3.6%	1,136,320,260	92.7%
Non-controlling interests	**(5,148,756)**	**0.0%**	32,536,035	0.1%	(37,684,791)	-115.8%
	2,357,371,235	**6.2%**	1,258,735,766	3.7%	1,098,635,469	87.3%
Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company (Note 28)						
Basic	**2.009**		1.529		0.480	31.4%
Diluted	**1.992**		1.516		0.476	31.4%

See accompanying Notes to Unaudited Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2013 AND 2012

	Equity Attributable to Equity Holders of the Parent Company (Note 30)								Retained Earnings (Note 19)					
	Capital Stock (Note 19)	Subscriptions Receivable	Additional Paid-in Capital (Note 26)	Cumulative Translation Adjustments of Foreign Subsidiaries	Remeasurements on Defined Benefit Plans-Net of Deferred Income Tax (Note 2)	Unrealized Gain on Available-for-Sale Financial Assets (Note 10)	Comprehensive Loss on Derivative Liability (Note 18)	Excess of Cost over the Carrying Value of Non-controlling Interests Acquired (Note 19)	Appropriated for Future Expansion	Unappropriated	Cost of Common Stock Held in Treasury (Note 19)	Total	Non-controlling Interests (Note 11)	Total Equity
							(In PHP)							
Balances at January 1, 2013 (As restated)	**1,063,859,559**	**(17,177,884)**	**3,284,139,309**	**(351,379,055)**	**(219,212,904)**	**102,626,829**	**(7,087,197)**	**(542,764,486)**	**5,000,000,000**	**12,840,703,544**	**(180,511,491)**	**20,973,196,224**	**733,100,982**	**21,706,297,206**
Net income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,105,734,836**	**-**	**2,105,734,836**	**(5,148,756)**	**2,100,586,080**
Other comprehensive loss														
Translation adjustments	**-**	**-**	**-**	**256,785,155**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**256,785,155**	**-**	**256,785,155**
Total comprehensive income (loss)	**-**	**-**	**-**	**256,785,155**	**-**	**-**	**-**	**-**	**-**	**2,105,734,836**	**-**	**2,362,519,991**	**(5,148,756)**	**2,357,371,235**
Movements in other equity accounts														
Issuances of and subscriptions to capital stock	**1,911,562**	**-**	**67,614,352**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**69,525,914**	**-**	**69,525,914**
Cost of stock options granted	**-**	**-**	**71,472,832**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**71,472,832**	**-**	**71,472,832**
Cash dividends - ₱0.65 a share (Note 19)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(680,017,924)**	**-**	**(680,017,924)**	**-**	**(680,017,924)**
Appropriation during the period (Note 19)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,200,000,000**	**(5,200,000,000)**	**-**	**-**	**-**	**-**
Additional investments during the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**40,292,749**	**40,292,749**
	1,911,562	**-**	**139,087,184**	**-**	**-**	**-**	**-**	**-**	**5,200,000,000**	**(5,880,017,924)**	**-**	**(539,019,178)**	**40,292,749**	**(498,726,429)**
Balances at June 30, 2013	**1,065,771,121**	**(17,177,884)**	**3,423,226,493**	**(94,593,900)**	**(219,212,904)**	**102,626,829**	**(7,087,197)**	**(542,764,486)**	**10,200,000,000**	**9,066,420,456**	**(180,511,491)**	**22,796,697,037**	**768,244,975**	**23,564,942,012**
Balances at January 1, 2012 (As restated)	1,054,953,233	(17,177,884)	2,914,463,925	(187,186,852)	157,137,718	102,626,829	-	(542,764,486)	1,200,000,000	15,174,359,248	(180,511,491)	19,675,900,240	703,691,245	20,379,591,485
Net income	-	-	-	-	-	-	-	-	-	1,593,633,323	-	1,593,633,323	32,536,035	1,626,169,358
Other comprehensive loss														
Translation adjustments	-	-	-	(172,952,950)	-	-	-	-	-	-	-	(172,952,950)	-	(172,952,950)
Total comprehensive income (loss)	-	-	-	(172,952,950)	-	-	-	-	-	1,593,633,323	-	1,420,680,373	32,536,035	1,453,216,408
Movements in other equity accounts														
Issuances of and subscriptions to capital stock	5,063,525	-	122,587,310	-	-	-	-	-	-	-	-	127,650,835	-	127,650,835
Cost of stock options granted	-	-	46,931,391	-	-	-	-	-	-	-	-	46,931,391	-	46,931,391
Cash dividends - ₱0.58 a share (Note 19)	-	-	-	-	-	-	-	-	-	(602,206,230)	-	(602,206,230)	-	(602,206,230)
Appropriation during the period (Note 19)	-	-	-	-	-	-	-	-	3,800,000,000	(3,800,000,000)	-	-	-	-
Remeasurements on defined benefit plans - net of deferred income tax	-	-	-	-	(188,175,311)	-	-	-	-	-	-	(188,175,311)	-	(188,175,311)
Arising from business combination	-	-	-	-	-	-	-	-	-	-	-	-	16,926,938	16,926,938
Arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional investments during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	5,063,525	-	169,518,701	-	(188,175,311)	-	-	-	3,800,000,000	(4,402,206,230)	-	(615,799,315)	16,926,938	(598,872,377)
Balances at June 30, 2012	1,060,016,758	(17,177,884)	3,083,982,626	(360,139,802)	(31,037,593)	102,626,829	-	(542,764,486)	5,000,000,000	12,365,786,341	(180,511,491)	20,480,781,298	753,154,218	21,233,935,516

See accompanying Notes to Unaudited Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30		Change	
	2013	2012	**Amt**	**Pct**
	(In PHP)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**2,807,941,349**	2,029,678,029	778,263,320	38.3%
Adjustments for:				
Depreciation and amortization (Notes 12, 13, 21 and 22)	**1,456,738,854**	1,312,720,512	144,018,342	11.0%
Deferred rent amortization - net (Note 29)	**134,279,149**	60,520,052	73,759,097	121.9%
Interest income (Note 23)	**(127,316,404)**	(114,166,226)	(13,150,178)	11.5%
Impairment losses on:				
Receivables and inventories (Notes 7, 8 and 22)	**71,882,373**	19,774,461	52,107,912	263.5%
Property, plant and equipment; investment properties and security and other deposits (Notes 12,13 and 22)	**37,226,066**	21,177,361	16,048,705	75.8%
Interest expense (Note 23)	**77,035,572**	102,349,506	(25,313,934)	-24.7%
Stock options expense (Notes 22 and 26)	**71,472,832**	46,931,391	24,541,441	52.3%
Pension expense (Notes 21, 22 and 25)	**70,599,053**	67,626,850	2,972,203	4.4%
Loss on disposals and retirements of property and equipment - net (Note 12)	**67,990,043**	106,310,369	(38,320,326)	-36.0%
Equity in net loss of joint ventures and associate (Note 11)	**53,647,056**	48,337,242	5,309,814	11.0%
Net unrealized foreign exchange gain	**(28,586,783)**	(9,344,861)	(19,241,922)	205.9%
Income before working capital changes	**4,692,909,160**	3,691,914,686	1,000,994,474	27.1%
Decreases (increases) in:				
Receivables	**167,737,466**	242,200,775	(74,463,309)	-30.7%
Inventories	**(687,676,346)**	270,784,858	(958,461,204)	-354.0%
Other current assets	**(146,315,570)**	(230,526,580)	84,211,010	-36.5%
Increase (decrease) in trade payables and other current liabilities	**328,766,780**	(294,049,004)	622,815,784	-211.8%
Net cash generated from operations	**4,355,421,490**	3,680,324,735	675,096,755	18.3%
Interest received	**128,554,352**	102,312,981	26,241,371	25.6%
Income taxes paid	**(758,072,964)**	(516,400,077)	(241,672,887)	46.8%
Net cash provided by operating activities	**3,725,902,878**	3,266,237,639	459,665,239	14.1%
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment (Note 12)	**(1,678,924,470)**	(1,894,655,522)	215,731,052	-11.4%
Subsidiaries - net of cash acquired (Note 11)	**(50,091,676)**	(211,043,467)	160,951,791	76.3%
Available-for-sale financial assets (Note 10)	**(300,000)**	(7,500,000)	7,200,000	96.0%
Investment property (Note 13)	-	(540,000)	540,000	100.0%
Advances to a joint venture (Note 11)	**(43,200,000)**	-	(43,200,000)	-100.0%
Proceeds from disposals of property, plant and equipment	**16,810,307**	34,393,010	(17,582,703)	-51.1%
Decrease (increase) in other noncurrent assets	**122,534,744**	(144,360,575)	266,895,319	-184.9%
Net cash used in investing activities	**(1,633,171,095)**	(2,223,706,554)	590,535,459	-26.6%
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Long-term debt (Note 18)	**(2,389,051,766)**	(8,771,204)	(2,380,280,562)	27137.4%
Cash dividends (Note 19)	**(632,187,286)**	(547,276,868)	(84,910,418)	15.5%
Liability for acquisition of businesses (Note 11)	**(99,723,309)**	-	(99,723,309)	-100.0%
Short-term debt (Note 18)	-	(900,000,000)	900,000,000	-100.0%
Proceeds from:				
Long-term debt (Note 18)	**1,804,800,000**	1,700,800,000	104,000,000	6.1%
Issuances of and subscriptions to capital stock	**69,525,914**	127,650,835	(58,124,921)	-45.5%
Interest paid	**(82,191,462)**	(115,572,746)	33,381,284	-28.9%
Contributions from non-controlling interests	**40,292,749**	16,926,938	23,365,811	138.0%
Net cash provided by (used in) financing activities	**(1,288,535,160)**	273,756,955	(1,562,292,115)	-570.7%
NET INCREASE IN CASH AND CASH EQUIVALENTS	**804,196,623**	1,316,288,040	(512,091,417)	38.9%
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**8,848,591,584**	6,655,312,875	2,193,278,709	33.0%
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	**9,652,788,207**	7,971,600,915	1,681,187,292	21.1%

See accompanying Notes to Unaudited Consolidated Financial Statements.

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", "Yong He King", "Hong Zhuang Yuan", "Mang Inasal", "Burger King", "San Pin Wang" and "12 Hotpot". The other activities of the Jollibee Group include manufacturing and property leasing in support of the QSR systems and other business activities (see Note 5).

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

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

The consolidated financial statements as of June 30, 2013 and December 31, 2012 and for the six months ended June 30, 2013 and 2012 were reviewed and recommended for approval by the Audit Committee on August 6, 2013. The same consolidated financial statements were also approved and authorized for issuance by the Board of Directors (BOD) on August 6, 2013.

2. Basis of Preparation, Statement of Compliance, Changes in Accounting Policies, Restatement of Comparative 2012 Financial Statements and Basis of Consolidation

Basis of Preparation

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

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with PFRS.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to existing PFRS and PAS which became effective on January 1, 2012.

- PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets*
- PAS 12 (Amendment), *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of these amended standards did not have a significant impact on the Jollibee Group's consolidated financial statements.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2012

The Jollibee Group will adopt the following revised standards, interpretations and amendments when these become effective. Except as otherwise indicated, the Jollibee Group does not expect the adoption of these new and amended standards to have significant impact on its consolidated financial statements.

Effective in 2013

The new and amended PFRS are effective and to be applied for annual periods beginning on or after January 1, 2013 except for PFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*, which is to be applied retrospectively and PAS 1, *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income*, which is effective for annual periods beginning on or after July 1, 2012.

- Amendments to PFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

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

- PFRS 10, *Consolidated Financial Statements*
  This standard replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC)-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

- PFRS 11, *Joint Arrangements*
  This standard replaces PAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly-controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12, *Disclosure of Interest in Other Entities*
  This standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

  Details of Interests in and advances to joint ventures, co-venturers and associate are disclosed in Note 11. A more comprehensive disclosure, as applicable, will be made in December 2013.

- PFRS 13, *Fair Value Measurement*
  This standard establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

  The Jollibee Group performed a preliminary assessment on the impact of this standard on its financial statements, but on the said assessment, the impact is immaterial.

- Revised PAS 19, *Employee Benefits*
  On January 1, 2013, the Jollibee Group adopted the Revised PAS 19, Employee Benefits.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to the adoption of the Revised PAS 19, the Jollibee Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded the 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Jollibee Group changed its accounting policy to recognize all actuarial gains and losses in the other comprehensive income and all past service costs in profit and loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

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

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

The changes in accounting policies have been applied retrospectively, restating the December 31, 2012 and January 1, 2012 audited balances.

	As at December 31, 2012	As at January 1, 2012
Increase (decrease) in:		
Statement of Financial Position		
Pension liability	₱267,203,511	(₱288,455,466)
Deferred tax asset	(80,161,053)	86,536,640
Remeasurements on defined benefit plan - net of deferred tax	(219,212,904)	157,137,717
Retained earnings	32,170,447	44,781,109

	For the six months ended June 30, 2012
Statement of Comprehensive Income	
Pension expense	₱9,007,616
Provision for deferred income tax	(2,702,285)
Net income	(6,305,331)
Remeasurements on defined benefit plans - net of deferred income tax	(31,037,593)
Total comprehensive income (loss)	(188.175,311)

- Revised PAS 27, *Separate Financial Statements*
  As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- Revised PAS 28, *Investments in Associates and Joint Ventures*
  As a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

- PAS 1, *Financial Statements Presentation - Presentation of Items of Other Comprehensive Income*
  The amendments to PAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This new interpretation is not relevant to the Jollibee Group.

Improvements to Standards

The Annual Improvements to PFRS (2009-2011 cycle) contain non-urgent but necessary amendments to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively.

- PFRS 1, *First-time Adoption of PFRS*
  The amendments clarify that an entity that has stopped applying PFRS may choose to either: (a) re-apply PFRS 1, even if the entity applied PFRS 1 in a previous reporting period; or (b) apply PFRS retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, in order to resume reporting under PFRS. The amendments also clarify that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
  The amendment requires an entity to present a: (a) comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period; and (b) opening statement of financial position when an entity changes its accounting policies, makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. The opening statement will be at the beginning of the preceding period.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise.

- PAS 32, *Financial Instruments: Presentation - Tax effect of Distribution to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies the requirements in PAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirement in PFRS 8, *Operating Segments*.

Effective in 2014

The amendments to PFRS are effective and to be applied for annual periods beginning on or after January 1, 2014 except for Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, which is to be applied retrospectively.

- Amendments to PFRS 10, *Consolidated Financial Statements - Investment Entities*
  The amendments require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss instead of consolidating them. New disclosure requirements relating to investment entities were added in PFRS 12 and PAS 27.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities - Investment Entities*
  The amendments require a parent that is an investment entity to disclose information about significant judgments and assumptions made in determining that it is an investment entity, as well as and any changes thereto. A parent that is an investment entity is also required to disclose certain information on unconsolidated subsidiaries, which are accounted for at fair value through profit or loss.

- Amendments to PAS 27, *Separate Financial Statements - Investment Entities*
  The amendments require a parent that is an investment entity and does not consolidate its subsidiaries in accordance with the exceptions of PFRS 10, to present separate financial statements as its only financial statements.

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the Company's net assets, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements.

Effective in 2015

- PFRS 9, *Financial Instruments: Classification and Measurement*
  PFRS 9 as issued reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to the classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project.

  The Jollibee Group has made an evaluation of the impact of the adoption of this standard and decided not to early adopt PFRS 9 in 2012, ahead of its effectivity date on January 1, 2015, therefore, the Jollibee Group's financial statements as at and for the year ended December 31, 2012 do not reflect the impact of the said standard.

  Only financial assets and liabilities will be affected by the standard and based on this evaluation, loans and receivables (consisting of cash and cash equivalents, trade receivables, receivable from retirement fund, advances to employees, security and other deposits, and employee car plan receivables), AFS financial assets and financial liabilities (consisting of trade payables and other current liabilities, due to related parties, short-term and long-term debt, and liability for acquisition of a business), which are carried at amortized cost will not be significantly affected. Upon adoption, these financial instruments shall continue to be carried at their amortized cost, thus, will have no significant financial impact to the Jollibee Group's financial position and performance. For the Jollibee Group's AFS investments which are composed of shares in public utility companies carried at fair value, the Jollibee Group plans to classify these items at fair value through other comprehensive income and will continue to measure these investments at fair value to be presented in other comprehensive income, thus, this has no significant financial impact to financial position and performance.

The Jollibee Group shall conduct another impact evaluation in 2013 using the financial statements as at and for the year ended December 31, 2012.

Restatement of Comparative 2011 Financial Statements
On May 27, 2011, the Jollibee Group, through its wholly-owned subsidiary, Tokyo Teriyaki Corporation (TTC), entered into an Asset Purchase Agreement with Fortune Capital Corporation, owner and operator of all Chowking stores in the US as the master licensee therein, to purchase the latter's property and equipment, inventories and security deposits of its twenty (20) existing stores. The purchase consideration amounted to ₱693.3 million.

In 2012, the valuation of the acquired assets was completed resulting to the recognition of an increase in the fair market value of property and equipment and deferred tax liability and a corresponding reduction in the amount of liability for acquisition of business and goodwill as follows (see Note 14):

	Increase (Decrease)
Property and equipment	₱22,964,900
Deferred tax liabilities	6,889,470
Liability for acquisition of businesses	(33,369,323)
Goodwill	(49,444,753)

In accordance with PFRS 3, the Jollibee Group restated its comparative 2011 financial statements to reflect the results of the valuation of the assets as if the information existed as of the acquisition date.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2013.

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 non-controlling interests 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 interests even if these result 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.

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		
			2013	2012	2011
Fresh N' Famous Foods, Inc. (Fresh N' Famous) -	Philippines	Food service	**100**	100	100
▪ Chowking Food Corporation USA	United States of America (USA)	Holding company	**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)	Philippines	Food service	**100**	100	100
▪ Red Ribbon Bakeshop, Inc. USA (RRBI USA)	USA	Food service	**100**	100	100
Mang Inasal Philippines, Inc. (Mang Inasal)	Philippines	Food service	**70**	70	70
Grandworth Resources Corporation (Grandworth):	Philippines	Leasing	**100**	100	100
▪ Adgraphix, Inc. (Adgraphix)	Philippines	Digital printing	**100**	100	100
▪ IConnect Multimedia Network, Inc. (IConnect)	Philippines	Advertising	**60**	60	60
▪ JC Properties & Ventures Co.	Philippines	Inactive	**50**	50	50
Honeybee Foods Corporation (Honeybee):	USA	Food service	**100**	100	100
▪ Tokyo Teriyaki Corporation (TTC)	USA	Food service	**100**	100	100
Jollibee Worldwide Pte. Ltd. (JWPL):	Singapore	Holding company	**100**	100	100
▪ Regional Operating Headquarters of JWPL (JWS)	Philippines	Accounting, Human Resources & Logistic Services	**100**	100	100
▪ Golden Plate Pte. Ltd. (GPPL)	Singapore	Holding company	**100**	100	100
▫ Golden Beeworks Pte. Ltd.	Singapore	Food service	**60**	60	–
▪ Beijing New Hongzhuangyuan Food and Beverage Management Co., Ltd. (Hong Zhuang Yuan)	People's Republic of China (PRC)	Food service	**100**	100	100
▪ Southsea Binaries Ltd. (Southsea)	British Virgin Island (BVI)	Holding company	**100**	100	100
▪ Shanghai Yong He King Food and Beverage Co., Ltd.	PRC	Food service	**100**	100	100
▪ Beijing Yong He King Food and Beverage Co., Ltd.	PRC	Food service	**100**	100	100
▪ Shenzhen Yong He King Food and Beverage Co., Ltd.	PRC	Food service	**100**	100	100
▪ Hangzhou Yongtong Food and Beverage Co., Ltd.	PRC	Food service	**100**	100	100
▪ Hangzhou Yonghe Food and Beverage Co., Ltd.	PRC	Food service	**100**	100	100
▪ Guangxi San Pin Wang Food and Beverage Management Company Limited (San Pin Wang)	PRC	Food service	**55**	55	–
▪ Wuhan Yonghe King Food and Beverage Co., Ltd.	PRC	Food service	**100**	100	100
▪ Tianjin Yong He King Food and Beverage Co., Ltd.	PRC	Food service	**100**	100	100
▪ Jollibee Foods Processing Pte. Ltd. (JFPPL) -	Singapore	Holding company	**70**	70	70
▫ Jollibee Foods Processing Co. Ltd. (Anhui)	PRC	Food service	**100**	100	100
▪ JSF Investments Pte. Ltd. (JSF)	Singapore	Holding company	**99**	99	99
▪ Chow Fun Holdings LLC (Chow Fun)	USA	Food service	**81**	81	81
▪ Jollibee (China) Food & Beverage Management Co. Ltd. (formerly Shanghai Chunlv Co. Ltd.)	PRC	Management company	**100**	100	100

(Forward)

	Country of Incorporation	Principal Activities	Percentage of Ownership 2013	2012	2011
▪ Jollibee International (BVI) Ltd. (JIBL):	BVI	Holding company	**100**	100	100
▫ Jollibee Vietnam Corporation Ltd.	Vietnam	Food service	**100**	100	100
▫ PT Chowking Indonesia	Indonesia	Food service	**100**	100	100
▫ PT Jollibee Indonesia	Indonesia	Dormant	**100**	100	100
▫ Jollibee (Hong Kong) Limited -	Hong Kong	Dormant	**85**	85	85
• Hanover Holdings Limited (Hanover)	Hong Kong	Dormant	**100**	100	100
▫ Belmont Enterprises Ventures Limited (Belmont):	BVI	Holding company	**100**	100	100
• Shanghai Belmont Enterprises Management and Adviser Co., Ltd. (SBEMAC)	PRC	Business management service	**100**	100	100
• Yong He Holdings Co., Ltd.:	BVI	Holding company	**100**	100	100
▪ Centenary Ventures Limited	BVI	Holding company	**100**	100	100
▪ Colossus Global Limited [(a)]	BVI	Dormant	**100**	100	100
▪ Granite Management Limited [(a)]	BVI	Dormant	**100**	100	100
▪ Cosmic Resources Limited [(a)]	BVI	Dormant	**100**	100	100
• All Great Resources Limited [(a)]:	BVI	Dormant	**100**	100	100
▪ Eastpower Resources Limited [(a)]	BVI	Dormant	**100**	100	100
▪ Eaglerock Development Limited [(a)]	BVI	Dormant	**100**	100	100

(Forward)

	Country of Incorporation	Principal Activities	Percentage of Ownership 2013	2012	2011
Chanceux, Inc. -	Philippines	Holding company	**100**	100	100
▪ BK Titans, Inc. -	Philippines	Holding company	**54**	54	54
▫ PFN Holdings, Corp. -	Philippines	Holding company	**99**	99	99
• Perf Restaurants, Inc. (Perf) [(b)]	Philippines	Food Service	**100**	100	100
Donut Magic Phils., Inc.[(c)]	Philippines	Dormant	**100**	100	100
Ice Cream Copenhagen Phils., Inc.[(c)]	Philippines	Dormant	**100**	100	100
Mary's Foods Corporation [(c)]	Philippines	Dormant	**100**	100	100
QSR Builders, Inc.	Philippines	Inactive	**100**	100	100
Jollibee USA	USA	Dormant	**100**	100	100

(a) BVI dormant entities are for dissolution which will take effect in 2013.
(b) Perf Restaurants, Inc. also holds shares in Perf Trinoma and Perf MOA.
(c) On June 18, 2004, the stockholders of the Jollibee Group approved the Plan of Merger of the three dormant companies. The application is pending approval from the SEC as at June 30, 2013.

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

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

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 ask 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, option 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 or liability. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Jollibee Group determines the appropriate method of recognizing the "Day 1" difference amount.

<u>Financial Assets</u>

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

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

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

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;

- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

- The financial asset contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

The Jollibee Group has no financial assets at FVPL as of June 30, 2013 and December 31, 2012.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not 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, receivables, long-term loan receivable and security and other deposits are classified under this category.

HTM Investments. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM when there is a positive intention and ability to hold to maturity. Financial assets intended to be held for an undefined period are not included in this category. HTM investments are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount less allowance for impairment. 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 June 30, 2013 and December 31, 2012.

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 - net" account in other comprehensive income until the financial asset is derecognized or determined to be impaired at which time the accumulated gains or losses previously reported in other comprehensive income are included in profit or loss. If the fair value cannot be measured reliably, AFS financial assets are measured at cost, being the fair value of the consideration paid for the acquisition of the investment, less any impairment in value. All transaction costs directly attributable to the acquisition are also included in the cost of investment.

Assets under this category are classified as current assets if expected to be realized within 12 months from reporting date and as noncurrent assets. Otherwise, these are classified as non-current assets.

The Jollibee Group's investments in shares of public utility companies are classified under this category as of June 30, 2013 and December 31, 2012.

Financial Liabilities

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

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

The Jollibee Group has no financial liability classified under this category as of June 30, 2013 and December 31, 2012.

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

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

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

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

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

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

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

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

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

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

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

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

Debt Issue Costs

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

Impairment of Financial Assets

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

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

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

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

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

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.

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

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

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

Processed inventories	-	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 is the current replacement cost.

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

Property, Plant and Equipment

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

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

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

Land improvements	5 years
Plant, buildings, condominium units and improvements	5–40 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.

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

Investment Properties

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

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

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

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

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

Business Combinations

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

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 acquire in a business combination achieved in stages. Acquisition costs incurred are expensed and included in "General and administrative expenses" account in the consolidated statement of comprehensive income.

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

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

Contingent Consideration or Earn-out. Any contingent consideration or earn-out 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.

<u>Goodwill</u>

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 determines whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognize any additional assets or liabilities that are identified in that review.

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

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

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

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

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

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.

Intangible Assets
The cost of trademarks acquired in a business combination is the fair value as at the date of acquisition. The Jollibee Group assessed the useful life of the trademarks to be indefinite because based on an analysis of all of the relevant factors; there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Jollibee Group.

Trademarks and brand names with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the CGU level. The useful life of an intangible asset is assessed as indefinite if it is expected to contribute net cash inflows indefinitely and is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

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

Interests in and Advances to Joint Ventures and Co-venturers. This account consists of interests in and advances to joint ventures and co-venturers.

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 interests in joint ventures which are jointly controlled entities accounted for using the equity method based on the percentage share of ownership and capitalization. Interests in joint ventures are accounted for under the equity method from the date the joint control is obtained.

Under the equity method, the interests in joint ventures are carried in the consolidated statements of financial position at cost plus the Jollibee Group's share in post-acquisition changes in the net assets of the joint ventures and associate, less any impairment in value. Goodwill relating to the joint ventures is included in the carrying amount of the investment and is not amortized. The consolidated statements of comprehensive income include the Jollibee Group's share in the financial performance of the joint ventures.

When the Jollibee Group's share of losses in the joint ventures equals or exceeds its interest, including any other unsecured receivables, the Jollibee Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. 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 Parent Company and the joint ventures are identical and the latter's accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances. Unrealized gains arising from transactions with the 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 ventures and associate 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 jointly controlled entities upon loss of joint control, the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss. When the remaining interest in joint ventures constitutes significant influence, it is accounted for as interest in an associate.

Interest in an Associate. This account consists of investment in an associate. An associate is an entity in which the Jollibee Group has significant influence and which is neither a subsidiary nor a joint venture.

The Jollibee Group's investment in an associate are accounted for using the equity method. An associate is an entity in which the Jollibee Group has significant influence.

Under the equity method, the investment in an associate is carried in the consolidated statements of financial position at cost plus post acquisition changes in the Jollibee Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statements of comprehensive income reflect the share of the financial performance of the associate. When there has been a change recognized directly in the equity of the associate, the Jollibee Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Jollibee Group and the associate are eliminated to the extent of the interest in the associate.

The Jollibee Group's share in profit (loss) of the associate is shown on the face of the consolidated statements of comprehensive income as "Equity in net earnings (loss) of joint ventures and associate", which is the profit (loss) attributable to equity holders of the associate.

The financial statements of the associate are prepared for the same reporting period as the Jollibee Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Jollibee Group.

After application of the equity method, the Jollibee Group determines whether it is necessary to recognize an additional impairment loss on its investment in an associate. The Jollibee Group determines at each reporting period whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Jollibee Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the "Equity in net earnings (loss) of joint ventures and an associate" account in the consolidated statements of comprehensive income.

Upon loss of significant influence over the associate, the Jollibee Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

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

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

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

Equity

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

Retained Earnings and Dividend on Capital 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.

Treasury Shares. Acquisitions of treasury shares are recorded at cost. The total cost of treasury shares is shown in the consolidated statements of financial position as a deduction from the total equity. Upon re-issuance or resale of the treasury shares, cost of common stock held in treasury account is credited for the cost of the treasury shares determined using the simple average method.

Gain on sale is credited to additional paid-in capital. Losses are charged against additional paid-in capital but only to the extent of previous gain from original issuance, sale or retirement for the same class of stock. Otherwise, losses are charged to retained earnings.

Subscriptions Receivable. Subscriptions receivable represents common stock subscribed and issued by the Company but payment from the shareholders has not yet been received.

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 all 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 a transaction have been substantially performed.

Service Fees. 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 "General and administrative expenses" in the consolidated statement of comprehensive income are recognized as incurred.

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

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

Share-based Payments

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

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

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

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

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

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

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

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

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.

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

discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

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

Taxes

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

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

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

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

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

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Deferred tax 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 Equity Holders of the Parent Company

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

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

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

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts on the consolidated financial statements and related notes at the end of the reporting period.

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 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 ₱3,082.9 million and ₱2,896.8 million for the six months ended June 30, 2013 and 2012, respectively (see Notes 21, 22 and 29).

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

Rent income amounted to ₱52.2 million and ₱46.0 million for the six months ended June 30, 2013 and 2012, respectively (see Notes 13, 20 and 29).

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

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

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 future cash flows from the investment and its acquisition cost and recognizes the amount in the consolidated statements of comprehensive income.

There were no provisions for impairment loss on AFS financial assets in 2013 and 2012. The carrying amount of AFS financial assets amounted to ₱128.4 million and ₱128.1 as of June 30, 2013 and December 31, 2012 (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 2013 amounted to ₱55.8 million resulting from specific and collective assessments. The carrying amount of receivables amounted to ₱2,526.8 million and ₱2,750.3 million as of June 30, 2013 and December 31, 2012, 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 ₱16.1 million in 2013 (see Note 22). The carrying amount of inventories amounted to ₱3,301.3 million and ₱2,629.7 million as of June 30, 2013 and December 31, 2012, respectively (see Note 8).

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

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

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

Management has determined that goodwill and other intangible assets are not impaired. The carrying amount of goodwill and other intangible assets amounted to ₱8,755.1 million and ₱8,705.0 million as of June 30, 2013 and December 31, 2012, respectively (see Note 14).

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

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

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

Provision for impairment loss amounted to ₱24.9 million and ₱21.1 million for the six months ended June 30, 2013 and 2012, respectively. The aggregate carrying values of property, plant and equipment and investment properties amounted to ₱12,154.6 million and ₱11,813.5 million as of June 30, 2013 and December 31, 2012, respectively (see Notes 12 and 13).

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

The carrying amount of deferred tax assets amounted to ₱1,196.8 million and ₱1,110.4 million as of June 30, 2013 and December 31, 2012 (as restated), 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 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 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 Jollibee Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect pension and other pension obligations.

The carrying amount of pension liability amounted to ₱670.8 million and ₱555.6 million as of June 30, 2013 and December 31, 2012 (as restated), respectively. Unrecognized net actuarial gains (losses) amounted to ₱206.6 million as of December 31, 2012 (see Note 25).

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

Total expense arising from share-based payment recognized by the Jollibee Group amounted to ₱71.5 million and ₱46.9 million for the six months ended June 30, 2013 and 2012, 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.

Contingent Consideration or Earn-out. The Jollibee Group has an existing joint venture agreement with contingent consideration or earn-out provisions. This requires the estimation of payout associated with the probability-weighted discounted cash flow model, taking into consideration the specific conditions outlined in the purchase agreement that must be met to satisfy the contingency. Based on management's assessment, there was no additional consideration to be recognized as of June 30, 2013 and December 31, 2012 (see Note 11).

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

There were no additional provisions recorded in 2013 and 2012. Total outstanding provisions for legal claims and restructuring costs amounted to ₱30.5 million as at June 30, 2013 and December 31, 2012 (see Note 17).

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

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

Business Segments

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

- The food service segment is involved in the operations of 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 June 30, 2013 and 2012 and for the six months ended June 30, 2013 and 2012:

	June 30, 2013 (Unaudited)				
	Food Service	**Franchising**	**Leasing**	**Eliminations**	**Consolidated**
			(In Thousands)		
Revenues from external customers	**₱36,286,089**	**₱1,694,783**	**₱87,043**	**₱–**	**₱38,067,915**
Inter-segment revenues	**11,166,128**	**322,949**	**1,486,721**	**(12,975,798)**	**–**
Segment revenues	**47,452,217**	**2,017,732**	**1,573,764**	**(12,975,798)**	**38,067,915**
Segment expenses	**(46,319,785)**	**(322,950)**	**(1,565,393)**	**12,975,798**	**(35,232,330)**
Impairment losses on receivables, property, plant and equipment, investment properties and security deposits	**(109,108)**	**–**	**–**	**–**	**(109,108)**
Equity in net loss of joint ventures and an associate	**(53,647)**	**–**	**–**	**–**	**(53,647)**
Other segment income	**84,032**	**–**	**799**	**–**	**84,831**
Segment result	**₱1,053,709**	**₱1,694,782**	**₱9,170**	**₱–**	**2,757,661**
Interest income					**127,316**
Interest expense					**(77,036)**
Income before income tax					**2,807,941**
Provision for income tax					**(707,355)**
Net income					**₱2,100,586**
Assets and Liabilities					
Segment assets	**₱42,542,137**	**₱–**	**₱384,233**	**₱–**	**₱42,926,370**
Deferred tax assets	**1,179,512**	**–**	**17,278**	**–**	**1,196,790**
Consolidated assets	**₱43,721,649**	**₱–**	**₱401,511**	**₱–**	**₱44,123,160**
Segment liabilities	**14,520,262**	**₱–**	**₱112,965**	**₱–**	**₱14,633,227**
Deferred tax liabilities	**768,587**	**–**	**3,579**	**–**	**772,166**
Long-term debt - including current portion	**5,045,344**	**–**	–	**–**	**5,045,344**
Income tax payable	**105,073**	**–**	**2,408**	**–**	**107,481**
Consolidated liabilities	**₱20,439,266**	**₱–**	**₱118,952**	**₱–**	**₱20,558,218**
Other Segment Information					
Capital expenditures	**₱1,678,924**	**₱–**	**₱–**	**₱–**	**₱1,678,924**
Depreciation and amortization	**1,450,605**	**–**	**6,134**	**–**	**1,456,739**

	June 30, 2012 (Unaudited)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
			(In Thousands)		
Revenues from external customers	₱32,587,659	₱1,509,869	₱78,441	₱–	₱34,175,969
Inter-segment revenues	10,242,472	269,357	628,361	(11,140,190)	–
Segment revenues	42,830,131	1,779,226	706,802	(11,140,190)	34,175,969
Segment expenses	(42,317,291)	(269,357)	(757,466)	11,140,190	(32,203,924)
Impairment loss on investment properties	(21,177)	–	–	–	(21,177)
Equity in net loss of joint ventures and an associate	(48,337)	–	–	–	(48,337)
Other segment income	89,449	–	16,873	–	106,322
Segment result	₱532,775	₱1,509,869	(₱33,791)	₱–	2,008,853
Interest income					114,166
Interest expense					(102,349)
Income before income tax					2,020,670
Provision for income tax					(400,806)
Net income					₱1,619,864

	June 30, 2012 (Unaudited)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
			(In Thousands)		
Assets and Liabilities					
Segment assets	₱38,962,007	₱–	₱421,236	₱–	₱39,383,243
Deferred tax assets	1,065,649	–	18,415	–	1,084,064
Consolidated assets	₱40,027,656	₱–	₱439,651	₱–	₱40,467,307
Segment liabilities	₱11,981,923	₱–	₱130,739	₱–	₱12,112,662
Deferred tax liabilities	766,376	–	3,781	–	770,157
Long-term debt - including current portion	6,277,689	–	–	–	6,277,689
Income tax payable	39,894	–	1,932	–	41,826
Consolidated liabilities	₱19,065,882	₱–	₱136,452	₱–	₱19,202,334
Other Segment Information					
Capital expenditures	₱1,894,656	₱–	₱–	₱–	₱1,894,656
Depreciation and amortization	1,309,555	–	3,166	–	1,312,721

Geographical Segments

The Jollibee Group's geographical segments are based on the location of the assets producing revenues in the Philippines and in other locations (which includes PRC and 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 expenditures of the Jollibee Group's geographical segments:

	Philippines	Foreign	Eliminations	Consolidated
			(In Thousands)	
June 2013				
Revenues	**₱29,751,528**	**₱8,389,413**	**(₱73,026)**	**₱38,067,915**
Segment assets	**27,545,414**	**15,380,956**	**–**	**42,926,370**
Capital expenditures	**1,024,010**	**654,914**	**–**	**1,678,924**
June 2012				
Revenues	26,927,840	7,350,730	(102,601)	34,175,969
Segment assets	24,726,775	14,656,468	–	39,383,243
Capital expenditures	1,152,048	742,608	–	1,894,656

6. Cash and Cash Equivalents

This account consists of:

	June 2013 (Unaudited)	December 2012 (Audited)
Cash on hand	**₱214,855,823**	₱194,069,517
Cash in banks	**3,367,577,586**	3,289,593,582
Short-term deposits	**6,070,354,798**	5,364,928,485
	₱9,652,788,207	₱8,848,591,584

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

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

Interest income earned from cash in banks and short-term deposits amounted to ₱75.9 million and ₱65.1 million for the six months ended June 30, 2013 and 2012, respectively (see Note 23).

7. Receivables

This account consists of:

	June 2013 (Unaudited)	December 2012 (Audited)
Trade	**₱2,495,865,959**	₱2,714,763,623
Less allowance for impairment loss	**316,727,409**	260,138,120
	2,179,138,550	2,454,625,503
Receivable from retirement fund	**159,072,320**	130,494,012
Advances to employees	**113,883,820**	95,502,388
Current portion of employee car plan receivables	**56,009,971**	50,300,588
Others	**18,721,260**	19,419,000
	₱2,526,825,921	₱2,750,341,491

Trade receivables are noninterest-bearing and are generally on a 30-60 days term.

Receivable from retirement fund represents retirement benefits advanced by the Jollibee Group to employees which are expected to be collected from the retirement fund within the next financial year.

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 June 30, 2013 and December 31, 2012 are as follows:

	June 2013 (Unaudited)	December 2012 (Audited)
Balance at beginning of period	**₱260,138,120**	₱164,744,992
Provisions (Note 22)	**55,778,104**	98,068,162
Recovery	**–**	(508,671)
Write-offs	**–**	(1,113,709)
Translation adjustments	**811,185**	(1,052,654)
Balance at end of period	**₱316,727,409**	₱260,138,120

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

8. **Inventories**

This account consists of:

	June 2013 (Unaudited)	December 2012 (Audited)
At cost:		
Food supplies and processed inventories	**₱3,154,939,346**	₱2,498,077,691
Packaging, store and other supplies	**135,975,769**	118,104,894
	3,290,915,115	2,616,182,585
At net realizable value:		
Novelty items	**10,400,439**	13,560,892
Packaging, store and other supplies	**–**	–
Total inventories at lower of cost and net realizable value	**₱3,301,315,554**	₱2,629,743,477

The cost of novelty items and packaging, store and other supplies carried at net realizable value amounted to ₱17.6 million and ₱20.8 million as of June 30, 2013 and December 31, 2012, respectively.

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

	June 2013 (Unaudited)	December 2012 (Audited)
Balance at beginning of period	**₱7,198,880**	₱22,731,966
Provisions (Note 22)	**16,104,269**	2,154,527
Reversals	**–**	(13,316,722)
Write-offs	**–**	(4,370,891)
Balance at end of period	**₱23,303,149**	₱7,198,880

9. **Other Current Assets**

This account consists of:

	June 2013 (Unaudited)	December 2012 (Audited)
Deposits to suppliers and others	**₱583,429,908**	₱567,340,190
Prepaid expenses:		
Rent	**469,155,472**	421,171,321
Taxes	**144,556,690**	184,878,704
Insurance and other prepayments	**262,739,349**	145,314,639
Supplies	**79,721,566**	75,820,509
	₱1,539,602,985	₱1,394,525,363

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

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

10. **Available-for-Sale Financial Assets**

This account consists of unquoted investments in shares of public utility companies amounting to ₱128.4 million and ₱128.1 million as of June 30, 2013 and December 31, 2012, respectively.

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

	June 2013 (Unaudited)	December 2012 (Audited)
Balance at beginning of period	**₱128,149,438**	₱120,649,438
Additions	**300,000**	7,500,000
Balance at end of period	**₱128,449,438**	₱128,149,438

As of June 30, 2013 and December 31, 2012, there is no change in the unrealized gain on AFS financial assets amounting to ₱102.6 million.

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

Acquisition in 2012

Business Combination through Acquisition of Equity Shares

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

Subsequent to the acquisition date, the Jollibee Group and GZK contributed additional investments amounting to ₱74.6 million and ₱59.3 million, respectively.

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

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

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

Goodwill acquired in the business combination was determined as follows:

Fair value of consideration transferred:	
Cash	₱135,110,309
Liability	110,918,461
Total	246,028,770
Non-controlling interests’ share in the net assets acquired	20,895,511
Aggregate amount	266,924,281
Less acquisition - date fair value of net assets acquired	46,434,469
Goodwill (Note 14)	₱220,489,812

In May 2013, the Jollibee Group paid an additional RMB7.5 million (₱50.1 million) as part of the agreement for the acquisition of San Pin Wang. The amount of provisional goodwill initially recorded at acquisition date amounted to ₱170.4 million. As a result of the transaction in 2013, the Jollibee Group recognized additional amount of goodwill amounting to ₱50.1. Total goodwill recognized for this business combination amounted to ₱220.5 million.

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

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

The net cash outflow on the acquisition is as follows:

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

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

Acquisitions prior to 2012

Business Combination through Acquisition of Equity Shares

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

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

Mang Inasal. On November 22, 2010, the Jollibee Group, through 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 restaurant business in the Philippines, for a total acquisition cost of ₱2,976.2 million. The Jollibee Group paid ₱2,700.0 million as of December 31, 2010. The present value of the remaining 10% of the purchase price amounting to ₱276.2 million is payable over a 3-year period until 2013. Such amount was withheld as assurance for indemnification against the seller's representations and warranties. The first half of the remaining liability was paid in 2011 while the second installment was paid in 2012.

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.

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.

Business Combination through Purchase of Assets

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

As of June 30, 2013, ₱68.3 million (US$1.6 million) of the outstanding balance was paid.

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

Business Combination Achieved in Stages

Jinja Bar and Bistro. On March 31, 2011, the Jollibee Group, through its wholly-owned subsidiary, JWPL, acquired from Aspen Partners, LLC 2,400 shares of Chow Fun Holdings, LLC ("Chow Fun") for US$3.2 million (₱139.6 million), bringing up its equity share in Chow Fun to 80.55%. The Jollibee Group (through JWPL) previously held 13.89% equity share in Chow Fun. Chow Fun is the developer and owner of Jinja Bar and Bistro in New Mexico, USA.

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

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

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

	Mang Inasal	BK Group	Chowking US Operations (As restated - Note 2)	Chow Fun
Cash and cash equivalents	₱132,213,023	₱17,071,231	₱–	₱4,870,336
Receivables	113,733,554	5,951,921	–	331,325
Inventories	126,423,715	13,302,567	14,515,550	3,883,969
Other current assets	557,888	3,245,199	–	3,073,027
Property, plant and equipment*	263,083,640	222,303,494	262,106,940	105,912,607
Trademark	2,004,255,942	–	–	–
Deferred tax assets	–	3,323,559	–	–
Other noncurrent assets	26,086,618	50,269,948	6,322,410	–
Total identifiable assets acquired	2,666,354,380	315,467,919	282,944,900	118,071,264
Less:				
Trade payables and other current liabilities	271,381,354	168,691,196	–	23,760,278
Long-term liabilities	–	–	–	77,128,142
Income tax payable	59,145,715	1,102,058	–	–
Deferred tax liabilities	628,717,866	30,976,291	6,889,470	–
Pension liability (Note 25)	–	3,199,600	–	–
Total identifiable liabilities assumed	959,244,935	203,969,145	6,889,470	100,888,420
Net identifiable assets acquired	₱1,707,109,445	₱111,498,774	₱276,055,430	₱17,182,844

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

Goodwill acquired in the business combinations was determined as follows:

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

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

The net cash outflows on the acquisitions are as follows:

	2012	2011	2010
Cash paid			
Mang Inasal	₱75,000,000	₱146,459,707	₱2,700,000,000
BK Group	–	–	–
Chowking US Operations	–	519,960,000	–
Chow Fun	–	139,644,000	–
	75,000,000	806,063,707	2,700,000,000
Less cash acquired from subsidiary			
Mang Inasal	–	–	132,213,023
BK Group	–	17,071,231	–
Chowking US Operations	–	–	–
Chow Fun	–	4,870,336	–
	–	21,941,567	132,213,023
	₱75,000,000	₱784,122,140	₱2,567,786,977

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

The rollforward analysis of the liability for acquisition of businesses follows:

	San Pin Wang	Chowking US Operations (Note 2)	Mang Inasal	Total
Balance at January 1, 2012	₱–	₱141,990,657	₱141,737,289	₱283,727,946
Additions	60,826,786	–	–	60,826,786
Accretion	5,391,461	10,298,401	5,554,978	21,244,840
Settlements	–	(33,696,000)	(75,000,000)	(108,696,000)
Translation adjustments	(2,439,259)	(8,835,568)	–	(11,274,827)
Balance at December 31, 2012	**63,778,988**	**109,757,490**	**72,292,267**	**245,828,745**
Accretion	**1,772,743**	**3,234,506**	**1,476,945**	**6,484,194**
Settlements	**(65,163,309)**	**(34,560,000)**	**–**	**(99,723,309)**
Translation adjustments	**(388,422)**	**5,840,966**	**–**	**5,452,544**
Balance at June 30, 2013	**₱–**	**₱84,272,962**	**₱73,769,212**	**₱158,042,174**

<u>Incorporation of New Subsidiaries</u>

Golden Beeworks Pte. Ltd. (Golden Beeworks). On May 16, 2012, the Jollibee Group, through GPPL, entered into an agreement to form Golden Beeworks together with Beeworks, Inc. ("Beeworks"), to own and operate Jollibee stores in Singapore. Under the agreement, the parties will establish Golden Beeworks in Singapore which will be owned 60% by GPPL and 40% by Beeworks. GPPL will have full management control of the company, while leveraging on Beework's experience, reputation and network to establish the "Jollibee" brand in Singapore. The initial funding for Golden Beeworks is US$1 million. Golden Beeworks was incorporated on July 19, 2012 and started its commercial operation on March 12, 2013.

As of June 30, 2013, capital contributions of the Jollibee Group to Beeworks amounted to ₱38.7 million.

<u>Interests in and Advances to Joint Ventures, Co-venturers and Associate</u>

	June 2013 (Uaudited)	December 2012 (Audited)
Interests in and advances to SuperFoods joint ventures and co-venturers	**₱3,034,050,325**	₱2,891,167,600
Interest in joint venture - Wowprime	**79,406,956**	98,040,000
	3,113,457,281	2,989,207,600
Interest in an associate	**32,429,980**	22,293,981
	₱3,145,887,261	₱3,011,501,581

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

The joint venture entity, incorporated as WJ Investments Limited (WJ), is 48% owned by the Jollibee Group and 48% by Wowprime's subsidiary and executives. The remaining 4% is owned by certain individuals with experience in the retail sector in China. Through their subsidiaries, Jollibee Group and Wowprime will share equal control and management of WJ. The expected investment from Jollibee Group for the period 2012 to 2015 is equivalent to approximately US$8 million.

The Jollibee Group has invested US$2.4 million (₱98.0 million) as of June 30, 2013 and December 31, 2012. The first store started commercial operations in January 2013.

The details of Jollibee Group's interest in Wowprime joint venture as of June 30, 2013 and December 31, 2012 are as follows:

	June 2013 (Uaudited)	December 2012 (Audited)
Interest in a joint venture - cost	**₱98,040,000**	₱98,040,000
Equity in net loss for the period	**(18,633,044)**	–
	₱79,406,956	₱98,040,000

The aggregate amounts as of June 30, 2013 related to the Jollibee Group's 48% interest in Wowprime follow:

Current assets	₱159,680,892
Noncurrent assets	33,501,993
Total assets	₱193,182,885
Total liabilities	₱17,052,394
Income	₱10,314,521
Expenses	(49,133,362)
Net loss	(₱38,818,841)

SuperFoods Group. On January 20, 2012, upon fulfillment of certain legal and regulatory requirements in Vietnam, the Jollibee Group, through JWPL, acquired effective ownership of 50% share in the business of the SuperFoods Group through formation of joint ventures. This consists of a 49% share in SF Vung Tau Joint Stock Company, organized in Vietnam, and a 60% share in Blue Sky Holding Limited in Hongkong (the SuperFoods Holding Companies). The formation of joint ventures is an implementation of the Framework Agreement made on May 20, 2011 between the Jollibee Group, through JWPL and its partner, Viet Thai International Joint Stock Company and Viet Thai International Company limited (collectively, SuperFoods Group). The Framework Agreement provided for the Jollibee Group to contribute a total of US$25 million to gain 50% effective ownership of the joint ventures. Loans and deposits were made to Superfoods Group and co-venturers prior to the formation of the joint ventures in 2012.

Pursuant to the Framework Agreement, the preliminary consideration for the 50% share in SuperFoods Group amounted to a cash payment of US$25 million in 2011.

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

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

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

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

(i) The co-venturers shall sell its 1 share in JSF Investments to JWPL for a purchase price equal to the Loan to co-ventureres and accrued interests (the Outstanding Balance) and the proceeds shall be used by the co-venturers to repay the Loan; and
(ii) The contingent consideration is payable in cash to the co-venturers.

If the result of the above formula is negative (negative earnout):
(i) The co-venturers shall still sell its 1 share in JSF Investments to JWPL at US$1.00;
(ii) The co-venturers shall repay the loan if the consolidated EBITDA of the SuperFoods Holding Companies for the Second Portion Measurement Period is:
   a. above US$25.0 million, the Outstanding Balance shall be deemed paid;
   b. US$25.0 million or below, JSF Investments shall have the right to acquire such number of shares in the SuperFoods Holding Companies as would satisfy the repayment of the Outstanding Balances;
   c. negative as a result of which the Outstanding Balance cannot be fully satisfied even if JSF Investments acquires 100% of the co-venturers’ shares in SuperFoods Holding Companies, the deficiency shall be paid to JSF Investments in cash. The co-venturers shall have a period of 6 months from the last day of the Second Portion Measurement Period within which to repay the Outstanding Balance in cash, before JSF Investments may exercise its option to be paid with shares of SuperFoods Holding Companies. If JSF Investments exercises its option to be paid in shares of SuperFoods Holding Companies, the co-venturers shall, within a 6 month period from JSF Investments’ exercise of its option, have the right to acquire additional equity in SuperFoods Holding Companies to the extent required to restore the ownership interest of the co-venturers and JSF Investments to the proportion prior to exercise of the option; provided that the co-venturers’ acquisition of additional equity shall be at the same valuation applied to JSF Investments.

JWPL shall be required to pay the co-venturers an additional amount based upon achieving a positive amount resulting from the above formula. Based on management’s assessment using the above earn-out formula, no additional consideration needs to be recognized as of January 20, 2012 and as of December 31, 2012. The resulting amount is a negative earn-out, as a result of inputs for the Second Portion Measurement on EBITDA, computed using a probability-weighted discounted cash flow model.

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

Loan to co-venturers
Loan to the owners of the SuperFoods Group amounting to US$35.0 million (₱1,512.0 million), extended on June 30, 2011, is payable in June 2016. The loan bears interest of 5% per annum payable in lump sum also in June 2016. The loan is agreed to be used for general corporate purposes. Total interest from this loan amounted to ₱38.0 million and ₱37.3 million for the six months ended June 30, 2013 and 2012, respectively. The US$35 million loan is secured by a mortgage by the co-venturers of all their shares in SuperFoods Holding Companies.

On April 30, 2013, an additional loan was extended to SuperFoods Group amounting to US$1.0 million (₱43.2 million) payable in February 2014. The loan bears interest of 5% per annum payable in lump sum also in February 2014. The loan is agreed to be used for general corporate purposes. Total interest from this loan amounted to ₱0.4 million for the six months ended June 30, 2013.

Loan to Blue Sky
On June 10, 2011, a loan was extended to Blue Sky Holdings Limited (Blue Sky), the Hong Kong-based joint venture, amounting to US$5.0 million (₱216.0 million) payable in June 2013. The loan bears interest of 5% per annum payable also in June 2013. Total interest from this loan amounted to ₱5.4 million and ₱5.3 million for the six months ended June 30, 2013 and 2012, respectively.

On May 7, 2012, an additional loan was extended to Blue Sky amounting to US$2.5 million (₱108.0 million) payable in May 2013. The loan bears interest of 5% per annum payable also in May 2013. Total interest from this loan amounted to ₱2.7 million and ₱0.8 million for the six months ended June 30, 2013 and 2012, respectively.

The details of Jollibee Group's interests in SuperFoods joint venture and advances to co-venturers as of June 30, 2013 and December 31, 2012 are as follows:

	June 2013 (Unaudited)	December 2012 (Audited)
Interest in the joint venture - cost	**₱1,086,562,975**	₱1,086,562,975
Cumulative equity in net loss:		
Balance at beginning of period	**(72,463,639)**	–
Equity in net loss for the period	**(45,150,011)**	(72,463,639)
	(117,613,650)	(72,463,639)
Advances to the joint ventures and co-venturer:		
Balance at beginning of period	**1,877,068,264**	2,903,505,390
Accrual of interest	**46,521,000**	84,322,262
Additions	**43,200,000**	105,179,193
Reclasification	**–**	(1,086,562,975)
Translation adjustments	**98,311,736**	(129,375,606)
Balance at end of period	**2,065,101,000**	1,877,068,264
	₱3,034,050,325	₱2,891,167,600

The aggregate amounts related to the Jollibee Group's 50% interest in SuperFoods Group as of June 30, 2013 and December 31, 2012 follow:

	June 2013 (Unaudited)	December 2012 (Audited)
Current assets	**₱480,406,910**	₱364,076,454
Noncurrent assets	**1,168,822,692**	1,754,029,008
Total assets	**1,649,229,602**	2,118,105,462
Current liabilities	**734,361,379**	828,490,870
Noncurrent liabilities	**429,069,903**	–
Total liabilities	**1,163,431,282**	828,490,870
Income	**981,419,979**	1,443,108,084
Expenses	**(1,071,720,001)**	(1,588,035,362)
Net loss	**(₱90,300,022)**	(₱144,927,278)

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 a casual dining format. The joint venture entity, incorporated as Coffeetap Corporation, is 50%-owned by the Jollibee Group and 50%-owned by its partners, with an initial capitalization of ₱10.0 million.

On November 30, 2011, Coffeetap sold its assets to CaféFrance Corporation with cash proceeds of ₱20.8 million. The Company also terminated its franchise agreement with Caffe Ti-Amo Korea on the same date. The dissolution plans for Coffeetap has been formally approved by the BOD on June 26, 2012. As at June 30, 2012, the Company distributed the original capital to its stockholders, net of deficit, amounting to ₱4.7 million.

Accordingly, the Company has changed its basis of accounting from the going concern basis to the liquidation basis whereby as at June 30, 2012 and December 31, 2011 assets are presented at estimated realizable values and all liabilities at estimated settlement amounts.

Interest in an Associate

The Jollibee Group, through JIBL, has 33% ownership over Entrek (B) SDN BHD (Entrek), a company that operates Jollibee stores in Brunei. As of December 31, 2011, the Jollibee Group's investment in Entrek is carried at nil due to its equity share in the previous losses of Entrek. As of and for the six months ended June 30, 2013, the Jollibee Group recognized its investment in the associate and equity in net earnings amounting to ₱32.4 million coming from Entrek's improved operations.

The details of the Jollibee Group's interest in an associate as of June 30, 2013 and December 31, 2012 are as follows:

	June 2013 (Unaudited)	December 2012 (Audited)
Interests in an associate – cost	**₱16,660,000**	₱16,660,000
Cumulative equity in net earnings (loss):		
Balance at beginning of period	**5,633,981**	(16,660,000)
Equity in net earnings during the period	**10,135,999**	22,293,981
Balance at end of period	**15,769,980**	₱5,633,981
	₱32,429,980	₱22,293,981

12. **Property, Plant and Equipment**

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

	June 2013 (Unaudited)							
	Land and Land Improvements	**Plant, Buildings, Condominium Units and Improvements**	**Leasehold Rights and Improvements**	**Office, Store and Food Processing Equipment**	**Furniture and Fixtures**	**Transportation Equipment**	**Construction in Progress**	**Total**
				(In Thousands)				
Cost								
Balance at beginning of period	**₱661,794**	**₱1,678,661**	**₱11,683,920**	**₱10,190,137**	**₱923,867**	**₱361,975**	**₱292,754**	**₱25,793,108**
Additions	**–**	**5,409**	**474,096**	**538,396**	**54,399**	**25,406**	**581,218**	**1,678,924**
Retirements and disposals	**–**	**–**	**(174,401)**	**(261,698)**	**(92,258)**	**(10,309)**	**(6,538)**	**(545,204)**
Reclassifications	**–**	**–**	**253,750**	**58,300**	**4,148**	**1,973**	**(318,171)**	**–**
Translation adjustments	**2,841**	**8,091**	**278,715**	**111,334**	**9,097**	**3,114**	**7,621**	**420,813**
Balance at end of period	**664,635**	**1,692,161**	**12,516,080**	**10,636,469**	**899,253**	**382,159**	**556,884**	**27,347,641**
Accumulated Depreciation and Amortization								
Balance at beginning of period	**7,186**	**668,534**	**6,064,413**	**7,045,793**	**665,546**	**252,672**	**–**	**14,704,144**
Depreciation and amortization (Notes 21 and 22)	**69**	**26,361**	**741,149**	**599,739**	**61,801**	**21,278**	**–**	**1,450,397**
Retirements and disposals	**–**	**–**	**(116,643)**	**(250,246)**	**(86,155)**	**(7,360)**	**–**	**(460,404)**
Reclassifications	**–**	**–**	**(86)**	**(977)**	**(12)**	**1,075**	**–**	**–**
Translation adjustments	**–**	**566**	**130,357**	**61,601**	**4,360**	**1,906**	**–**	**198,790**
Balance at end of period	**7,255**	**695,461**	**6,819,190**	**7,455,910**	**645,540**	**269,571**	**–**	**15,892,927**
Accumulated Impairment Losses								
Balance at beginning of period	**–**	**–**	**–**	**29,500**	**–**	**–**	**–**	**29,500**
Impairment loss during the period (Note 22)	**–**	**–**	**–**	**24,911**	**–**	**–**	**–**	**24,911**
Balance at end of period	**–**	**–**	**–**	**54,411**	**–**	**–**	**–**	**54,411**
Net Book Value	**₱657,380**	**₱996,700**	**₱5,696,890**	**₱3,126,148**	**₱253,713**	**₱112,588**	**₱556,884**	**₱11,400,303**

	December 2012 (Audited)							
	Land and Land Improvements	Plant, Buildings, Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
				(In Thousands)				
Cost								
Balance at beginning of year	₱679,254	₱966,833	₱11,203,440	₱9,210,906	₱877,229	₱404,697	₱672,799	₱24,015,158
Additions	2,000	760,670	1,343,646	1,106,655	97,220	38,084	407,632	3,755,907
Arising from business combination (Note 11)	–	2,906	39,122	41,801	5,833	1,742	2,275	93,679
Retirements and disposals	–	(38,316)	(1,069,962)	(445,367)	(43,004)	(38,025)	(12,377)	(1,647,051)
Reclassifications (Note 13)	(15,773)	(7,304)	395,729	360,364	(1,969)	(41,087)	(713,556)	(23,596)
Translation adjustments	(3,687)	(6,128)	(228,055)	(84,222)	(11,442)	(3,436)	(64,019)	(400,989)
Balance at end of year	661,794	1,678,661	11,683,920	10,190,137	923,867	361,975	292,754	25,793,108
Accumulated Depreciation and Amortization								
Balance at beginning of year	7,220	699,836	5,566,671	6,330,640	583,019	247,405	–	13,434,791
Depreciation and amortization	143	48,535	1,369,815	1,105,570	123,007	45,344	–	2,692,414
Arising from business combination (Note 11)	–	277	6,960	12,684	1,510	634	–	22,065
Retirements and disposals	–	(10,434)	(864,279)	(347,909)	(36,303)	(29,869)	–	(1,288,794)
Reclassifications	(177)	(65,043)	78,511	(3,767)	(1,222)	(8,302)	–	–
Translation adjustments	–	(4,637)	(93,265)	(51,425)	(4,465)	(2,540)	–	(156,332)
Balance at end of year	7,186	668,534	6,064,413	7,045,793	665,546	252,672	–	14,704,144
Accumulated Impairment Losses								
Balance at beginning and end of year	–	–	–	29,500	–	–	–	29,500
Net Book Value	**₱654,608**	**₱1,010,127**	**₱5,619,507**	**₱3,114,844**	**₱258,321**	**₱109,303**	**₱292,754**	**₱11,059,464**

The cost of fully depreciated property, plant and equipment still in use amounted to ₱7,336.5 million and ₱6,472.4 million as of June 30, 2013 and December 31, 2012, respectively.

Loss on disposals and retirements of property, plant and equipment amounted to ₱68.0 million and ₱106.3 million for the six months ended June 30, 2013 and 2012, respectively.

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

13. Investment Properties

The rollforward analysis of this account follows:

	June 2013 (Unaudited)		
	Land	**Buildings and Building Improvements**	**Total**
		(In Thousands)	
Cost			
Balance at beginning of period	**₱714,455**	**₱323,086**	**₱1,037,541**
Translation adjustments	**–**	**8,021**	**8,021**
Balance at end of period	**714,455**	**331,107**	**1,045,562**
Accumulated Depreciation and Amortization			
Balance at beginning of period	**–**	**237,081**	**237,081**
Depreciation (Notes 21 and 22)	**–**	**6,342**	**6,342**
Translation adjustments	**–**	**1,416**	**1,416**
Balance at end of period	**–**	**244,839**	**244,839**
Accumulated Impairment Losses			
Balance at beginning and end of period	**46,447**	**–**	**46,447**
Net Book Value	**₱668,008**	**₱86,268**	**₱754,276**

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

The accumulated impairment loss provided in the value of land amounting to ₱46.4 million as of June 30, 2013 and December 31, 2012, 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 ₱202.0 million as of June 30, 2013 and December 31, 2012.

The Jollibee Group's investment properties have aggregate fair values ₱1,334.2 million as determined by independent appraisers in 2011. The management does not expect a significant change in the fair value in 2013.

In determining the fair value of the investment properties, the independent appraisers used the market data approach which considered the local market conditions, the extent, character and utility of the property, sales and holding prices of similar parcels of land and the highest and best use of the investment properties. 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.

Rent income derived from income-generating properties amounted to ₱16.2 million for the six months ended June 30, 2013 and 2012 (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" account in the statements of comprehensive income amounted to ₱12.7 million and ₱6.1 million for the six months ended June 30, 2013 and 2012, respectively.

No investment properties as at June 30, 2013 and December 31, 2012 have been pledged as security or collateral for the Company's debts (see Note 18).

14. Goodwill and Other Intangible Asset

This account consists of goodwill and trademark acquired through business combinations related to the following food restaurants:

	June 2013 (Unaudited)	December 2012 (Audited)
Goodwill:		
Hong Zhuang Yuan	**₱2,497,252,906**	**₱2,497,252,906**
Mang Inasal (see Note 11)	**1,781,266,639**	**1,781,266,639**
Red Ribbon Bakeshop:		
Philippine operations	**737,939,101**	**737,939,101**
US operations	**434,651,055**	**434,651,055**
Yong He King:		
Yong He King	**429,016,109**	**429,016,109**
Hangzhou Yonghe	**106,264,544**	**106,264,544**
Chowking US operations (see Note 11)	**383,855,247**	**383,855,247**
San Pin Wang (see Note 11)	**220,489,813**	**170,398,137**
Jinja Bar & Bistro (see Note 11)	**154,894,001**	**154,894,001**
Burger King Group (see Note 11)	**5,245,207**	**5,245,207**
Total goodwill	**6,750,874,622**	**6,700,782,946**

Trademark -		
Mang Inasal (see Note 11)	**2,004,255,942**	**2,004,255,942**
Goodwill and other intangible asset	**₱8,755,130,564**	**₱8,705,038,888**

The rollforward analysis of goodwill follows:

	June 2013 (Unaudited)	December 2012 (Audited)
Balance at beginning of period	**₱6,700,782,946**	₱6,530,384,809
Additions	**50,091,676**	170,398,137
Balance at end of period	**₱6,750,874,622**	₱6,700,782,946

Impairment Testing of Goodwill and Other Intangible Asset

Goodwill acquired through business combinations have been allocated to nine (9) CGUs, which are subsidiaries of the Parent Company, owned directly or indirectly. 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
Hong Zhuang Yuan	PRC	12.02%	8.5%
Mang Inasal	Philippines	12.84%	5.0%
Red Ribbon Bakeshop:			
Philippine operations	Philippines	13.28%	5.0%
US operations	USA	13.48%	3.0%
Yong He King	PRC	12.02%	8.5%
Chowking US operations	USA	12.50%	3.0%
Jinja Bar & Bistro	USA	12.50%	3.0%
Burger King	Philippines	12.88%	5.0%
San Pin Wang	PRC	12.36%	8.5%

Key assumptions with respect to the calculation of value in use of the cash-generating units as of June 30, 2013 and December 31, 2012 on which management had based its cash flow projection to undertake impairment testing of goodwill are as follows:

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

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

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

No impairment loss was recognized for the six months ended June 30, 2013 and 2012.

15. Other Noncurrent Assets

This account consists of:

	June 2013 (Unaudited)	December 2012 (Audited)
Security and other deposits - net (Notes 22, 30 and 31)	**₱1,270,533,758**	₱1,161,089,780
Noncurrent portion of:		
Rent and other long-term prepayments	**152,521,710**	225,658,848
Employee car plan receivables (Notes 30 and 31)	**93,029,410**	93,029,410
Deferred rent expense	**63,566,673**	68,937,730
Deferred compensation	**13,866,716**	13,866,716
Returnable containers and other assets	**104,332,179**	94,053,660
	₱1,697,850,446	₱1,656,636,144

Security and other deposits represent deposits for operating leases entered into by the Jollibee Group as lessee and other deposits. The security 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 2% to 22% in 2012 and 2011. The difference between the fair value at initial recognition and the notional amount of the security deposits is charged to "Deferred rent expense" account and amortized on straight-line basis over the lease terms.

Accretion of interest on financial assets amounted to ₱6.8 million and ₱6.2 million for the six months ended June 30, 2013 and 2012, respectively (see Note 23).

The allowance for impairment loss for security and other deposits amounted to ₱16.1 million and ₱3.0 million as of June 30, 2013 and December 31, 2012, respectively.

16. Trade Payables and Other Current Liabilities

This account consists of:

	June 2013 (Unaudited)	December 2012 (Audited)
Trade	**₱4,873,456,148**	₱4,717,064,438
Accruals for:		
Salaries, wages and employee benefits	**1,597,381,476**	1,304,409,208
Local and other taxes	**1,356,843,787**	1,534,231,068
Advertising and promotions	**997,521,524**	741,335,875
Rent	**438,934,498**	456,127,663
Utilities	**308,394,784**	340,883,386
Freight	**167,810,251**	169,388,956
Store operations, corporate events and others	**1,570,485,490**	1,440,107,859

(Forward)

	June 2013 (Unaudited)	December 2012 (Audited)
Deposits	**510,042,424**	600,180,289
Unearned revenue from gift certificates	**37,515,197**	75,881,257
Dividends payable	**15,663,295**	26,173,052
Other current liabilities	**281,181,235**	347,283,001
	₱12,155,230,109	₱11,753,066,052

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 as the gift certificates are redeemed.

17. Provisions

The Jollibee Group has outstanding provisions amounting to ₱30.5 million as of June 30, 2013 and December 31, 2012, consisting of provisions for legal claims and restructuring costs.

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

The provision for restructuring costs amounting to ₱1.2 million relates to the Jollibee Group'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 as of December 31, 2011 consists of unsecured short-term bank loan of the Parent Company with an interest rate of 2.63%. This loan was paid in full, including accrued interest, on April 17, 2012.

Interest expense recognized on short-term debt amounted to nil and ₱10.2 million for the six months ended June 30, 2013 and 2012, respectively (see Note 23).

Long-term Debt
The details of the Jollibee Group's long-term debt as of June 30, 2013 and December 31, 2012 are as follows:

	June 2013 (Unaudited)	December 2012 (Audited)
USD-denominated:		
Loan 1	**₱1,728,000,000**	₱–
Loan 2	**864,000,000**	1,231,500,000
Loan 3	**642,747,674**	916,998,808
Loan 4	**172,800,000**	–
Loan 5	**–**	821,000,000
Loan 6	**–**	533,650,000
Loan 7	**–**	287,350,000
Loan 8	**–**	1,058,211
PHP-denominated:		
Loan 9	**1,498,226,683**	1,496,329,397
Loan 10	**139,570,000**	139,570,000
	5,045,344,357	5,427,456,416
Less current portion	**3,004,974,357**	4,572,839,927
	₱2,040,370,000	₱854,616,489

USD-denominated loans of JWPL. Loan 1 consists of a 5-year unsecured loan acquired from a local bank on February 25, 2013 amounting to US$40.0 million (or ₱1,632.0 million) subject to quarterly repricing with a one-time option to fix in the future. The interest rate for the first quarter is 1.23%. The principal is payable in 16 quarterly installments commencing on May 26, 2014 up to February 26, 2018, the date of maturity.

Loan 2 consists of a 3-year unsecured loan acquired from a local bank on April 29, 2011 amounting to US$40.0 million (or ₱1,712.0 million) with a fixed interest rate of 2.53%. The principal is payable in 4 semi-annual installments commencing on October 29, 2012 up to April 28, 2014, the date of maturity.

Loan 3 consists of a 3-year unsecured loan acquired from a foreign bank on May 9, 2011 amounting to US$30.0 million (or ₱1,287.9 million) with a fixed interest rate of 2.72%. The principal is payable in 4 semi-annual installments commencing on November 9, 2012 up to May 8, 2014, the date of maturity.

The loan agreements above provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control. As at June 30, 2013 and December 31, 2012, the Jollibee Group is in compliance with the terms of its loan covenants.

Loans 5, 6 and 7 availed by JWPL amounting to US$7.0 million (₱287.4 million), US$13.0 million (₱533.7 million), and US$20.0 million (₱821.0 million), respectively, consist of three loans obtained from a local bank with a recalibrated fixed interest rate of 2.55% each on March 1, March 9 and May 29, 2012, respectively. The loans have a term of 2 years and will originally mature on February 28, March 7 and May 28, 2014, respectively. However, the loans were preterminated by the Jollibee Group and paid in full, including accrued interest, in February 2013.

USD-denominated loan of JFPPL. Loan 4 consists of a 5-year unsecured loan acquired from a local bank on May 8, 2013 amounting to US$4.0 million (or ₱172.8 million) with an interest rate of 1.28%, subject to repricing every quarter. The principal is payable on May 7, 2018, the date of maturity.

USD-denominated loan of RRBI USA. Loan 8 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. The loan was fully paid in January 2013.

PHP-denominated loan of the Parent Company. Loan 9 resulted from the combination of extended unsecured short-term debts as of December 16, 2011 consisting of ₱700.0 million and ₱800.0 million loans to form a single long-term loan due on December 16, 2013. The fixed interest rate on the loan is 3.9% payable on a quarterly basis.

PHP-denominated loan of Perf Restaurants, Inc. Loan 10 was originally a five-year unsecured US$-denominated loan availed on December 20, 2011 by Perf Restaurants, Inc. (Perf). On the same day, the loan of US$3.4 million was converted to ₱149.2 million bearing fixed interest rate of 5.32% per annum.

Derivative and hedging activities on Loan 10
In 2012, Loan 10 was converted into a deliverable cross-currency swap transaction to hedge in full the foreign currency risk and interest rate risk on its floating rate. Under the cross-currency swap, the Perf received at inception PHP notional amount of ₱149.2 million and paid US$ notional amount of US$3.4 million based on the PHP/US$ spot reference rate of ₱43.87. At every interest payment date, the Company will receive variable interest based on 3-month US LIBOR plus spread and will pay fix interest rate. At maturity date, the Company will receive US$ notional amount of US$3.4 million and pay PHP notional amount of ₱149.2 million. The US$ receipts from the cross-currency swap correspond with the expected interest fixed principal amount due on the hedged loan. Similar with the hedged loan, the cross-currency swap is non-amortizing and will mature on December 21, 2016.

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

Hedge effectiveness results
Since the critical terms of the hedged loan and cross-currency swap matched, the hedge was assessed to be highly effective. As such, there was no ineffectiveness recognized in the profit or loss for the six months ended June 30, 2013 and 2012.

The movement in fair value of cash flow hedge presented in equity under other comprehensive loss as of December 31, 2012 follows:

Balance at beginning of year	₱–
Changes in fair value of the cash flow hedge	22,782,820
Foreign exchange revaluation	(9,658,381)
Balance at end of year	13,124,439
Non-controlling interests’ share	(6,037,242)
	₱7,087,197

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

Debt Covenants

Jollibee Group's loans, through its subsidiary Perf, contain certain restrictive covenants and requirements with respect to the following:

(a) Maintenance of the following ratios for the duration of the loan agreements: (1) minimum debt service coverage of 1.5:1; and (2) maximum debt to earnings before interest, taxes, depreciation and amortization (EBITDA) of 4:1.

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

As of June 30, 2013 and December 31, 2012, the Perf is in compliance with the terms of the loan agreement.

Long-term debt consists of the following:

	June 2013 (Unaudited)	December 2012 (Audited)
Principal	**₱5,052,370,000**	₱5,437,753,211
Unamortized debt issue cost	**(7,025,643)**	(10,296,795)
	₱5,045,344,357	₱5,427,456,416

The movements in unamortized debt issue cost as of June 30, 2013 and December 31, 2012 are as follows:

	June 2013 (Unaudited)	December 2012 (Audited)
Balance at beginning of period	**₱10,296,795**	₱17,957,381
Amortization	**(3,271,152)**	(7,660,586)
Balance at end of period	**₱7,025,643**	₱10,296,795

Interest expense recognized on long-term debt amounted to ₱69.7 million and ₱81.0 million for the six months ended June 30, 2013 and 2012, respectively (see Note 23).

19. **Equity**

a. Capital Stock

The movements in the number of shares follow:

	June 2013 (Unaudited)	December 2012 (Audited)
Authorized - ₱1 par value	**1,450,000,000**	1,450,000,000
Issued:		
Balance at beginning of period	**1,061,850,262**	1,052,943,936
Issuances	**1,911,562**	8,906,326
Balance at end of period	**1,063,761,824**	1,061,850,262
Subscribed:		
Balance at beginning of period	**2,009,297**	2,009,297
Subscriptions	**1,911,562**	8,906,326
Issuances	**(1,911,562)**	(8,906,326)
Balance at end of period	**2,009,297**	2,009,297
	1,065,771,121	1,063,859,559

On February 15, 1993, the SEC approved the increase of the Parent Company's authorized capital stock from 6.6 million shares, with a par value of ₱10 per share, to 750.0 million shares, with a par value of ₱1 per share, for the Parent Company's initial public offering (IPO). The offer price of the shares for such IPO ranged from ₱7.50 to ₱10.50 per share.

The total number of shareholders is 3,273 and 3,325 as of June 30, 2013 and December 31, 2012, respectively.

b. Treasury Shares

The cost of common stock held in treasury of ₱180.5 million consists of 16,447,340 shares as of June 30, 2013 and December 31, 2012.

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

The amount of excess of cost over the carrying value of non-controlling interests acquired as of June 30, 2013 and December 31, 2012, recognized as part of "Equity Attributable to Equity Holders of the Parent Company" section in the consolidated statements of financial position resulted from the following acquisitions of non-controlling interests:

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

d. Retained Earnings

The Jollibee Group has a Cash Dividend Policy of declaring one-third of 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 percentage of the EPS are 61.5%, 34.1% and 72.2% in 2012, 2011 and 2010, respectively.

An important part of the Jollibee Group's growth strategy is the acquisition of new businesses in the Philippines and abroad. Examples were acquisitions of 85% of Yonghe King in 2004 in PRC (₱1,200.0 million), 100% of Red Ribbon in 2005 (₱1,700.0 million), the remaining 20% minority share in Greenwich in 2007 (₱384.0 million), the remaining 15% share of Yonghe King in 2007 (₱413.7 million), 100% of Hong Zhuang Yuan restaurant chain in PRC in 2008 (₱2,600.0 million), 70% of Mang Inasal in 2010 (₱2,979.8 million), 100% of Chowking US Operations in 2011 (₱659.9 million), 55% of San Pin Wang (₱195.9 million) and 48% of WJ Investments Limited (₱98.0 million) in 2012.

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

In support of the Jollibee Group's growth strategy, the BOD approved the appropriation of ₱5,200.0 million and ₱3,800.0 million on April 11, 2013 and February 15, 2012, respectively, for future expansion and capital expenditures.

The details of the appropriation follow:

Projects	**Timeline**	**June 2013 (Unaudited)**	December 2012 (Audited)
Acquisition of Businesses	2013 - 2018	**₱7,600,000,000**	₱5,000,000,000
Capital Expenditures	2013 - 2018	**2,600,000,000**	–
		₱10,200,000,000	₱5,000,000,000

The retained earnings of the Parent Company is restricted to the extent of ₱10,380.5 million as of June 30, 2013 and December 31, 2012. The restriction consists of appropriation for projects and cost of common stock held in treasury amounting to ₱10,200.0 million and ₱180.5 million, respectively.

Consolidated retained earnings include undeclared retained earnings of subsidiaries amounting to ₱930.5 million and ₱685.4 million as of June 30, 2013 and December 31, 2012, respectively. The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in SEC Memorandum Circular No. 11, amounted to ₱6,880.2 million and ₱11,617.3 million as of June 30, 2013 and December 31, 2012, respectively.

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

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total Cash Dividends Declared
2013				
April 11	May 7	May 30	**₱0.65**	**₱680,017,924**
2012				
April 12	May 9	May 31	₱0.58	₱602,206,230
November 12	December 3	December 19	1.00	1,044,303,255
November 12	December 3	December 19	0.62	647,468,018
			₱2.20	₱2,293,977,503
2011				
April 13	May 5	May 31	₱0.50	₱513,586,071
November 4	November 22	December 16	0.57	586,430,790
			₱1.07	₱1,100,016,861

20. Royalty, Franchise Fees and Others

The Jollibee Group has existing Royalty and Franchise Agreements with certain subsidiaries and independent franchisees for the latter to operate QSR outlets under the "Jollibee", "Chowking", "Greenwich", "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 a certain percentage of the franchisees' net sales.

The Jollibee Group also charges franchisees and subsidiaries share in the network advertising and promotional activities based on certain percentages of the latter's net sales.

This account consists of:

	June 2013 (Unaudited)	June 2012 (Unaudited)
Royalty fees	**₱1,640,059,203**	₱1,472,160,355
Franchise fees	**54,724,233**	37,708,336
Rent income (Note 29)	**52,233,699**	45,996,919
Service fees	**71,739,820**	68,100,995
Scrap and other revenues	**102,545,196**	89,550,284
	₱1,921,302,151	₱1,713,516,889

21. **Cost of Sales**

This account consists of:

	June 2013 (Unaudited)	June 2012 (Unaudited)
Cost of inventories	**₱18,139,206,607**	₱16,478,617,997
Personnel costs:		
Salaries, wages and employee benefits	**4,001,555,801**	3,799,330,532
Pension expense	**37,860,128**	37,490,406
Rent (Note 29)	**2,920,835,241**	2,700,405,616
Electricity and other utilities	**1,654,324,081**	1,546,848,954
Depreciation and amortization (Notes 12 and 13)	**1,335,905,861**	1,202,811,697
Supplies	**864,100,730**	843,036,785
Contracted services and professional fees	**762,459,881**	611,576,106
Repairs and maintenance	**376,351,527**	319,762,142
Security and janitorial	**158,396,210**	143,352,136
Communication	**66,020,129**	58,650,886
Entertainment, amusement and recreation	**14,785,618**	15,733,535
Others	**736,602,976**	781,626,164
	₱31,068,404,790	₱28,539,242,956

22. **General and Administrative Expenses**

This account consists of:

	June 2013 (Unaudited)	June 2012 (Unaudited – As Restated)
Personnel costs:		
Salaries, wages and employee benefits	**₱1,755,529,672**	₱1,467,506,253
Stock options expense (Note 26)	**71,472,832**	46,931,391
Pension expense	**42,039,881**	39,144,060
Taxes and licenses	**430,746,408**	385,393,229
Impairment in value of:		
Receivables and inventories (Notes 7 and 8)	**71,882,373**	19,774,461
Property, plant and equipment (Note 12)	**24,910,870**	–
Security and other deposits (Note 15)	**12,315,196**	–
Investment properties (Note 13)	–	21,177,361
Rent (Note 29)	**162,045,357**	196,385,105
Transportation and travel	**151,488,452**	139,694,856
Professional fees and contracted services	**144,432,037**	163,687,376

(Forward)

	June 2013 (Unaudited)	June 2012 (Unaudited – As Restated)
Depreciation and amortization (Notes 12 and 13)	**120,832,992**	109,908,815
Donations	**55,695,941**	60,538,029
Entertainment, amusement and recreation	**51,145,215**	41,666,031
Communication	**39,121,801**	36,856,558
Repairs and maintenance	**32,161,358**	21,063,044
Training	**25,238,681**	32,064,460
Supplies	**24,660,638**	29,714,884
Electricity and other utilities	**23,762,649**	25,473,567
Security and janitorial	**11,348,235**	10,269,765
Insurance	**7,427,424**	5,869,813
Corporate events and others	**243,587,322**	230,851,415
	₱3,501,845,334	₱3,083,970,473

23. Interest Income (Expense) and Other Income

	June 2013 (Unaudited)	June 2012 (Unaudited)
Interest income:		
Cash and cash equivalents:		
Cash in banks	**₱6,614,395**	₱7,878,394
Short-term deposits	**69,304,794**	57,239,356
Accretion of interest on financial assets (Note 15)	**6,757,611**	6,175,934
Loan and advances	**44,639,604**	42,872,542
	₱127,316,404	₱114,166,226
Interest expense:		
Long-term debt (Note 18)	**(₱69,664,241)**	(₱81,002,268)
Short-term debt (Note 18)	**–**	(10,206,658)
Accretion of interest on financial liabilities	**(7,371,331)**	(11,140,580)
	(₱77,035,572)	(₱102,349,506)
Other income:		
Rebates and suppliers' incentives	**₱26,631,667**	₱38,029,350
Foreign exchange gain	**34,939,733**	5,101,672
Charges to franchisees	**12,407,024**	8,960,404
Pre-termination of operating leases	**4,875,753**	21,461,313
Penalties and charges	**7,152,978**	5,224,686
Other rentals	**3,351,194**	3,408,035
Write-off of other liabilities	**1,562,507**	18,651,054
Insurance claims and others	**(6,089,665)**	5,485,786
	₱84,831,191	₱106,322,300

24. **Income Taxes**

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

	June 2013 (Unaudited)	June 2012 (Unaudited)
Final tax withheld on:		
Royalty and franchise fee income	**₱375,767,702**	₱334,838,200
Interest income	**13,388,855**	11,570,830
RCIT:		
With itemized deduction	**325,737,864**	70,952,929
With optional standard deduction	**68,678,661**	67,368,096
MCIT	**3,022,687**	83,822,136
	₱786,595,769	₱568,552,191

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

For the six months ended June 30, 2013 and 2012, Zenith, Grandworth and RRBHI, wholly-owned subsidiaries, elected to use OSD in computing for their taxable income. The total tax benefit from the availment of OSD amounted to ₱25.1 million and ₱23.5 million in 2013 and 2012, respectively.

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

	June 2013 (Unaudited)	December 2012 (Audited – As Restated)
Deferred tax assets:		
Operating lease payables	**₱407,859,809**	₱401,437,097
NOLCO:		
PRC-based entities	**311,787,248**	275,552,028
Philippine-based entities	**62,247,665**	43,966,714
Pension liability and other benefits	**200,309,090**	177,792,157
Allowance for impairment loss on receivables	**75,664,763**	51,966,719
Unamortized past service costs	**45,976,770**	50,233,543
Unrealized foreign exchange loss	**2,582,811**	32,085,931
Unaccreted discount on security deposits and employee car plan receivables	**22,004,002**	23,593,436
Accumulated impairment loss in value of property, plant and equipment, investment properties, and other nonfinancial assets	**30,298,400**	23,359,590
Excess of MCIT over RCIT	**15,741,372**	12,127,543
Provisions for legal claims and restructuring costs	**9,150,192**	9,150,192
Allowance for inventory obsolescence	**5,496,195**	2,159,664
Others	**7,672,131**	6,984,030
	1,196,790,448	1,110,408,644

	June 2013 (Unaudited)	December 2012 (Audited – As Restated)
Deferred tax liabilities:		
Excess of fair value over book value of identifiable assets of acquired businesses	**712,632,423**	718,144,665
Deferred rent expense	**17,796,968**	17,886,026
Prepaid rent	**22,539,499**	22,416,209
Operating lease receivables	**3,199,645**	3,149,598
Others	**15,997,612**	28,679,237
	772,166,147	790,275,735
Deferred tax assets – net	**₱424,624,301**	₱320,132,909

The components of unrecognized deferred tax assets of BK Group in 2012 are as follows:

NOLCO	₱11,318,615
Other comprehensive loss	3,958,446
Unrealized foreign exchange loss	4,962
	₱15,282,023

<u>OSD</u>

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

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

	June 2013 (Unaudited)	December 2012 (Audited)
Deferred tax assets:		
Allowance for impairment losses on:		
Investment properties	**₱10,334,189**	₱10,334,189
Receivables	**3,963,705**	3,963,705
Other noncurrent assets	**1,641,000**	1,641,000
Operating lease payables	**15,116,584**	15,634,527
Pension liability	**2,123,808**	1,737,049
Unamortized past service costs	**687,560**	749,019
Unaccreted discount on financial instruments	**412,279**	426,256
Unrealized foreign exchange loss (gain)	**(9,760)**	4,735
Others	**120,601**	152,376
	34,389,966	34,642,856

	June 2013 (Unaudited)	December 2012 (Audited)
Deferred tax liabilities:		
Operating lease receivables	**9,044,115**	7,820,394
Deferred rent expense	**320,489**	339,514
Others	**315,805**	339,000
	9,680,409	8,498,908
	₱24,709,557	₱26,143,948

As of June 30, 2013, NOLCO and excess of MCIT over RCIT of the Philippine-based entities that can be claimed as deductions from taxable income and income tax due, respectively, are as follows:

Year Incurred/Paid	Carry Forward Benefit Up to	NOLCO	Excess of MCIT over RCIT
2013	December 31, 2016	₱128,128,151	₱7,048,980
2012	December 31, 2015	79,364,066	7,099,048
2011	December 31, 2014	–	1,593,344
		₱207,492,217	₱15,741,372

The PRC enterprise income tax law provides that income tax rates are unified at 25%. As of June 30, 2013, NOLCO of the PRC-based entities that can be claimed as deductions from taxable income are as follows:

Year Incurred	Carry Forward Benefit Up to	Tax Losses	Deferred Tax at 25%
2013	December 31, 2018	₱144,940,880	₱36,235,220
2012	December 31, 2017	626,622,226	156,655,557
2011	December 31, 2016	182,968,705	45,742,176
2010	December 31, 2015	106,315,191	26,578,798
2009	December 31, 2014	130,182,545	32,545,636
2008	December 31, 2013	56,119,443	14,029,861
		₱1,247,148,990	₱311,787,248

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

	June 2013 (Unaudited)	December 2012 (Audited)
Balance at beginning of period	**₱275,552,028**	₱178,380,252
Additions	**36,235,220**	156,655,557
Write-off	**(11,955,099)**	(13,893,801)
Expired	–	(37,731,948)
Translation adjustments	**11,955,099**	(7,858,032)
Balance at end of period	**₱311,787,248**	₱275,552,028

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 assets of the Jollibee Group's retirement plans are managed by a trustee bank.

Pension benefits recognized in the profit or loss amounted to ₱79.9 million and ₱76.6 million for the six months ended June 30, 2013 and 2012, respectively.

The following tables summarize the fund status and amounts recognized in the consolidated statements of financial position for the plans.

Pension Liability

	2012	2011
Present value of defined benefit obligation	₱1,896,964,592	₱1,301,088,666
Fair value of plan assets	(1,401,957,417)	(1,316,251,463)
Present value of underfunded (overfunded) obligation	495,007,175	(15,162,797)
Unrecognized net actuarial gains (loss)	(206,570,972)	293,837,311
	₱288,436,203	₱278,674,514

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

	2012	2011
Balance at beginning of year	₱1,301,088,666	₱1,364,744,185
Interest cost	107,904,046	152,865,858
Current service cost	99,916,987	103,419,805
Arising from business combination (Note 11)	–	3,199,600
Actual benefits paid:		
Out of plan assets	(133,300,505)	(103,908,857)
Out of Jollibee Group's funds	(44,777,712)	(22,958,089)
Net actuarial loss (gain):		
Due to experience adjustments	371,011,197	(559,592,159)
Due to change in assumptions	195,121,913	363,318,323
Balance at end of year	₱1,896,964,592	₱1,301,088,666

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

	2012	2011
Balance at beginning of year	₱1,316,251,463	₱1,201,052,350
Expected return on plan assets	88,943,512	96,084,188
Contributions	46,354,811	70,977,928
Actual benefits paid	(133,300,505)	(103,908,857)
Actuarial gain on plan assets	83,708,136	52,045,854
Balance at end of year	₱1,401,957,417	₱1,316,251,463
Actual return on plan assets	₱172,651,648	₱148,130,042

The following table presents the carrying amounts and estimated fair values of the assets of the retirement plans:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	₱993,931,235	₱993,931,235	₱916,611,093	₱916,611,093
Investments in equity securities	332,567,871	332,567,871	255,630,660	255,630,660
Investments in government securities, bonds and other debt instruments	58,002,779	58,002,779	126,981,644	126,981,644
Others	17,455,532	17,455,532	17,028,066	17,028,066
	₱1,401,957,417	₱1,401,957,417	₱1,316,251,463	₱1,316,251,463

The retirement plans' assets and investments consist of the following:

- Cash and cash equivalents include regular savings and time deposits.

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

- Investments in government securities consist of retail treasury bonds that bear interest ranging from 5.50% to 7.38% and have maturities from August 2020 to October 2037; and fixed-income treasury notes that bear interest ranging from 4.42% to 9.91% and have maturities from February 2015 to August 2037.

- Investments in debt and other securities consist of long-term corporate bonds, which bear interest ranging from 6.30% to 7.75% and have maturities ranging from 2012 to 2037.

- Other financial assets held by the Jollibee Group's retirement plans are primarily accrued interest income on cash and cash equivalents, debt instruments and other securities.

The Jollibee Group expects to contribute in 2013 an amount equivalent to the underfunded defined benefit obligation based on 2012 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 expected to be settled. The latest actuarial valuation of the defined benefit plan is as of December 31, 2012.

As of December 31, 2012 and 2011, the principal actuarial assumptions used to determine pension benefit obligations are as follow:

	2012	2011
Discount rate	5.70%–6.30%	6.50%–7.20%
Salary increase rate	7.00%–7.50%	5.00%–7.50%
Rate of return on plan assets	7.00%	5.00%–7.00%

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

	2012	2011	2010	2009	2008
Defined benefit obligation	₱1,896,964,592	₱1,301,088,666	₱1,364,744,185	₱1,213,954,564	₱985,573,966
Plan assets	1,401,957,417	1,316,251,463	1,201,052,350	973,263,844	531,760,226
Deficit (surplus)	₱495,007,175	(₱15,162,797)	₱163,691,835	₱240,690,720	₱453,813,740
Experience adjustments on:					
Plan obligation	(₱371,011,197)	₱559,592,159	(₱36,832,650)	(₱62,252,853)	₱–
Plan assets	83,708,136	52,045,854	151,659,394	47,163,376	(34,311,708)

The person who exercises voting rights over shares is within the powers of the Trustee, who do not have any relationship with the directors or officers of the Jollibee Group.

The plan assets consist of 92% and 81% investments in equity instruments as at June 30, 2013 and December 31, 2012, respectively. Such investments exposed the Jollibee Group to equity price risk which arises from the changes in the levels of equity indices and the value of the individual stocks traded in stock exchange. However, in the event a benefit claim arises under the retirement plan and the retirement fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable to the retirement fund from the Jollibee Group.

The principal assumptions used in determining pension liability for the Jollibee Group's plans are shown below:

	2012	2011
Discount rate	6-7%	6-11%
Expected rate of salary increase	4%	6%

The required disclosures on sensitivity analysis, Asset-Liability Matching and maturity analysis of the undiscounted benefit payments will be determined and will be disclosed at December 31, 2013.

Defined Contribution Plan

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

The contributions made to the scheme and recognized as part of other employee benefits amounted to ₱280.2 million, ₱121.2 million and ₱94.9 million in 2012, 2011 and 2010, respectively.

26. **Stock Options Plan**

Senior Management Stock Option and Incentive Plan

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

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

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

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

The exercise price of the stock options is determined by the Jollibee Group with reference to prevailing market prices over the three months immediately preceding the date of grant for the 1st up to the 7th MSOP cycle. Starting with the 8th MSOP cycle, the exercise price of the option is determined by the Jollibee Group with reference to the closing market price as at 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 expired on June 30, 2012. On July 1, 2005 to 2012, the Compensation Committee granted series of MSOP grants under the 2nd to 9th MSOP cycle to eligible participants. The options vest similar to the 1st MSOP cycle.

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

	June 2013 (Unaudited)		December 2012 (Audited)		December 2011 (Audited)	
	Number of Options	**WAEP**	Number of Options	WAEP	Number of Options	WAEP
Total options granted as at end of period	**30,034,694**	**₱53.48**	29,808,694	₱53.07	26,790,664	₱46.89
Outstanding at beginning of period	**16,788,056**	**₱63.90**	17,505,395	₱52.39	15,904,997	₱43.46
Options granted during the period	**226,000**	**107.90**	3,018,030	107.90	3,516,970	89.90
Options exercised during the period	**(1,741,562)**	**36.18**	(3,375,915)	41.80	(1,507,813)	43.07
Options forfeited during the period	**(28,030)**	**63.09**	(359,454)	80.52	(408,759)	62.03
Outstanding at end of period	**15,244,464**	**₱67.48**	16,788,056	₱63.90	17,505,395	₱52.39
Exercisable at end of period	**10,842,111**	**₱53.02**	10,367,798	₱45.83	10,424,829	₱40.10

The average share price is ₱122.98, ₱103.41 and ₱85.48 as of June 30, 2013, December 31, 2012 and 2011, respectively. The weighted average remaining contractual life for the stock options outstanding as of December 31, 2012, 2011 and 2010 is 4.66 years, 4.88 years and 5.31 years, respectively.

The weighted average fair value of stock options granted in 2012, 2011 and 2010 is ₱23.43, ₱23.67 and ₱22.77, respectively. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The inputs to the model used for the options granted on the dates of grant for each MSOP cycle are shown below:

MSOP Cycle	Year of Grant	Dividend Yield	Expected Volatility	Risk-free Interest Rate	Expected Life of the Option	Stock Price on Grant Date	Exercise Price
1st	2004	1.72%	36.91%	6.20%	5-7 years	₱24.00	₱20.00
2nd	2005	1.72%	36.91%	6.20%	5-7 years	29.00	27.50
3rd	2006	1.72%	36.91%	6.20%	5-7 years	35.00	32.32
4th	2007	1.70%	28.06%	6.41%	3-4 years	52.50	50.77
5th	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
6th	2009	2.00%	30.37%	5.28%	3-4 years	48.00	45.45
7th	2010	2.00%	29.72%	5.25%	3-4 years	70.00	57.77
8th	2011	2.00%	34.53%	4.18%	3-4 years	89.90	89.90
9th	2012	2.00%	28.72%	3.50%	3-4 years	107.90	107.90

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

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

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

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

The contractual term of each option is five years. The Jollibee Group does not pay cash as a form of settlement. Starting with the 3rd ELTIP cycle, the exercise price of the option is determined by the Jollibee Group with reference to the closing market price as of the date of grant.

On July 1, 2004, the Compensation Committee gave an entitlement of 22,750,000 options under the 1st ELTIP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted 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 expired on June 30, 2012. On July 1, 2008 and October 19, 2012, a total entitlement of 20,399,999 and 23,600,000 options was given to eligible participants under the 2nd and 3rd ELTIP cycle, respectively.

The movements in the number of stock options outstanding for the 2nd and 3rd ELTIP cycles and related WAEP are follows:

	June 2013 (Unaudited)		December 2012 (Audited)		Decembe 2011 (Audited)	
	Number of Options	**WAEP**	Number of Options	WAEP	Number of Options	WAEP
Total options given as of end of period	**67,499,999**	**₱56.66**	66,749,999	₱56.12	43,149,999	₱29.38
Outstanding at beginning of period	**37,811,665**	**₱80.51**	27,674,569	₱32.52	30,661,735	₱32.72
Options granted during the period	**750,000**	**105.00**	23,600,000	105.00	750,000	39.85
Options exercised during the period	**(170,000)**	**39.85**	(12,962,905)	24.19	(787,166)	20.00
Options forfeited during the period	–	–	(499,999)	39.85	(2,950,000)	39.85
Outstanding at end of period	**38,391,665**	**₱81.17**	37,811,665	₱80.51	27,674,569	₱32.52
Exercisable at end of period	**14,041,665**	**₱39.85**	7,411,665	₱39.85	10,224,570	₱20.00

The weighted average remaining contractual life for the stock options outstanding as of 2012, 2011 and 2010 is 5.68 years, 3.02 years and 3.74 years, respectively.

The fair value of stock options granted is ₱23.43 and ₱7.26 in 2012 and 2011, 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 ELTIP cycle are shown below:

ELTIP Cycle	Year of Grant	Dividend yield	Expected volatility	Risk-free interest rate	Expected life of the option	Stock price on grant date	Exercise price
1st	2004	1.72%	36.91%	6.20%	5 years	₱24.00	₱20.00
2nd	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
3rd	2012	2.00%	28.74%	3.60%	3-4 years	105.00	105.00

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 ₱71.5 million and ₱46.9 million for the six months ended June 30, 2013 and 2012, 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 in 2012, 2011 and 2010 are as follows:

	2012	2011	2010
Salaries and short-term benefits	₱243,239,599	₱391,620,377	₱389,010,761
Stock options expense	76,984,373	73,596,182	65,657,862
Net pension expense from defined benefit plan	13,442,416	28,897,958	23,822,756
Employee car plan and other long-term benefits	14,385,260	25,322,690	23,818,817
	₱348,051,648	₱519,437,207	₱502,310,196

Transactions with the Retirement Plans
As at and for the years ended December 31, 2012 and 2011, certain retirement funds of the Jollibee Group include investment in equity securities of the Parent Company with details as follows:

	2012	2011
Number of shares	782,130	2,234,737
Cost	₱25,598,922	₱73,185,976
Market value	79,777,260	202,131,962
Unrealized gain	₱54,178,338	₱128,945,986

28. Earnings Per Share

Basic and diluted EPS are computed as follows:

	June 2013 (Unaudited)	June 2012 (Unaudited - As Restated)
(a) Net income attributable to the equity holders of the Parent Company	**₱2,105,734,836**	₱1,587,327,992
(b) Weighted average number of shares - basic	**1,048,019,356**	1,038,292,931
Weighted average number of shares outstanding under the stock option plan	**14,332,475**	12,188,487
Weighted average number of shares that would have been purchased at fair market value	**(5,399,318)**	(3,705,729)
(c) Adjusted weighted average shares - diluted	**1,056,952,513**	1,046,775,689
EPS:		
Basic (a/b)	**₱2.009**	₱1.529
Diluted (a/c)	**1.992**	1.516

There were no anti-dilutive options outstanding as of June 30, 2013 and 2012.

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 ₱3,084.6 million and ₱2,879.2 million for the six months ended June 30, 2013 and 2012, respectively.

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

	2012	2011
Within one year	₱2,391,671,677	₱2,407,191,659
After one year but not more than five years	7,953,687,706	8,699,820,241
More than five years	5,965,097,801	5,546,484,166
	₱16,310,457,184	₱16,653,496,066

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 (₱1.7 million) and ₱17.6 million for the six months ended June 30, 2013 and 2012, respectively, are charged to "Operating lease payables" account in the consolidated statements of financial position. Rent expense recognized on a straight-line basis amounted to ₱3,082.9 million and ₱2,896.8 million for the six months ended June 30, 2013 and 2012, 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 and various sublease agreements. Noncancellable periods of the leases range from 3 to 20 years, mostly containing renewal options. All leases include a clause to enable upward revision of the rent charges on an annual basis based on prevailing market conditions. Rent income in accordance with the terms of the lease agreements amounted to ₱52.5 million and ₱45.6 million for the six months ended June 30, 2013 and 2012, respectively.

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

	2012	2011
Within one year	₱25,350,190	₱25,856,500
After one year but not more than five years	41,607,749	66,466,637
More than five years	2,314,149	–
	₱69,272,088	₱92,323,137

The difference of rent income recognized under the straight-line method and the rent amounts in accordance with the terms of the lease agreements amounting to (₱0.3 million) and ₱0.4 million for the six months ended June 30, 2013 and 2012, are included under "Operating lease receivables" account in the consolidated statements of financial position. Rent income recognized on a straight-line basis amounted to ₱52.2 million and ₱46.0 million for the six months ended June 30, 2013 and 2012, respectively (see Note 20).

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 financial performance 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 financial instruments are cash and cash equivalents, trade receivables, trade payables and other current liabilities (excluding accruals for local and other taxes and unearned revenue from gift certificates) and long-term debts. 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 other non-trade receivables, long-term loan receivable, security and other deposits, AFS financial assets and liability for acquisition of businesses 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.

<u>Equity Price Risk</u>
The Jollibee Group is not exposed to significant equity price risk on its investment in quoted equity securities consisting of investment in club shares and shares of public utility companies.

<u>Interest Rate Risk</u>
The Jollibee Group is not exposed to significant interest rate risk as majority of its interest-bearing long-term debts bear fixed interest rates.

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

To manage the interest rate risk related to the Jollibee Group's long-term debt, the Jollibee Group uses a derivative instrument to fix the interest rate over the term of the debt (see Note 18).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's equity as of December 31, 2012. The impact on the Company's equity is due to changes in the fair value of cross-currency swaps designated as cash flow hedges.

	Increase/Decrease in Basis Points	**Equity**
USD	+100	(9,209)
	-100	5,699
PHP	+100	(378,029)
	-100	233,944

Foreign Currency Risk

The Jollibee Group's exposure to foreign currency risk arises from the Parent Company's investments outside the Philippines, which are mainly in PRC and USA. While the foreign businesses have been rapidly growing, the net assets of foreign businesses account for only 10.68% and 15.57% of the consolidated net assets of the Jollibee Group as of June 30, 2013 and December 31, 2012, respectively. Therefore, the total exposure to foreign exchange risk of the Jollibee Group is still not significant.

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

The following table shows the Jollibee Group's Philippine operations' foreign currency-denominated monetary assets and liabilities and their peso equivalents as of June 30, 2013 and December 31, 2012:

	June 2013 (Unaudited)			December 2012 (Audited)		
	USD	**RMB**	**PHP Equivalent**	USD	RMB	PHP Equivalent
Assets						
Cash and cash equivalents	**1,391,721**	**8,074**	**60,179,194**	2,193,789	8,072	90,108,394
Receivables	**262,343**	**–**	**11,333,218**	228,184	–	9,366,953
Long-term debt	**(3,400,000)**	**–**	**(146,880,000)**	(3,400,000)	–	(139,570,000)
Net exposure	**(1,745,936)**	**8,074**	**(75,367,588)**	(978,027)	8,072	(40,094,653)

Foreign Currency Risk Sensitivity Analysis

The Jollibee Group has recognized in its profit or loss, foreign currency exchange gain included under "Other income" account which amounted to ₱34.9 million and ₱5.1 million on its net foreign currency-denominated assets for the six months ended June 30, 2013 and 2012, respectively (see Note 23). This resulted from the movements of the Philippine peso against the USD and RMB as shown in the following table:

	Peso to	
	USD	RMB
June 30, 2013	**₱43.20**	**₱7.04**
June 30, 2012	42.12	6.67

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 June 30, 2013 and December 31, 2012:

	Appreciation (Depreciation) of ₱ against Foreign Currency	**June 2013 (Unaudited)** **Effect on Income Before Income Tax**	December 2012 (Audited) Effect on Income Before Income Tax
		(In Thousands)	
USD			
	₱1.50	**(₱2,619)**	(₱1,467)
	(1.50)	**2,619**	1,467
	1.00	**(1,746)**	(978)
	(1.00)	**1,746**	978
RMB			
	0.95	**(7.7)**	(7.7)
	(0.95)	**7.7**	7.7
	0.63	**(5.1)**	(5.1)
	(0.63)	**5.1**	5.1

Credit Risk

Credit risk is the risk that a customer or a 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.

Credit Risk Exposure and Concentration. 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, 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 June 30, 2013 and December 31, 2012.

	June 2013 (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)	**₱9,437.9**	**₱9,437.9**	**₱–**	**₱–**	**₱–**
Receivables:					
Trade	**2,495.9**	**1,141.4**	**327.7**	**35.2**	**991.6**
Receivable from retirement fund	**159.1**	**159.1**	**–**	**–**	**–**
Employee car plan receivables*	**149.0**	**149.0**	**–**	**–**	**–**
Advances to employees	**113.9**	**113.9**	**–**	**–**	**–**
Other receivables	**18.7**	**18.7**	**–**	**–**	**–**
Other noncurrent assets -					
Security and other deposits	**1,286.6**	**1,270.5**	**–**	**–**	**16.1**
	₱13,661.1	**₱12,290.5**	**₱327.7**	**₱35.2**	**₱1,007.7**

**Including noncurrent portion shown as part of "Other noncurrent assets" account in the consolidated statements of financial position.*

	December 2012 (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)	₱8,654.5	₱8,654.5	₱–	₱–	₱–
Receivables:					
Trade	2,714.8	1,280.9	367.7	39.5	1,026.7
Employee car plan receivables*	143.3	143.3	–	–	–
Receivable from retirement fund	130.5	130.5	–	–	–
Advances to employees	95.5	95.5	–	–	–
Other receivables	19.4	19.4	–	–	–
Other noncurrent assets -					
Security and other deposits	1,161.1	1,158.1	–	–	3.0
	₱12,919.1	₱11,482.2	₱367.7	₱39.5	₱1,029.7

**Including noncurrent portion shown as part of "Other noncurrent assets" account in the consolidated statements of financial position.*

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 obligations, but with continuing business transactions with the Jollibee Group, and may be or actually referred to legal and/or subjected to cash before delivery (CBD) scheme. Under this scheme, the customer's credit line is suspended and all subsequent orders are paid in cash before delivery. The CBD status will only be lifted upon full settlement of the receivables and approval of management. Thereafter, the regular credit term and normal billing and collection processes will resume.

The aging analyses of receivables are as follows:

	June 2013 (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	**₱2,495.9**	**₱1,504.3**	**₱167.1**	**₱78.0**	**₱93.5**	**₱336.3**	**₱316.7**
Receivable from retirement fund	**159.1**	**159.1**	**–**	**–**	**–**	**–**	**–**
Employee car plan receivables*	**149.0**	**149.0**	**–**	**–**	**–**	**–**	**–**
Advances to employees	**113.9**	**113.9**	**–**	**–**	**–**	**–**	**–**
Other receivables	**18.7**	**18.7**	**–**	**–**	**–**	**–**	**–**
Other noncurrent assets -							
Security and other deposits	**1,286.6**	**1,270.5**	**–**	**–**	**–**	**–**	**16.1**
	₱4,223.2	**₱3,215.5**	**₱167.1**	**₱78.0**	**₱93.5**	**₱336.3**	**₱332.8**

**Including noncurrent portion shown as part of "Other noncurrent assets" account in the consolidated statements of financial position.*

	December 2012 (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	₱2,714.8	₱1,688.1	₱286.9	₱64.0	₱74.8	₱340.9	₱260.1
Employee car plan receivables*	143.3	143.3	–	–	–	–	–
Receivable from retirement fund	130.5	130.5	–	–	–	–	–
Advances to employees	95.5	95.5	–	–	–	–	–
Other receivables	19.4	19.4	–	–	–	–	–
Other noncurrent assets -							
Security and other deposits	1,161.1	1,158.1	–	–	–	–	3.0
	₱4,264.6	₱3,234.9	₱286.9	₱64.0	₱74.8	₱340.9	₱263.1

**Including noncurrent portion shown as part of "Other noncurrent assets" account in the consolidated statements of financial position.*

Liquidity Risk

The Jollibee Group's exposure to liquidity risk refers to the risk that its financial liabilities are not serviced in a timely manner and that its working capital requirements and planned capital expenditures are not met. To manage this exposure and to ensure sufficient liquidity levels, the Jollibee Group closely monitors its cash flows.

On a weekly basis, the Jollibee Group's Cash and Banking Team monitors its collections, expenditures and any excess/deficiency in the working capital requirements, by preparing cash position reports that present actual and projected cash flows for the subsequent week. Cash outflows resulting from major expenditures are planned so that money market placements are available in time with the planned major expenditure. In addition, the Jollibee Group has short-term cash deposits and has available credit lines with accredited banking institutions, in case there is a sudden deficiency. The Jollibee Group maintains a level of cash and cash equivalents deemed sufficient to finance the operations. No changes were made in the objectives, policies or processes of the Jollibee Group during the periods ended June 30, 2013 and December 31, 2012.

The Jollibee Group's financial assets, which have maturity of less than 12 months and are used to meet its short-term liquidity needs, are cash and cash equivalents and receivables amounting to ₱9,652.8 million and ₱2,526.8 million, respectively, as of June 30, 2013 and ₱8,848.6 million and ₱2,750.3 million, respectively, as of December 31, 2012.

The tables below summarize the maturity profile of the Jollibee Group's financial liabilities based on the contractual undiscounted cash flows as of June 30, 2013 and December 31, 2012:

	June 2013 (Unaudited)			
	Within 1 Year	**2–3 Years**	**4–5 Years**	**Total**
Trade payables and other current liabilities*	**₱10,760,871,125**	**₱–**	**₱–**	**₱10,760,871,125**
Long-term debt (including current portion)	**3,004,974,357**	**139,570,000**	**1,900,800,000**	**5,045,344,357**
Liability for acquisition of businesses (including current portion)	**102,229,858**	**55,812,316**	**–**	**158,042,174**
	₱13,868,075,340	**₱195,382,316**	**₱1,900,800,000**	**₱15,964,257,656**

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

	December 2012 (Audited)			
	Within 1 Year	2–3 Years	4–5 Years	Total
Trade payables and other current liabilities*	₱10,142,953,727	₱–	₱–	₱10,142,953,727
Long-term debt (including current portion)	4,725,260,141	751,985,098	146,995,124	5,624,240,363
Liability for acquisition of businesses (including current portion)	168,984,534	79,551,944	–	248,536,478
	₱15,037,198,402	₱831,537,042	₱146,995,124	₱16,015,730,568

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

Capital Management

Capital includes equity attributable to equity holders of the Parent Company.

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

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

As of June 30, 2013 and December 31, 2012, the Jollibee Group's debt ratio and net debt ratio are as follows:

Debt Ratio

	June 2013 (Unaudited)	December 2012 (Audited – As Restated)
Total debt (a)	**₱20,558,217,807**	₱20,364,676,307
Total equity attributable to equity holders of the Parent Company	**22,796,697,037**	20,973,196,224
Total debt and equity attributable to equity holders of the Parent Company (b)	**₱43,354,914,844**	₱41,337,872,531
Debt ratio (a/b)	**47%**	49%

Net Debt Ratio

	June 2013 (Unaudited)	December 2012 (Audited – As Restated)
Total debt	**₱20,558,217,807**	₱20,364,676,307
Less cash and cash equivalents	**9,652,788,207**	8,848,591,584
Net debt (a)	**10,905,429,600**	11,516,084,723
Total equity attributable to equity holders of the Parent Company	**22,796,697,037**	20,973,196,224
Total net debt and equity attributable to equity holders of the Parent Company (b)	**₱33,702,126,637**	₱32,489,280,947
Net debt ratio (a/b)	**32%**	35%

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 June 30, 2013 and December 31, 2012. There are no material unrecognized financial assets and liabilities as of June 30, 2013 and December 31, 2012.

	June 2013 (Unaudited)		December 2012 (Audited)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents	**₱9,652,788,207**	**₱9,652,788,207**	₱8,848,591,584	₱8,848,591,584
Receivables:				
Trade	**2,179,138,550**	**2,179,138,550**	2,454,625,503	2,454,625,503
Receivable from retirement fund	**159,072,320**	**159,072,320**	130,494,012	130,494,012
Employee car plan receivables*	**149,039,381**	**162,906,097**	143,329,998	157,196,713
Advances to employees	**113,883,820**	**113,883,820**	95,502,388	95,502,388
Other receivables	**18,721,260**	**18,721,260**	19,419,000	19,419,000
Other noncurrent assets -				
Security and other deposits	**1,270,533,758**	**1,270,533,758**	1,161,089,780	1,230,027,510
	13,543,177,296	**13,557,044,012**	12,853,052,265	12,935,856,710
AFS Financial Assets				
Investments in club shares and shares of public utility companies	**128,449,438**	**128,449,438**	128,149,438	128,149,438
	₱13,671,626,734	**₱13,685,493,450**	₱12,981,201,703	₱13,064,006,148

	June 2013 (Unaudited)		December 2012 (Audited)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Other Financial Liabilities				
Trade payables and other current liabilities**	**₱10,760,871,125**	**₱10,760,871,125**	₱10,142,953,727	₱10,142,953,727
Long-term debt (including current portion)	**5,405,344,357**	**5,405,344,357**	5,427,456,416	5,515,503,960
Liability for acquisition of businesses (including current portion)	**158,042,174**	**158,042,174**	245,828,745	248,022,444
Derivative liability	**22,782,819**	**22,782,819**	22,782,819	22,782,819
	₱16,347,040,475	**₱16,347,040,475**	₱15,839,021,707	₱15,929,262,950

**Including noncurrent portion shown as part of "Other noncurrent assets" account in the consolidated statements of financial position.*
***Excluding accruals for local and other taxes and unearned revenue from gift certificates.*

Financial Instruments Carried at other than Fair Value
Management has determined that the estimated fair value of security and other deposits, noncurrent portion of employee car plan receivables, long-term debt and liability for acquisition of businesses (including noncurrent portion) are based on the discounted value of future cash flows using applicable rates as follows:

	2012	2011
Security and other deposits	2.01%–5.50%	1.72%–7.64%
Employee car plan receivables	1.95%–4.11%	1.66%–5.08%
Long-term debt (including current portion)	1.01%–2.89%	1.78%–2.64%
Liability for acquisition of businesses (including current portion)	0.84%–3.90%	1.57%–2.11%

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 their 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 that have a significant effect on the recorded fair value that are not based on observable market data

As of June 30, 2013 and December 31, 2012, the Jollibee Group's AFS financial assets mainly consist of shares in public utility companies that are no longer quoted in an active market. As a result, the Jollibee Group did not recognize any gain or loss from fair value measurement in the Jollibee Group statement of comprehensive income. The Jollibee Group believes that the investments are not impaired and will continue to carry them until they are redeemed by such public utility companies.

The Jollibee Group used Level 2 in determining and disclosing the fair value of the derivative liability.

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. Event after the Reporting Period

Dividend Declaration
On August 6, 2013, the BOD approved a special cash dividend of ₱2.00 a share of common stock to all stockholders of record as at September 19, 2013. Consequently, the cash dividend is expected to be paid out by October 14, 2013.

33. Non-cash Transactions

The Jollibee Group's principal non-cash transaction under financing activities pertains to the extension of the terms of two short-term loans that have both matured in 2011 totaling ₱1,500.0 million, combined to form a new loan which are now due to be paid in 2013, under a new loan agreement.

The Jollibee Group's non-cash transaction under investing activities pertains to the formation of joint ventures with 50% equity interest in SuperFoods Group and 54% equity interest in BK Group through advances given prior to 2012.