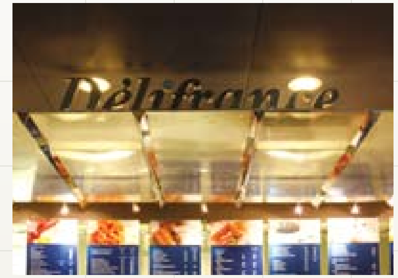
2009
ANNUAL REPORT

Jollibee Foods
CORPORATION



Designed to Delight

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The Place is a Brand

What makes a brand? More than just a name and a logo, a brand has character. It can be formal or playful, aged or young, traditional or modern, elaborate or simple. A good brand does not just deliver its benefits. It does so with distinctive style!

The brands of Jollibee Foods Corporation serve great tasting, great value food. They provide dining experience in a place designed to delight in a way that is consistent with the brands' character. In this annual report, we feature our restaurants showing the different personalities of our brands.

Chairman's Message

Becoming Stronger in a Time of Economic Downturn

To My Fellow Stockholders,

"We increased sales by almost 10%, achieved our 15% growth profit target and exceeded our cash flow objective. These business results were strong, considering the stressed and changing economic conditions in markets where we do business."

THE WORLD SUFFERED AN economic downturn in 2009. We all entered that year with some fear that economic conditions could become severe in our time. Now with the benefit of hindsight, let us review the actual numbers.

First, on Gross Domestic Product or GDP: the Philippine GDP grew from 7.1% in 2007, to 3.8% in 2008 to only 0.9% in 2009. The United States economy performed as follows: 2.1% in 2007, 0.4% in 2008 and -2.4% in 2009. China did better than the rest of the world growing at 13.0% in 2007, 9.6% in 2008 and 8.7% in 2009. The economy of the whole world grew by 5.2% in 2007, by 3.0% in 2008 and contracted by -0.6% in 2009.

Our Philippine economy slowed down appreciably but performed better than expected. Remittances from Filipino workers abroad grew very modestly but did not contract as follows: 13.2% growth in 2007, 13.7% in 2008 and 5.6% in 2009. Private Consumption, the dominant expenditure sector in our economy grew in 2007 by 5.8%, 4.7% in 2008 and 3.8% in 2009. Our consumers were aided by the slow down in inflation rates from 2.8% in 2007, to 9.3% in 2008 and 3.3% in 2009.

Inflation was dampened by the decline in the prices of world commodities. Crude Oil price for example, moved from an average of US$ 69.80 per barrel in 2007, to US$ 92.30 in 2008, to US$ 63.20 in 2009, a drop of 32% versus its 2008 level. Similar trends took place in food commodities. Thus food inflation in the Philippines moved from 3.2% 2007, to 13.5% 2008, to 6.1% 2009 and in China from 12.3% in 2007, to 14.3% in 2008 to 0.7% in 2009.

The cost of doing business also benefited from the appreciation of the peso. The peso year-end exchange rates versus the US dollar moved from 41.40 in 2007, to 47.50 in 2008 and to 46.40 in 2009. Businesses and individual borrowers were also aided by lower interest rates. The benchmark 91-day Treasury Bills were on average 3.4% in 2007, 4.7% in 2008 and 4.2% in 2009.

The year 2009 can be briefly described in the Philippines and in practically all parts of the world, certainly in all places where we do business- as a time of slowed down or reduced consumer spending, reduced inflation rate and lower interest rates as governments tried to revive their economies by making credit more accessible and affordable in addition to their stimulus spending. Business in the Philippines was also heavily affected by devastating typhoons and floods that hit the country in September and October, 2009.

The year was also a time of great uncertainty. People around the world did not know for how long the downturn would last, whether it would deteriorate into an economic depression, or it would be ended by a quick recovery.

As we entered the year 2009, the management of your company took pro-active steps against the coming downturn. These became overall guidelines in managing our business in 2009. Let me briefly summarize them.

Chairman's Message

"Our products have become better, our brands stronger and our organization more capable. Our financial balance sheet is a potent power for future major investments."

First, we instructed our organization to be conservative in our capital investments. We advised our people to be more selective in new store opening and to maximize our commissary utilization before we added capacity.

Second, we guided our organization to limit the growth of our marketing spending. As much as possible, we kept our absolute marketing expenditures at 2008 level.

Third, we emphasized cash flow generation even more, particularly the management of our working capital to further strengthen our balance sheet.

Fourth, we asked our people to control overheads, limiting growth in spending to those that were truly necessary.

While we were taking these measures, we continued to pursue certain things as fundamental principles of our business. We continued to improve our products, our services, our value offering to our customers and our branding. We improved the design of and renovated our stores. We also continued to hire very good people and continued building the capability of our organization through training, improving organization design and giving greater responsibilities to our best people.

The business performance of your company in 2009 resulted from the prevailing economic conditions and the organization's proactive actions under those conditions.

In 2009, the company's system-wide sales grew by 9.6% despite the weakening of consumer spending in the Philippines and in practically all other parts of the world. Philippine sales grew by 7.7% % while sales abroad increased by 21.3% over 2008's. Our business in China grew by 63.1% and in the United States by 20.3%. Of the 9.6% worldwide growth, 2.2% came from the acquisition of a new business, Hong Zhuang Yuan in China. Our organic growth was 7.4%. Of this amount, 4.25% represented the expansion of store network and 3.15% due to same store sales growth. Practically, all of our brands on a worldwide basis registered growth in sales, and practically, all the countries where we conducted business generated positive sales growth.

The Jollibee Group opened in 2009 a total of 168 stores worldwide: 110 in the Philippines and 58 overseas. Of the 58 new stores opened abroad in 2009, 26 were in China, 15 in the United States, 10 in other parts of Asia and 7 in the Middle East. By brand, Jollibee opened 57 new stores, Chowking 27, Greenwich 17, Red Ribbon 26, Manong Pepe 8, Delifrance 1, Yonghe King 26, and Hong Zhuang Yuan 6. These compared with 186 new stores opened in 2008: 110 in the Philippines and 76 overseas, plus 38 stores added from the acquisition of Hong Zhuang Yuan in Beijing.

As part of profit improvement, we also closed 89 marginally performing, mostly ageing stores. The company also closed its Chun Shui Tang Tea House in Shanghai which was performing below expectations, and terminated the Lao Dong joint venture in Taiwan due to change of its expansion plans in China.

We opened in 2009 fewer stores than in 2008 and than budgeted for in 2009 as a matter of financial prudence in the face of slowing economic growth. We spent a total of Php 2.5 billion in capital expenditures, 35% less than 2009 budget and slightly less than 2008 actual expenditures.

With the decrease in the cost of commodities, gross profit margins improved from 18.5% of revenues in 2008 to 20.0% in 2009. And with our effort to control marketing spending in an uncertain economic environment, our marketing expenses improved from 2.4% of revenues in 2008 to 2.0% in 2009. Our administrative expenses from corporate and regional offices increased slightly from 9.7% of revenues in 2008 to 10.4% in 2009 as we built organization structures abroad particularly in China. With these profit improvements, our net operating income grew from 6.1% of revenues in 2008 to 6.9% in 2009. Our income taxes likewise improved due to lower statutory tax rate from 35% in 2008 to 30% in 2009.

Our net income grew by 14.9% from Php 2.322 billion in 2008 to Php 2.667 billion in 2009. Basic earnings per share of common stock grew by 15.1% from Php 2.268 in 2008 to Php 2.610 in 2009.

The company's consolidated Return On Equity (ROE) as a result improved from 17.3% in 2008 to 17.5% in 2009. Its EBITDA (Earnings Before Income Taxes, Depreciation and Amortization) increased by 16.2% consistent with profit growth.

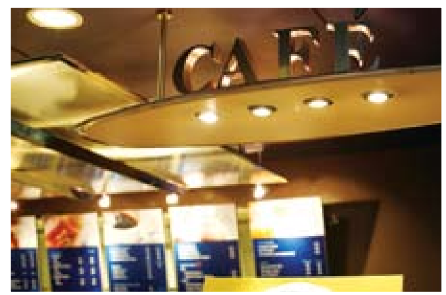
With our increased emphasis on cash management and selective capital investments in an uncertain economic environment while increasing our profit margins, our cash flow and balance sheet had become stronger. Our cash generated from operating activities rose by 44.2% from Php 4.5 billion in 2008 to Php 6.5 billion in 2009. Net cash generated after investing activities and cash dividends increased by 65.1% from Php 1.3 billion in 2008 to Php 2.1 billion in 2009. Our cash level reached Php 9.0 billion as of the end of 2009, representing 30.2% of JFC's total assets. Meanwhile, our debt remained minimal at Php 2.4 billion, representing only 8.0% of total assets.

In summary, we increased sales by almost 10.0%, achieved our 15.0% growth profit target and exceeded our cash flow objective. These business results were strong, considering the stressed and changing economic conditions in markets where we do business. Our products have become better, our brands stronger and our organization more capable. Our financial balance sheet is a potent power for future major investments. That we were able to accomplish these in a time of economic downturn is a testimony to the capability and resolve of our organization to achieve great objectives.

What we accomplished in 2009 made us stronger to pursue our goal to become a major player in Asia's Quick Service Restaurant industry. The road ahead is still a dangerous one. The economic recovery of the countries is not yet assured; in fact- there is a threat of another round of financial crisis stemming from the huge debt of governments of developed countries. But if we remain vigilant and proactive toward the economic challenges and we remain faithful to our business principles and strategies, I believe that we will eventually achieve our vision and goal.

I would like to take this opportunity to thank our people for their dedication to our business and organization. I would also like to thank our shareholders, franchisees, suppliers and other business partners for their continued support. Together, we will keep getting better and bigger!

Tony Tan Caktiong
Chairman and Chief Executive Officer



JOLLIBEE-KATIPUNAN
Quezon City, Philippines

Designed to meet to the needs of students by creating a place where they can break free from busy school activities. Bright and youthful colors were utilized to add dynamism. The sloping roof line served as an accent. Red banquettes line the dining area. It is conducive to interaction, for study groups to swap stories or simply chill-out.

Conquering New Heights

JOLLIBEE CONTINUED ITS GROWTH momentum amid a difficult year for the economy, compounded by the effects of destructive typhoons that visited the country. Total systemwide sales reached P34.9 billion, up by 7.7 percent from 2008. With our store network of 686 as of end-2009, Jollibee affirmed its role as the primary driver of the fast food industry.

Jollibee asserted its best value proposition with the 39ers rice meals featuring three new variants and the Tipid Card coupon promo. The brand strongly communicated its P49, P39 and P29 product line-up endorsed by singer-actress Sarah Geronimo. To help customers who were affected by Typhoons Ondoy and Pepeng, Jollibee implemented a Value Meal price roll back for Jollibee Spaghetti and Regular Yum. The brand ended the year with transaction count and average check on an uptrend.

The most exciting news for the brand in 2009 was the launch of the Jollibee Chicken Barbecue. Apart from marking Jollibee's entry into the non-fried chicken segment, this drove a double digit growth for the total chicken category.

Jollibee delighted its customers with new products like Burger Steak a la Pobre, Extra large fries and cheesy dips, Mango Caramel Surprise and Ube Cheesy Magic, as well as Creamy Macaroni and La Paz Batchoy big bowl.

2009 also saw increases in Jollibee's key brand equity and affinity ratings across relevant target markets. In Jollitown's second season, Jollibee continued to instill positive values to children. The high-rating television show was recognized in the 2009 Araw Awards – bronze citation for Integrated Media Campaign and silver for its website in the digital category.

The relaunch of Yum through a TVC starring popular band Parokya ni Edgar and Jollibee's presence in the UAAP strengthened the brand's affinity with the teens market. Another breakthrough marketing innovation was the viral campaign featuring the Jollibee flash dance mob, the biggest yet done in the country. This groundbreaking campaign received two Gold Quill Awards under the social media and special events categories.

Lastly, Jollibee's flagship CSR program, MaAga ang Pasko reached out to more children on its 15th year with long-time partner Aga Muhlach through a Christmas caravan that brought gifts to several areas – including those devastated by the typhoons. Gathering an unprecedented total of 220,083 toys and books MaAga ang Pasko has been one of the most successful toy and book donation drives in the country.

With these gains, Jollibee commits to continue its journey to excellence to make happy Filipino families.

Spreading the Joy of Eating Beyond Borders

IN KEEPING with the company's mission of spreading the joy of eating to more people, Jollibee's international operations continued to strengthen its global presence.

Ten new stores were opened in 2009 bringing Jollibee's total international store network to 57. Currently, Jollibee's langhap-sarap Yumburgers, Chickenjoy, Spaghetti and other great-tasting offerings are being enjoyed in the USA, Vietnam, Brunei, Kingdom of Saudi Arabia, and Hong Kong.

Jollibee successfully made its East Coast debut on Valentine's Day by opening in Queens, New York, bringing the total US network to 27. Customers lined up as early as 5 am and by day-end, rang up more than $30,000 orders of Chickenjoy, Spaghetti and other bestsellers. To keep loyal patrons and attract new ones, exciting products were also introduced like the Little Big Bites or pocket sandwiches in corned beef, hotdog, egg and cheese or Spam variants and the Sweet Chili Wings.

Coming from a strong 2008 finish, Jollibee Vietnam recorded a double digit growth in sales driven by a significant improvement in transaction count. With aggressive marketing efforts anchored on its first thematic advertising campaign and strong PR support, Jollibee Vietnam achieved stronger brand recognition and image -- boasting of comparable dine-in transaction counts comparable with strong competitors. This was ably complemented with strong product launches like the 22,000 VND meals, Pork Stew and Chicken Curry Rice Meals, Ice Cream Float, Pie ala Mode and Flavored Fries that were a hit among locals like their all-time favorite Comga meal. Aside from reopening the refurbished Superbowl branch, Jollibee Vietnam opened four new stores all located in Coopmart malls in the Mekong Delta region. This signaled Jollibee Vietnam's expansion outside Ho Chi Minh City after 12 years of operation and brought its total store network to 14 by year-end.

Jollibee Brunei successfully held on to its position as the number one western QSR in terms of sales and store network. To further strengthen brand presence and awareness, billboards showcasing the brand and Jollibee's core products were maintained in strategic locations. The Spicy Chicken Burger was also launched to strengthen its burgers and sandwiches line-up.

Lastly, since we opened our first store in Saudi Arabia in 2008, Jollibee's store network had grown to four in 2009.

The good performance of Jollibee's international stores and the warm reception of locals to its food give the brand strong reasons to be optimistic in the coming years. With the same hardworking team, quality food and excellent service standards, the brand is confident that it will be able to scale new heights and set foot on even more places.

JOLLIBEE-VIETNAM

Bright lights and structured lines make up the facade of each Jollibee store. The bee welcomes customers with his familiar smile. Jollibee is popularly known in providing customers with delicious food and fun environment for the whole family. From the delectable and affordable meals to the comfortable café chairs and accommodating staff, Jollibee is always a favorite dining destination for the family.

CHOWKING-GLOBAL CITY
Taguig City, Philippines

With clean lines, minimalist interiors, and red and blue colors, customers can enjoy delicious Oriental cuisine in a relaxing environment. The interiors give them the warmth of home and the excellent cooking of a professional chef.

Progress in the Face of Adversity

THE GLOBAL ECONOMIC DOWNTURN did not spare the Philippine economy in 2009. Customers became even more conscious of the value they get for every peso they spent. Their response to uncertainty was to scrimp and save, choosing more affordable items on restaurant menus, with many even deciding to eat out less. Competition likewise became tougher, and 2009 saw existing brands focusing even more on value, as well as several new entries, all aggressively vying for customers' preference.

Chowking continued to make progress despite the difficult competitive environment of 2009. The brand ended the year with P10.9 billion in sales, the highest level achieved in its 24-year history. Nonetheless, growth was lower than in previous years, reflecting the effect of the tough market conditions. In its effort to keep its prices affordably low, Chowking redoubled its efforts at cost reduction by improving production efficiencies, optimizing its product mix and leveraging scale.

The brand continued to focus on providing its customers with great-tasting Chinese food of the highest quality at affordable prices in 2009. Chowking introduced new products and improved its old favorites, all of which deliver on its promise of great taste at great value. Among its key initiatives in the past year were:

- Value Kings, a line of delicious rice meals and merienda items inclusive of drinks, priced at P49, launched in early 2009 quickly gained wide acceptance, and became a significant contributor to the brand's sales.
- Halo Halo, Chowking's long-standing and much-loved menu favorite was further improved with more high-quality ingredients backed by a resonant advertising campaign that further built customer preference and delivered significant sales growth, particularly during the peak summer season.
- Emperor's Beef Noodle Soup was introduced in the third quarter of 2009. Developed by expert Chinese chefs, Emperor's Beef Noodle soup offers a delicious taste that is both uniquely Chinese and preferred by local customers, which revitalized Chowking's noodle soup line, greatly increasing this category's contribution to the overall business.

Beyond its product and marketing efforts, Chowking continued to expand its reach, increasing accessibility to the brand in high-potential trade areas. The brand opened new stores across the country and also relaunched its delivery service with its new 9-8888 number in Metro Manila. Greater focus was placed on improving service, systems and processes in stores. Store renovations upgraded the designs of many stores, helping create a more enjoyable and satisfying environment for customers to enjoy Chowking's food.

2010 promises to be a year of continuing challenges for Chowking. The brand will successfully address these challenges by focusing even more on the 'basics' of its success: great-tasting Chinese food, fast and friendly service, and a clean and inviting environment. New initiatives are underway in all these areas. Clearly, the best is still to come for Chowking.

Overcoming the Odds

IN 2009, the global market suffered one of its worst hits. The beginnings of the recession in 2008 were nothing compared to what transpired last year. Consumer buying power went drastically down. The economy took a severe beating in countries all over the world, resulting in profits going down and companies suffering bad losses.

However, even in the midst of the economic downturn, resiliency is the key to success. Cutting costs and keeping prices stable are the keys to keeping profit margins sustainable.

Chowking faced difficulties in the global market in 2009, but rose to the challenge in maintaining their global franchises viable and using marketing as a key tool in surviving the economic downturn. Despite the difficulties, new branch openings helped keep the brand top of mind and allowed for growth in several key areas.

In the Middle East, Dubai in particular, sales were posted at P594 million, with 3 new store openings totaling 14 stores in the UAE.

In Qatar, Chowking opened its first store last November and posted average sales of P380 thousand a day, 82% above its target.

Highlights from the new store opening included:

Excited Filipinos lined-up at the store's opening to experience the taste of delicious Chinese food from back home.

To add more excitement, novelty items were distributed and Halo Halo savers was launched.

Total sales of core products; Lauriat, Spicy Beef Noodles, Siopao, Chicken Supreme, Braised Beef, Halo Halo and Yangchow generated P195 thousand, almost 50% contribution to sales.

In the United States, Chowking sales grew by 9.4% to P775 million in 2009. This growth was driven by new store openings. Total store count is now at 16 stores.

Seeing a potential growth and high acceptance of the brand in the Middle East, Chowking with its International Operations will continuously expand to new territories in 2010.

CHOWKING-DUBAI

An appetizing and constantly evolving menu of Oriental cuisine coupled with convenience, and warm ambience are what make Chowking a favorite destination for working adults. The relaxing interiors are always a calming respite from the hustle and bustle of a busy workday.

GREENWICH-MEGAMALL
Mandaluyong City, Philippines

The vibrant and brightly lit interiors of Greenwich perfectly complement their varied and delightful flavors and tastes. With touches of avant-garde design elements and comfortable multi-color chairs and couches, Greenwich easily attracts a youthful clientele.

Dominating the Philippine Pizza and Pasta Market

2009 WAS GREENWICH'S biggest and most successful year as it continued to focus on its three pillars of growth - Brand, Product and Retail.

Greenwich boosted its profitability by 300% through great campaigns inspired by new innovative products, service improvements, new store systems and an overall business strategy. It continued to lead in brand health measures - favorite brand among QSRs, best-tasting pizza, best-tasting pasta and best value. All these make Greenwich the most dominant pizza & pasta brand in the Philippine market today.

The Cheesy Campaign and the inclusion of some of today's most popular young talents, met phenomenal success as it infiltrated Filipino pop culture. The Cheesy Campaign raised excitement for the brand as it featured one of the most sought-after love-teams in the Philippine show business - John Lloyd Cruz and Bea Alonzo, in a series of cheesy commercials. This was strongly followed up by the Overloaded Extreme Cheese Pizzas Campaign for men, which introduced collegiate basketball star Chris Tiu to help hype up a "manly" type of cheesiness.

The success of the Cheesy Campaign was even made more overwhelming after winning gold - the highest honor in the 2009 Araw Awards, making it the only QSR to win the Best Integrated Campaign. The Araw Awards honors outstanding creative works in advertising and campaigns.

Strengthening the proposition of "brand cool," Greenwich continued as the exclusive co-presenter of American Idol in the Philippines, in partnership with Star World.

Improving and expanding the menu to best complement the brand's mass premium positioning also proved to be a profitable venture for the company. Our relentless focus on the core products and the introduction of new innovative products solidified Greenwich's leadership in the pizza-pasta sector. The re-launch of Lasagna Supreme with another award-winning young actress - Anne Curtis extended the reach to young females, while the enhancement of Big Time Lunch combinations grew the sales during lunch period.

The number of Greenwich's fast-casual concept stores continued to grow as renovations and facelifts hit a critical mass of 50% of the store network by year end. Renovated stores achieved as high as 20% sales growth while new stores proved to be very popular among young working adults. This retail environment gives the customers a relaxed eating experience that they enjoy with friends. Celebrity host Tim Yap enhanced the stores' exclusive appeal by becoming the Greenwich fast-casual store ambassador.

For 2010 integrated efforts on brand, product and retail will put Greenwich to a more formidable position. It is well poised to become stronger as the Philippines' no.1 favorite pizza chain and one of the country's most admired brands.

Making People Experience the Sweetness of Life

DESPITE THE CONTINUED SLOWDOWN in the local economy, Red Ribbon ended the year with P3 Billion in system wide sales, higher by 4.2% versus previous year. Living up its mission of making people experience the sweetness of life, Red Ribbon marked several records in 2009 in product superiority, customer satisfaction, and operational excellence.

Consumer acceptance for new products reached phenomenal heights. In its 30 years history, the company registered its highest single day sales at the close of the year.

Focusing on its priority of making any celebration beautiful, several product innovations from different product categories were introduced. 2009 saw the launch of Cookies and Cream Cake, White Forest Cake, Chocolate Walnut Fudge Cake, Halo-halo Roll, Choc-O-Nut Roll, Chocolate Marble Loaf, and Ube Mamon.

To meet the needs of the growing health-conscious segment, the No Sugar Added line, comprised of Belgian Chocolate Bliss Cake, Mango Passion Cake and Mamon, were introduced. The Meals and Beverages line were expanded to include Grilled Ensaimada with Framer's Ham and Garlic Chicken with Mushroom.

The Beverages line was also enhanced with the addition of Iced Coffee, Cold Blends, and Hot Brews. With price that starts at PhP40, Hot Brews offer a range of premium coffee that not only perfectly match Red Ribbon's cake offerings but were also rated by consumers to be as good as popular coffee brands.

As a testament to these achievements, Red Ribbon was awarded the Hall of Fame for being the Most Outstanding Franchise from the Philippine Franchise Association, capping 2009 as a banner year for Red Ribbon.

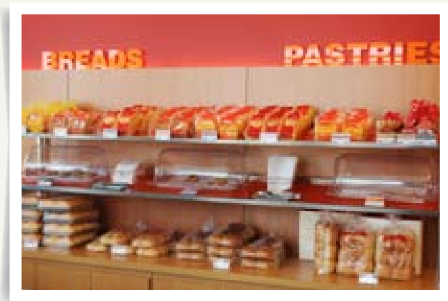
RED RIBBON-MARQUEE MALL
Pampanga, Philippines

The bright red color on the facade of their stores is a promise of sweet and delicious treats inside. Red Ribbon Bakeshop stores are more than just a haven for satisfying cakes and pastries. They also offer a diverse menu fare, ending the meal, of course, with a slice of sweetness.

RED RIBBON-USA

Red Ribbon Bakeshop's new store design makes its cakes, desserts and other menu items even more irresistible.

Rolling Out, Looking Better!



2009 MARKED THE YEAR when the company's aggressive expansion that started in late 2007 went into full swing. Eight new stores were added to the network and all of these new stores were located in mainstream American commercial centers: Stockton in the West and Hammer Lane commercial center; Plaza Square in National City; inside the Westfield Malls in West Covina, Plaza Bonita, Topanga Canyon in Canoga Park, and Culver City; the Village Square in Las Vegas, and Bergenfield in New Jersey.

By the end of the year, Red Ribbon Bakeshop USA boasts of a network of 36 stores in four key cities of the United States: 31 in California, 2 in Nevada, 1 in Arizona and 2 in New Jersey.

Majority of the stores underwent renovations to incorporate the new core store design elements. New products also helped make 2009 a most memorable year for Red Ribbon USA with the following products:

The Iced Vanilla Coffee Jelly Latte was introduced as a summer drink and to supplement the espresso coffee line-up. This unique coffee drink boosted total espresso coffee sales by over 100%.

The meat-filled buns category was joined by the Mini Sweet Pork Buns, a smaller version of the popular Siopao Asado. The Mini Sweet Buns accounted for 4% of total store sales and helped grow the total Siopao business by 90%.

The new Pan De Sal variants - Jumbo Pan De Sal and Whole Wheat Pan De Sal added 14% to the total pan de sal sales. Jollibee USA also started selling a new line of pocket sandwiches using Red Ribbon Pan de Sal.

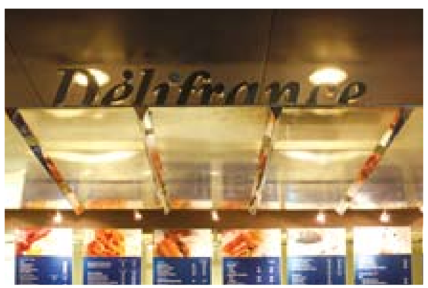
The Halo-Halo Roll was also introduced and served as a trigger to re-introduce the company's line of Cake Rolls. Total sales of rolls grew by 11%.

A new eight inch cake Coffee Walnut Bavarian was introduced to capitalize on the holiday theme and spark new interest on Cakes and Special Flavors. The new cake made up 4.75% of total system's regular cake sales.

For the last quarter of the year, total new products accounted for 5.4% of total system sales. By end of calendar year 2009, Red Ribbon USA posted a net sales growth of 7.8%.

Délifrance

Tasting the Good Life with Everyday Gourmet



IN 2009, DELIFRANCE aimed to introduce its customers to the good life—the high quality of life that one aspires to, with its new and affordable products, in a welcoming and well-designed setting.

To make everyday gourmet a reality, Delifrance introduced a host of new products to add to the fresh and light menu, while remaining refreshingly affordable. Now, there are two new choices for a delicious daily breakfast. The Frittata Sandwich is an Italian-style omelet on a whole wheat bun; while the Roast Beef Tray includes premium USDA choice beef with potato hash and eggs, served on a tray with freshly brewed coffee, juice, bread and fruits. The Fusilli Salad is a delightfully filling spiral pasta salad with peaches and jello.

Delifrance also launched two new pasta flavors that are reasonably priced at P99. The Spaghetti Pomodoro showcases al dente pasta topped with tomato sauce, tasty tuna, and olives, while the Spaghetti Carbonara has creamy carbonara sauce sprinkled with crunchy bacon bits. Immediately following roll-out, these new pastas vaulted to become the top selling products in the pasta category.

Delifrance also embarked on an advertising campaign featuring the uniquely juicy French Dip Roast Beef Sandwich. This was a radio-led movement, highlighted by a 2,000 sandwich giveaway promotion led by Magic 89.9 DJ Mo Twister. Awareness and trial of the sandwich escalated after the radio launch, cementing the French Dip Roast Beef Sandwich as the brand's number one sandwich.

To live up to the brand's gourmet image, Delifrance also sought to enhance its visual identity. A transformed packaging design was one of the key results of this plan. Inspired by "La Ville-Lumière", or the City of Lights, Paris, Delifrance's packaging evoked the Parisian lifestyle, where creativity in art, music, and fashion abound..

Delifrance also revamped its menu board design to become even more appetizing, and finally launched the official website at www.delifrance.com.ph to keep techie customers up to date with the newest products and offers.

Providing a tasteful backdrop to the good life, Delifrance's store design is an adaptation of the modern French look, inducing a classy, relaxing and upbeat ambiance, with elements of Beaux-Arts and Art Deco. Strains of Impressionism by Henri Matisse, a prominent figure of the Beaux-Arts theme—is evident in the expressive colors and controlled lines of the Delifrance murals. Meanwhile, its counter and floor details are reminiscent of Art Deco's bent towards functional elegance.

Delicious products and exceptional design--- these are what Delifrance accomplished in 2009.

DELIFRANCE-LIBIS
Quezon City, Philippines

With strong structural lines, engaging colors, and their delicious food prominently displayed, Delifrance is easily at par with any delightful French delicatessen. Its soothing and bright interiors perfectly match its baked breads, sandwiches, coffee, and cuisines that are delicious and always freshly made.

YONGHE KING-SONG HONG STORE
Shanghai, China

Minimalist interiors with delightful use of vertical lines and red floral patterns, give Yonghe King a Chinese warmth that makes customers feel right at home. The friendly and quick service also ensures a fun, fast, and wonderful dining experience.

Sharpening the Brand

LIKE OTHER INDUSTRIES, 2009 was a difficult year for YongHe King but despite the macro-economic set back, YongHe King continued to build upon the progress it made in 2008 of 're-making the brand,' to 'sharpening the brand' in 2009.

YongHe King accomplished a critical milestone in 2009 when it conducted its brand audit exercise and reviewed and refined its brand positioning.

Three key initiatives were developed and implemented to sharpen the brand. They were (1) brand positioning and core values; (2) great price value; (3) and an exceptional dining experience for its customers.

YongHe King today is now aware of who are its core customers. The brand core values of "W.E. C.A.N." was identified and developed, which stands for Welcoming, Enjoyable, Convenient, Affordable with Good Value, and Nutritious & Delicious. With it, the brand positioning was refined and sharpened as "Your Refreshing, Welcoming Quick Service Restaurant Serving Delicious Chinese Food with Good Value, Any Day, Any Time".

YongHe King's customers are the key in building the brand and business. With the brand's great tasting food, YongHe king attracted more customers in 2009 due to the two great value programs that were launched:

(1) The Every Day Low Price (EDLP) program serves as a long term great value platform for the brand, with the objective of getting customers to eat at its stores regularly. Immediately, customers positively responded and customer count had been on the increased ever since. It ended the year with a 11.6% in 2009, a turnaround of 20.3% from 2008.

(2) YongHe King's 15th Anniversary Celebration program objectives were to build upon the success of the Every Day Low Price program, and simultaneously, build strong brand awareness and recognition. Immediately, customer count increased by 30.7% for August and 40.3% in September.

To provide its customers with an exceptional dining experience, YongHe King continued with its focus on:

(1) Building 25 new restaurants and renovating 19 restaurants with the improved Generation 2 store design and decor, which is more trendy and comfortable, and wall murals depicting the ingredients that YongHe King used. Free WI-FI internet was installed in all of the new and re-imaged restaurants.

(2) Changing the uniforms of its store crew to match the sharpened Generation 2 design and decor.

(3) Introducing new summer products namely, 3 varieties of Shave Ice - Mango, Yoghurt and Bean Curd.

YongHe King's focus of sharpening the brand truly paid off in 2009 as the brand was able to serve 36% more customers this year than in 2008.

This 2010, YongHe King is now better prepared to capitalize on the opportunities in the growing economy of China.

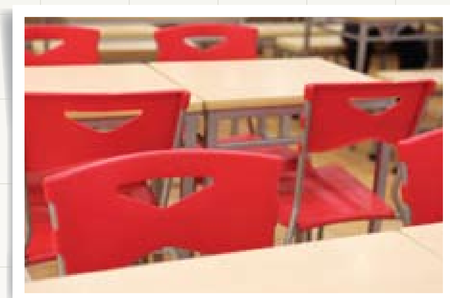
A Major Transformation

HAVING A DEFINED MISSION to serve delicious and affordable everyday meal, Manong Pepe embarked on a huge transformation in 2009.

To clearly communicate its offering and brand image, Manong Pepe Karinderia was developed as the final name for the brand. The logo was appropriately modified to adapt the transformation.

Manong Pepe improved the taste of its products. Manong Pepe also made changes to address the problems on portioning and selling prices. This strengthened the Value for Money offering of the brand. The improvements on the core products such as Beef Caldereta, Laing, Pork Adobo, Lumpiang Shanghai and Picadillo resulted to happy and satisfied customers. With this, the average daily quantity of the products increased as high as 100%.

Together with the improvements on the products, Manong Pepe also made developments on the Store Look and Feel. We introduced the alfresco dining to provide an alternative way for our target customers to enjoy their meals.



All these initiatives were implemented in the three new stores that were opened, Manong Pepe La Salle, Manong Pepe Mendiola, and Manong Pepe Jollibee Plaza GF. Because of this, customers feel welcomed and have a more enjoyable dining experience in Manong Pepe stores. This resulted to the brand achieving new highest sales record.

With the positive feedback and result, Manong Pepe is ready to grow in 2010.

MANONG PEPE'S-AMBERLAND
Pasig City, Philippines

Inviting colors and a functional clean setup give Manong Pepe Karinderia the look of the comfort food haven that it is. The vey affordable delicious Filipino fare is something customers will want to enjoy again and again in a relaxing and welcome environment.

HONG ZHUANG YUAN-YIN JIE STORE
Beijing, China

Hong Zhuang Yuan's brightly lit red and gold interiors have a distinctive Asian style. The use of light and space is both relaxing and calming allowing consumers to enjoy their tasty offerings even more.

Hong Zhuang Yuan

Strengthening the Brand Identity

2009 HAD BEEN A GOOD YEAR for Hongzhuangyuan. The brand unveiled its new brand positioning and new logo design based on the re-evaluation of its strategic direction through market research. The brand was able to identify its unique selling proposition to its customers that helped it create a new store design and new visual identity.

HongZhuangYuan remade its restaurant stores that gave its customers a familiar, friendly and welcome ambiance. The restaurant stores carried a sincere and low-key décor. Warmth and coziness marked the atmosphere of the brand's entire restaurant stores providing a homely environment to its customers.

Hongzhuangyuan opened 6 new stores in 2009 bringing its total to 42 restaurants, 35 company-owned, all located in Beijing, China and 7 franchised stores, situated in other cities of China.

The brand also focused on improving its product line to establish Hongzhuangyuan as the leading expert in congee making. The services

in all of its stores were also improved to ensure that customers would have a great dining experience with every visit.

Hongzhuangyuan strongly believes that with these positive developments, it will strengthen its unique identity and consistently deliver great value to its customers. The brand knows that the foundations it built in 2009 will enable it to come out even stronger in 2010.

Jollibee FOUNDATION

Reaching Out to More Communities

JOLLIBEE FOUNDATION BELIEVES in harnessing the strengths of its parent company, Jollibee Foods Corporation (JFC), and those of its partners, for community development. The Foundation builds into the design of its programs the relevant strengths of JFC as a foodservice company so that program sustainability would have a fairly good chance. Its initiatives focusing on the areas of Education, Leadership and Community Development, Environment, and Disaster Response all go straight into the hearts of Filipino communities helping to make a difference in their lives. Collectively we call these initiatives, "Jollifying our communities".

In 2009, the Foundation stepped up its efforts in partnering with local institutions to expand its programs to more communities. In Education, 5,000 undernourished Grades 1 and 2 pupils in 141 public schools received daily lunch for 136 days through the Busog, Lusog, Talino (BLT) in-school feeding program. In Nueva Ecija and Nueva Vizcaya, BLT attained sustainability with the integration of the program in the local government's health and education program. In higher education, the number of scholars in Hotel and Restaurant Management increased to 127 as a new batch of underprivileged high school graduates were admitted in partner universities through Project ACE (Access, Curriculum and Employability). Additional scholars for Technical Skills Training were also selected in SY 2009-2010.

In Leadership and Community Development, the pilot run (2008-2009) of the Bridging Farmers to the JFC Supply Chain Program assisted small farmers in applying farming technologies that ensure reliable product delivery to institutional markets like JFC. Inspired by the successful deliveries of farmers from Nueva Ecija and Bukidnon, the project has been expanded to communities in Quezon and Misamis Oriental. The Foundation also embarked on its third Gawad Kalinga (GK) village in Butuan City providing 49 housing units. This formed part of a wider effort to provide safe and decent housing to families who reside in the flood-prone areas of Agusan River. Meanwhile, livelihood and pre-school education programs for community members continued in the Jollibee-GK villages in Las Piñas and Southern Leyte. For the Citizen-Responsive Leadership Program, seven partner academic institutions embarked on multi-stakeholder work for stakeholders to gain ownership of the issues and take collective action in implementing and sustaining initiatives to address the education and housing divides in their areas.

As in previous years, in 2009, Jollibee Foundation mobilized employees from the different strategic business units of JFC in its Environment and Disaster Response initiatives. The tremendous outpouring of support from JFC employees, franchisees, local and overseas business partners enabled the Foundation to help thousands of families affected by typhoons that devastated the country.

In all its work, Jollibee Foundation strives to ensure that these initiatives are sustained over time, in order for these programs to result in happier and more capable Filipinos who are able to uplift the quality of life for themselves and for their families.

Jollibee Foundation's Busog, Lusog, Talino (BLT) in-school feeding program helps children improve their stamina to stay in school by serving them daily lunch packed with nutritious food. BLT teaches the parents how to cook healthy yet affordable meals at home. BLT covered about 5,000 Grades 1 and 2 pupils in 141 public elementary schools nationwide in school year 2009-2010. Results showed that majority of pupils attained their normal weight-for-age status after the 136-day feeding cycle. They also exhibited improved attendance in school.

Board of Directors and Corporate Management Team*

Jollibee Foods Corporation and Subsidiaries

DIRECTORS

ANG NGO CHIONG
Chairman Emeritus

TONY TAN CAKTIONG
Chairman of the Board

WILLIAM TAN UNTIONG
Director / Corporate Secretary

ERNESTO TANMANTIONG
Director

ANG CHO SIT
Director

ANTONIO CHUA POE ENG
Director

FELIPE ALFONSO
Director

MONICO JACOB
Director

CORPORATE MANAGEMENT

TONY TAN CAKTIONG
President and Chief Executive Officer

ERNESTO TANMANTIONG
President, Jollibee Business and Chief Operating Officer

WILLIAM TAN UNTIONG
President, Delifrance Business and VP - Real Estate

ERWIN M. ELECHICON
President, Chowking Business

ISAIAS P. FERMIN
President, Greenwich Business

JOSEPH C. TANBUNTIONG
President, Red Ribbon Business & Manong Pepe's Business

YSMAEL V. BAYSA
VP - Corporate Finance and Chief Finance Officer

JOHN VICTOR R. TENCE
VP - Corporate Human Resources Development

DANIEL RAFAEL RAMON Z. GOMEZ
VP - Corporate Marketing

OFFICERS OF FOREIGN BRANDS

THOMAS ALLIN
Country Managing Director for China

ANDREW TAN
President, Yonghe King Business

DR. POLLY YANG
VP - Research and Development

MAGGIE ZHANG
General Manager - Hong Zhuang Yuan Business

OTHER CORPORATE OFFICERS

BENIGNO M. DIZON
VP - Corporate Engineering

WILLIAM S. LORENZANA, JR.
VP - Commissary

ANASTACIA S. MASANCAY
VP - Corporate Audit

SUSANA K. TANMANTIONG
VP - Corporate Purchasing

PAUL A. ZALDARRIAGA
VP - Information Management

ERLINDA F. CASTRO
Head, Shared Services

GRACE A. TAN CAKTIONG
President, Jollibee Foundation

BELEN O. RILLO
VP - Jollibee Foundation

GISELA TIONGSON - VELASCO
Managing Director - Jollibee Foundation

**As of December 31, 2009*

Financial Statements

Selected Financial Data

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

FOR THE YEAR	2007	2008	**2009**
Consolidated Systemwide Sales	51,550,858	58,162,821	**63,729,418**
Gross Revenues	38,693,662	43,891,559	**47,957,693**
Net Income	2,388,358	2,321,817	**2,666,900**
Net Income (Attributable to Equity Holders of the Parent)	2,386,722	2,319,088	**2,664,623**
Payroll and Benefits	6,308,609	7,049,833	**8,170,786**
Personnel	32,918	39,599	**38,932**
Number of Stores			
Jollibee*	652	700	**743**
Chowking*	402	418	**431**
Greenwich	245	231	**226**
Red Ribbon*	212	239	**242**
Yonghe King	99	141	**160**
Delifrance	26	26	**24**
Chun Shui Tang	1	2	**0**
Manong Pepe's	2	9	**15**
Hong Zhuang Yuan	-	38	**41**
* Domestic and International			
AT YEAR-END			
Total Assets	21,945,002	27,125,701	**29,727,493**
Total Property, Plant and Equipment	7,491,045	8,274,919	**8,350,573**
Total Equity	12,648,337	14,139,831	**16,285,206**
Current Ratio	1.38	1.43	**1.45**
Debt-to-Equity Ratio	0.42	0.48	**0.45**
PER SHARE DATA			
Basic Earnings Per Share	2.36	2.27	**2.61**
Diluted Earnings Per Share	2.34	2.25	**2.58**
Cash Dividend	0.80	0.84	**0.85**
Book Value	12.43	13.81	**15.73**
SHARE INFORMATION			
Outstanding Shares (net of Treasury Shares)	1,017,447,029	1,023,558,148	**1,035,010,816**

Statement of Management's Responsibility for Financial Statements

The management of Jollibee Foods Corporation and Subsidiaries is responsible for all information and representation contained in the financial statements for the years ended December 31, 2009 and 2008. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:

TONY TAN CAKTIONG
Chairman of the Board
Chief Executive Officer

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

MARILOU N. SIBAYAN
Comptroller

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

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

Name	Competent Evidence of Identity
Tony Tan Caktiong	SS # 03-5003942-0 / CTC # 31096257 issued on 2/01/10 at Pasig City
Ysmael V. Baysa	SS # 03-4228219-1 / CTC #30991209 issued on 3/27/10 at Quezon City
Marilou N. Sibayan	SS # 03-9964176-9 Drivers' License # N02-99-416056

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

Witness my hand and seal this 12th day of April 2010.

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Book No. II
Series of 2010

Agatha Olga S. De Jesus
Notary Public
Until December 31, 2010
Roll of Attorney's No. 50929
IBP # 810354 January 11, 2010 Pasig
PTR # 5922285 January 11, 2010 Pasig

Independent Auditors' Report

SGV & Co
Ernst & Young

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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

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

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

We have audited the accompanying financial statements of Jollibee Foods Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2009 and 2008, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2009, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Jollibee Foods Corporation and Subsidiaries as of December 31, 2009 and 2008, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Ramon D. Dizon
Partner
CPA Certificate No. 46047
SEC Accreditation No. 0077-AR-2
Tax Identification No. 102-085-577
PTR No. 2087532, January 4, 2010, Makati City

April 12, 2010

Consolidated Statements of Financial Position

	December 31	
	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 31 and 32)	**₱8,977,258,396**	₱6,858,849,056
Short-term investment (Notes 31 and 32)	**–**	20,002,018
Receivables (Notes 7, 31 and 32)	**1,900,210,816**	1,940,700,399
Inventories (Note 8)	**1,729,409,427**	2,727,464,412
Other current assets (Notes 9, 31 and 32)	**1,330,049,493**	1,218,358,053
Total Current Assets	**13,936,928,132**	12,765,373,938
Noncurrent Assets		
Available-for-sale financial assets (Notes 10, 31 and 32)	**155,228,494**	76,757,214
Property, plant and equipment (Note 12)	**8,350,573,445**	8,274,918,781
Investment properties (Note 13)	**678,070,800**	306,371,826
Goodwill (Notes 11 and 14)	**4,205,123,715**	3,186,353,082
Operating lease receivables (Note 30)	**44,836,862**	43,621,847
Deferred tax assets (Note 24)	**841,108,196**	760,124,418
Other noncurrent assets (Notes 15, 31 and 32)	**1,515,623,750**	1,712,179,400
Total Noncurrent Assets	**15,790,565,262**	14,360,326,568
	₱29,727,493,394	₱27,125,700,506
LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables and other current liabilities (Notes 16, 31 and 32)	**₱9,444,204,502**	₱8,828,966,047
Income tax payable	**135,934,261**	82,483,163
Current portion of long-term debt (Notes 18, 31 and 32)	**53,697,466**	37,769,129
Total Current Liabilities	**9,633,836,229**	8,949,218,339
Noncurrent Liabilities		
Provisions (Note 17)	**30,500,639**	46,308,989
Long-term debt - net of current portion (Notes 18, 31 and 32)	**2,437,980,374**	2,484,389,109
Pension liability (Note 26)	**174,197,616**	400,526,978
Operating lease payables (Note 30)	**1,010,167,311**	1,033,055,572
Deferred tax liabilities (Note 24)	**155,605,498**	72,370,098
Total Noncurrent Liabilities	**3,808,451,438**	4,036,650,746
Total Liabilities	**13,442,287,667**	12,985,869,085
Equity Attributable to Equity Holders of the Parent (Note 31)		
Capital stock (Note 19)	**1,051,458,156**	1,040,005,488
Subscriptions receivable	**(17,177,884)**	(17,177,884)
Additional paid-in capital (Note 27)	**2,635,662,843**	2,245,675,482
Cumulative translation adjustments of foreign subsidiaries	**(101,234,002)**	22,952,351
Unrealized gain on available-for-sale financial assets (Note 10)	**89,904,594**	19,880,054
Excess of the acquisition cost over the carrying value of minority interests (Note 11)	**(543,978,573)**	(543,978,573)
Retained earnings (Note 19):		
Appropriated for future expansion	**1,200,000,000**	1,200,000,000
Unappropriated	**12,147,867,997**	10,349,648,543
	16,462,503,131	14,317,005,461
Less cost of common stock held in treasury (Notes 19 and 27)	**180,511,491**	180,511,491
	16,281,991,640	14,136,493,970
Minority Interests (Note 11)	**3,214,087**	3,337,451
Total Equity	**16,285,205,727**	14,139,831,421
	₱29,727,493,394	₱27,125,700,506

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2009	2008	2007
REVENUES			
Net sales	**₱45,344,123,164**	₱41,374,272,795	₱36,221,306,253
Royalty, franchise fees and others (Note 20)	**2,613,570,160**	2,517,286,157	2,472,355,491
	47,957,693,324	43,891,558,952	38,693,661,744
COST OF SALES (Note 21)	**38,388,328,254**	35,780,174,124	30,596,612,445
GROSS PROFIT	**9,569,365,070**	8,111,384,828	8,097,049,299
EXPENSES (Note 22)	**(6,268,041,607)**	(5,423,621,683)	(5,163,143,103)
FINANCE INCOME (CHARGES) (Note 23)			
Interest income	**163,680,615**	208,464,081	142,988,980
Interest expense	**(218,909,754)**	(105,080,420)	(55,469,288)
OTHER INCOME (Note 31)	**409,084,936**	419,918,386	113,588,559
INCOME BEFORE INCOME TAX	**3,655,179,260**	3,211,065,192	3,135,014,447
PROVISION FOR INCOME TAX (Notes 24 and 25)			
Current	**986,027,893**	829,656,114	853,376,333
Deferred	**2,251,622**	59,591,960	(106,719,536)
	988,279,515	889,248,074	746,656,797
NET INCOME	**2,666,899,745**	2,321,817,118	2,388,357,650
OTHER COMPREHENSIVE INCOME (LOSS)			
Translation adjustments	**(124,186,353)**	(128,087,331)	78,089,319
Net unrealized gain (loss) on available-for-sale financial assets (Note 10)	**70,024,540**	(11,015,313)	31,093,458
	(54,161,813)	(139,102,644)	109,182,777
TOTAL COMPREHENSIVE INCOME	**₱2,612,737,932**	₱2,182,714,474	₱2,497,540,427
Attributable to:			
Equity holders of the Parent	**₱2,664,623,109**	₱2,319,087,864	₱2,386,722,219
Minority interests	**2,276,636**	2,729,254	1,635,431
	₱2,666,899,745	₱2,321,817,118	₱2,388,357,650
Earnings Per Share for Net Income Attributable to Equity Holders of the Parent (Note 29)			
Basic	**₱2.610**	₱2.268	₱2.364
Diluted	**2.581**	2.253	2.341

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 19)	Subscriptions Receivable	Additional Paid-in Capital (Note 27)	Cumulative Translation Adjustments of Subsidiaries	Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Excess of the Acquisition Cost over the Carrying Value of Minority Interests (Note 11)	Retained Earnings (Note 19) Appropriated for Future Expansion	Retained Earnings (Note 19) Unappropriated	Cost of Common Stock Held in Treasury (Notes 19 and 27)	Total	Minority Interests (Note 11)	Total Equity
Balances at January 1, 2009	**₱1,040,005,488**	**(₱17,177,884)**	**₱2,245,675,482**	**₱22,952,351**	**₱19,880,054**	**(₱543,978,573)**	**₱1,200,000,000**	**₱10,349,648,543**	**(₱180,511,491)**	**₱14,136,493,970**	**₱3,337,451**	**₱14,139,831,421**
Total comprehensive income	**–**	**–**	**–**	**(124,186,353)**	**70,024,540**	**–**	**–**	**2,664,623,109**	**–**	**2,610,461,296**	**2,276,636**	**2,612,737,932**
Subscriptions and issuances of shares	**11,452,668**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,452,668**	**–**	**11,452,668**
Re-issuances for stock purchase rights exercised	**–**	**–**	**242,465,182**	**–**	**–**	**–**	**–**	**–**	**–**	**242,465,182**	**–**	**242,465,182**
Cost of stock options granted	**–**	**–**	**147,522,179**	**–**	**–**	**–**	**–**	**–**	**–**	**147,522,179**	**–**	**147,522,179**
Cash dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(866,403,655)**	**–**	**(866,403,655)**	**(2,400,000)**	**(868,803,655)**
Balances at December 31, 2009	**₱1,051,458,156**	**(₱17,177,884)**	**₱2,635,662,843**	**(₱101,234,002)**	**₱89,904,594**	**(₱543,978,573)**	**₱1,200,000,000**	**₱12,147,867,997**	**(₱180,511,491)**	**₱16,281,991,640**	**₱3,214,087**	**₱16,285,205,727**
Balances at January 1, 2008	₱1,034,139,179	(₱17,177,884)	₱2,086,941,086	₱151,039,682	₱30,895,367	(₱543,978,573)	₱1,200,000,000	₱8,884,408,730	(₱183,338,740)	₱12,642,928,847	₱5,408,197	₱12,648,337,044
Total comprehensive income	–	–	–	(128,087,331)	(11,015,313)	–	–	2,319,087,864	–	2,179,985,220	2,729,254	2,182,714,474
Subscriptions and issuances of shares	5,866,309	–	–	–	–	–	–	–	–	5,866,309	–	5,866,309
Re-issuances for stock purchase rights exercised	–	–	73,080,096	–	–	–	–	–	2,827,249	75,907,345	–	75,907,345
Cost of stock options granted	–	–	85,654,300	–	–	–	–	–	–	85,654,300	–	85,654,300
Cash dividends	–	–	–	–	–	–	–	(853,848,051)	–	(853,848,051)	(4,800,000)	(858,648,051)
Balances at December 31, 2008	₱1,040,005,488	(₱17,177,884)	₱2,245,675,482	₱22,952,351	₱19,880,054	(₱543,978,573)	₱1,200,000,000	₱10,349,648,543	(₱180,511,491)	₱14,136,493,970	₱3,337,451	₱14,139,831,421
Balances at January 1, 2007	₱1,024,182,326	(₱17,177,884)	₱1,817,488,852	₱72,950,363	(₱198,091)	(₱168,257,659)	₱1,200,000,000	₱7,303,774,395	(₱292,445,970)	₱10,940,316,332	₱21,474,598	₱10,961,790,930
Total comprehensive income	–	–	–	78,089,319	31,093,458	–	–	2,386,722,219	–	2,495,904,996	1,635,431	2,497,540,427
Subscriptions and issuances of shares	9,956,853	–	–	–	–	–	–	–	–	9,956,853	–	9,956,853
Re-issuances for stock purchase rights exercised	–	–	188,949,443	–	–	–	–	–	109,107,230	298,056,673	–	298,056,673
Cost of stock options granted	–	–	80,502,791	–	–	–	–	–	–	80,502,791	–	80,502,791
Cash dividends	–	–	–	–	–	–	–	(806,087,884)	–	(806,087,884)	–	(806,087,884)
Acquisition of minority interest	–	–	–	–	–	(375,720,914)	–	–	–	(375,720,914)	(17,701,832)	(393,422,746)
Balances at December 31, 2007	₱1,034,139,179	(₱17,177,884)	₱2,086,941,086	₱151,039,682	₱30,895,367	(₱543,978,573)	₱1,200,000,000	₱8,884,408,730	(₱183,338,740)	₱12,642,928,847	₱5,408,197	₱12,648,337,044

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,655,179,260**	₱3,211,065,192	₱3,135,014,447
Adjustments for:			
Depreciation and amortization (Notes 21 and 22)	**2,085,949,869**	1,728,879,763	1,579,558,873
Loss on disposals and retirements of property, plant and equipment (Note 12)	**388,149,765**	3,239,280	31,593,162
Interest expense (Note 23)	**218,909,754**	105,080,420	55,469,288
Stock options expense (Note 27)	**147,522,179**	107,100,435	84,895,128
Impairment loss on property, plant and equipment and investment properties (Note 22)	**86,408,877**	3,792,817	32,308,313
Net movement in pension liability (Note 26)	**(226,329,362)**	(43,086,090)	153,388,579
Interest income (Note 23)	**(163,680,615)**	(208,464,081)	(142,988,980)
Net unrealized foreign exchange loss (gain)	**(46,455,820)**	39,641,095	1,035,909
Reversal of impairment in investment properties (Note 13)	**–**	(1,950,646)	(61,452,608)
Mark-to-market gain on derivative asset	**–**	–	(21,456,517)
Income before working capital changes	**6,145,653,907**	4,945,298,185	4,847,365,594
Increases in:			
Short-term investment	**–**	(20,002,018)	–
Receivables	**–**	–	(204,485,504)
Inventories	**–**	(1,119,308,789)	(363,085,243)
Operating lease receivables	**(1,215,015)**	(5,832,249)	(99,581,680)
Other current assets	**(180,919,520)**	(230,629,590)	(13,155,947)
Trade payables and other current liabilities	**452,356,647**	1,744,129,779	739,700,800
Operating lease payables	**–**	5,008,518	–
Decreases in:			
Short-term investment	**20,002,018**	–	230,932,964
Receivables	**34,883,635**	28,146,742	–
Inventories	**998,054,985**	–	–
Provisions	**(15,808,350)**	(11,197,205)	(17,837,907)
Operating lease payables	**(22,888,261)**	–	(37,023,197)
Net cash generated from operations	**7,430,120,046**	5,335,613,373	5,082,829,880
Income taxes paid	**(932,576,795)**	(830,898,036)	(778,501,594)
Net cash provided by operating activities	**6,497,543,251**	4,504,715,337	4,304,328,286

(Forward)

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 12)	**(₱2,575,116,986)**	(₱2,921,797,606)	(₱2,055,998,382)
Subsidiary - net of cash acquired (Note 11)	**(835,282,824)**	(1,584,746,810)	–
Available-for-sale financial assets (Note 10)	**(9,193,912)**	(41,966,500)	–
Minority interests (Note 11)	**–**	–	(413,657,153)
Proceeds from:			
Disposals of property, plant and equipment	**22,577,330**	311,707,055	7,375,429
Available-for-sale financial assets (Note 10)	**747,172**	358,316	–
Increase in other noncurrent assets	**(169,523,912)**	(295,703,830)	(332,749,634)
Interest received	**167,379,952**	203,340,056	128,571,500
Net cash used in investing activities	**(3,398,413,180)**	(4,328,809,319)	(2,666,458,240)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Note 19)	**(843,906,023)**	(1,212,783,181)	(364,548,699)
Long-term debt (Note 18)	**(47,942,538)**	(49,747,319)	(96,180,410)
Liability for acquisition of a business	**–**	–	(251,404,641)
Proceeds from:			
Long-term debt (Note 18)	**71,943,256**	2,388,856,231	132,499,138
Re-issuances of treasury shares	**–**	75,907,397	109,107,230
Issuances of and subscriptions to capital stock	**82,609,866**	5,866,255	202,236,470
Decrease in other noncurrent liabilities	**–**	(8,819,817)	(9,803,904)
Increase in minority interests	**–**	–	20,234,407
Interest paid	**(231,347,166)**	(92,817,746)	(24,541,469)
Net cash provided by (used in) financing activities	**(968,642,605)**	1,106,461,820	(282,401,878)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(12,078,126)**	538,125	(1,035,909)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,118,409,340**	1,282,905,963	1,354,432,259
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,858,849,056**	5,575,943,093	4,221,510,834
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱8,977,258,396**	₱6,858,849,056	₱5,575,943,093

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Corporate Information

Jollibee Foods Corporation (the Parent Company) was incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as "the Jollibee Group") are involved primarily in the development, operation and franchising of Quick Service Restaurants (QSR) under the trade names "Jollibee", "Chowking", "Greenwich", "Red Ribbon", "Delifrance", "Manong Pepe", "Yonghe King", and "Hong Zhuang Yuan". The other activities of the Jollibee Group include manufacturing and property leasing in support of the QSR systems and in other independent business activities (see Notes 5 and 11). The shares of stock of the Parent Company are listed in the Philippine Stock Exchange.

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

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 12, 2010.

2. Basis of Preparation

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

<u>Statement of Compliance</u>
The consolidated financial statements have been prepared in compliance with PFRS. PFRS consists of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations.

<u>Basis of Consolidation</u>
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The subsidiaries are presented in Note 11. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

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

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

Minority interests represent the portion of comprehensive income and net assets not held by the Jollibee Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company. Acquisition of minority interests is accounted for using the entity concept method, whereby the difference between the cost of acquisition and the carrying value of the share of the net assets acquired is recognized as a direct deduction from the equity section of the consolidated statement of financial position as "Excess of the acquisition cost over the carrying value of minority interests." If the carrying value of the acquired net assets exceeds the consideration, the excess shall be recognized as negative goodwill or gain in profit or loss.

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) starting January 1, 2009, except when otherwise indicated:

New Standards and Interpretations

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, effective July 1, 2008
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*, effective October 1, 2008
- PFRS 8, *Operating Segments*, effective January 1, 2009
- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*, effective July 1, 2009

Amendments to Standards

- Improvements to PFRS (2008)
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* and PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associates*, effective January 1, 2009
- PFRS 2, *Share-based Payment: Vesting Conditions and Cancellations*, effective January 1, 2009
- PFRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*, effective January 1, 2009
- PAS 1, *Presentation of Financial Statements*, effective January 1, 2009
- PAS 23, *Borrowing Costs* (Revised), effective January 1, 2009
- PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*, effective January 1, 2009

- Improvements to PFRS (2009), with respect to the amendment in Appendix to PAS 18, *Revenue,* effective April 2009

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

- PFRS 7, *Financial Instruments: Disclosures*, requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The fair value measurement disclosures are presented in Note 32, while the liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 31.

- PFRS 8, *Operating Segments*, replaced PAS 14, *Segment Reporting*, upon its effective date. It clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. The Jollibee Group concluded that the operating segments determined in accordance with PFRS 8 are the same as the business segments previously identified under PAS 14 and are presented in Note 5.

- PAS 1, *Presentation of Financial Statements*, separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of income and expense either in one single statement, or in two linked statements. The revision also includes changes in titles of some of the financial statements to reflect their function more clearly, although not mandatory for use in the financial statements. The Jollibee Group opted to present all income and expense in one single statement. The Jollibee Group also changed the title of its "balance sheets" to "statements of financial position".

- PAS 18, *Revenue*, adds guidance to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

  i. has primary responsibility for providing the goods or services
  ii. has inventory risk
  iii. has discretion in establishing prices
  iv. bears the credit risk

  The Jollibee Group assessed its revenue arrangements against these criteria and concluded that it is acting as principal in majority of its arrangements. The Jollibee Group's revenue recognition policy has been updated accordingly.

<u>Future Changes in Accounting Policies</u>

The Jollibee Group did not early adopt the following revised PFRS, improvements to PFRS and Philippine Interpretations that have been approved but are not yet effective:

New Standard and Interpretation

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

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

  Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with noncontrolling interest. PFRS 3 (Revised) will be applied prospectively while PAS 27 (Amended) will be applied retrospectively, with a few exceptions. The Jollibee Group is assessing the impact of these revised and amended standards on the consolidated financial statements.

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*, becomes effective for annual periods beginning on or after July 1, 2009, with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

The Jollibee Group does not expect the above new standard and interpretation to have an impact on the consolidated financial statements.

Amendments to Standards

- PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*, becomes effective for annual periods beginning on or after July 1, 2009. It addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Jollibee Group has concluded that the amendment will have no impact on its financial position or performance as it has not entered into any such hedges.

- PFRS 2, *Share-based Payment - Group Cash-settled Share-based Payment Transactions*, becomes effective for annual periods beginning on or after January 1, 2010. It clarifies the scope and the accounting for group cash-settled share-based payment transactions. The Jollibee Group has concluded that the amendment will have no impact on its financial position or performance as it has not entered into any such cash-settled share-based payment transactions.

Improvements to PFRS 2009

The amendments to PFRS issued in 2009 were issued primarily with a view of removing inconsistencies and clarifying wordings. The amendments are effective for annual periods beginning on or after January 1, 2010, except when otherwise stated. The Jollibee Group has not yet adopted the following improvements and anticipates that the changes will have no material effect on the consolidated financial statements:

- PFRS 2, *Share-based Payment*, clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3, *Business Combinations* (Revised). The amendment is effective for annual periods on or after July 1, 2009.

- PAS 38, *Intangible Assets*, clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided that the individual assets have similar useful lives. It also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used. The amendment is effective for the annual periods beginning on or after July 1, 2009.

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*, clarifies that it does not apply to possible reassessment at the date of acquisition of embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture. The amendment is effective for annual periods beginning on or after July 1, 2009.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation,* states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied. The amendment is effective for annual periods beginning on or after July 1, 2009.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, clarifies that the disclosures required in respect of noncurrent assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRS only apply if specifically required for such noncurrent assets or discontinued operations.

- PAS 1, *Presentation of Financial Statements*, clarifies that the terms that could result, at anytime; in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7, *Statement of Cash Flows*, explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*, removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either ‘finance’ or ‘operating’ in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- PAS 36, *Impairment of Assets*, clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in PFRS 8, *Operating Segments*, before aggregation for reporting purposes.

- PAS 39, *Financial Instruments: Recognition and Measurement,* clarifies the following:

    i. that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.

    ii. that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.

    iii. that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

New Interpretation Effective 2012

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, becomes effective for annual periods beginning on or after January 1, 2012 and covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The interpretation will not have an impact on the consolidated financial statements because the Jollibee Group does not have such activity.

3. Summary of Significant Accounting Policies

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

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

Financial Instruments

Date of Recognition. The Jollibee Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of 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.

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

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

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

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

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

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

Financial Assets

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

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held-for-trading are recognized in profit or loss.

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

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

The Jollibee Group has no financial assets at FVPL as of December 31, 2009 and 2008.

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 asset or financial assets at FVPL. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are classified as current assets when the 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, short-term investment, trade receivables, advances to employees, deposits to suppliers, receivables from suppliers and others, refundable and other deposits, employee car plan receivables and receivable from Manila Electric Company (Meralco) are classified under this category (see Note 32).

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

The Jollibee Group has no HTM investments as of December 31, 2009 and 2008.

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 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" in other comprehensive income until the financial asset is derecognized. If the fair value cannot be measured reliably, AFS financial assets are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of investment.

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

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

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

<u>Financial Liabilities</u>

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

Financial liabilities are classified as held-for-trading if acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held-for-trading are recognized in profit or loss.

The Jollibee Group has no financial liability classified under this category as of December 31, 2009 and 2008.

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

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

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

<u>Classification of Financial Instruments between Debt and Equity</u>
A financial instrument is classified as debt if it provides for a contractual obligation to:

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

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

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.

Embedded Derivatives

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

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

Impairment of Financial Assets

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

Financial Assets Carried at Amortized Cost. 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 carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). 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. The amount of the loss is recognized in the profit or loss. Receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Jollibee Group. The Jollibee Group also considers the financial condition or near term prospect of the related creditor, and its intent and ability to hold on the asset long enough to allow any anticipated recovery.

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

Financial Assets Carried at Cost. If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets. 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 as part of profit or loss, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed in profit or loss; increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income is based on the reduced carrying amount of the asset and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded in profit or loss.

If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

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

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

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

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement 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, novelty items and packaging, store and other supplies	-	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, novelty items and packaging, store and other supplies is the current replacement cost.

Property, Plant and Equipment

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

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

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

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

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.

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

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

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

Property under construction or development for future use as an investment property is classified as an investment property.

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 to twenty years.

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

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

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

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

Business Combinations and Goodwill
Business combinations are accounted for using the purchase method of accounting. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for the control of the acquiree plus any cost directly attributable to the business combination.

The cost of business combination is allocated to the fair value of the identifiable assets and liabilities, contingent liabilities at the date of acquisition except for non-current assets classified as held for sale, which is recognized at fair value less cost to sell. Any differences between the cost of the business combination and the Jollibee Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities is recognized as goodwill.

In cases where the Jollibee Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of business combination, the Jollibee Group reassesses the identification and the measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the business combination and recognize immediately in profit or loss any excess remaining after that reassessment.

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

- represents the lowest level within the Jollibee Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Jollibee Group's primary or secondary reporting format determined in accordance with PFRS 8, *Operating Segments*.

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

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

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

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

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

Business Combinations Involving Entities under Common Control
A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

In 2008, the merger between Zenith Foods Corporation (Zenith) and Vismin Foods Corporation (Vismin), with Zenith as the surviving entity, was accounted for under pooling of interest method. Under this method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements at their carrying amounts as if the combinations had occurred from the date when the acquired companies first became under the control of the Parent Company.

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

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

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

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

Dividends on Common Stock
Dividends on common stock are recognized as liability and deducted from equity when approved by the shareholders of the Parent Company and the subsidiaries. Dividends for the year that are approved after reporting date are dealt with as an event after the reporting date.

Revenue
Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Jollibee Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, sales taxes and duties. The Jollibee Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Jollibee Group has concluded that it is acting as a principal in majority of its revenue arrangements.

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

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

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

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

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

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

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

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

Cost and Expenses

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

Pension Benefits

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

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

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

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

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

Share-based Payments

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

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

The fair value is determined using the Black-Scholes Option Pricing Model (see Note 27). The cumulative expense recognized for the share-based transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Jollibee Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in 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.

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

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

(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or

(d) there is a substantial change to the asset.

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

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

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

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

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

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

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

Income Tax

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

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

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

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

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

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

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

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

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

Business Segments

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

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

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

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

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

Events after Reporting Date

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 of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments, 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 which the subsidiary operates. For consolidation purposes, the foreign subsidiaries' balances are translated to Philippine peso which is the Parent Company's functional and presentation currency.

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

Rent income amounted to ₱78.6 million, ₱83.0 million and ₱93.0 million in 2009, 2008 and 2007, respectively (see Notes 20 and 30).

Operating Lease Commitments - Jollibee Group as Lessee. The Jollibee Group has entered into commercial property leases for its QSR and offices as a lessee. Management has determined, 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 ₱3,542.0 million, ₱2,902.8 million and ₱2,391.0 million in 2009, 2008 and 2007, respectively (see Notes 21, 22 and 30).

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

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

No impairment loss for AFS financial assets was recognized in 2009 and 2008. The carrying values of AFS financial assets amounted to ₱155.2 million and ₱76.8 million as of December 31, 2009 and 2008, respectively (see Note 10).

Estimates and Assumptions

The key 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 accomplished using a combination of specific and collective assessments. The amount and timing of recorded expenses for any period would differ if the Jollibee Group made different judgments or utilized different methodologies. An increase in allowance account would increase general and administrative expenses and decrease current and noncurrent assets.

Allowance for impairment loss on receivables as of December 31, 2009 and 2008 amounted to ₱99.7 million and ₱77.1 million, respectively. The carrying value of receivables amounted to ₱1,900.2 million and ₱1,940.7 million as of December 31, 2009 and 2008, 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 accumulated impairment losses on inventories amounting to ₱187.6 million and ₱57.4 million as of December 31, 2009 and 2008, respectively. The carrying values of inventories amounted to ₱1,729.4 million and ₱2,727.5 million as of December 31, 2009 and 2008, 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 2009 and 2008.

Impairment of Goodwill. The Jollibee Group determines whether goodwill is impaired at least on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Jollibee Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Management has determined that goodwill is not impaired.

The carrying amount of goodwill as of December 31, 2009 and 2008 amounted to ₱4,205.1 million and ₱3,186.4 million, respectively (see Note 14).

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

The accumulated impairment losses on property, plant and equipment and investment properties amounted to ₱179.7 million and ₱117.8 million as of December 31, 2009 and 2008, respectively. As of December 31, 2009 and 2008, the aggregate carrying values of property, plant and equipment and investment properties amounted to ₱9,028.6 million and ₱8,581.3 million, respectively (see Notes 12 and 13).

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

Deferred tax assets amounted to ₱841.1 million and₱760.1 million as of December 31, 2009 and 2008, respectively (see Note 24).

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

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

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

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

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

Pension liability as of December 31, 2009 and 2008 amounted to ₱174.2 million and ₱400.5 million, respectively. Unrecognized net actuarial losses amounted to ₱66.5 million and ₱53.3 million as of December 31, 2009 and 2008, respectively (see Note 26).

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

Total expense arising from share-based payment recognized by the Jollibee Group amounted to ₱147.5 million, ₱107.1 million and ₱84.9 million for the years ended December 31, 2009, 2008, and 2007, respectively (see Notes 22 and 27).

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 32.

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

Total provisions recognized for legal claims, restructuring costs and others amounted to ₱30.5 million and ₱46.3 million as of December 31, 2009 and 2008, respectively (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 the other litigations, claims and disputes will not materially affect the financial position and performance of the Jollibee Group.

5. Segment Information

Business Segments

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

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

The following tables present certain information on revenue, expenses, assets and liabilities and other segment information of the different business segments as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009:

	2009				
	Food Service	**Franchising**	**Leasing**	**Eliminations**	**Total**
	(In Thousands)				
Revenue from external customers	**₱45,530,706**	**₱2,298,778**	**₱128,209**	**₱–**	**₱47,957,693**
Inter-segment revenue	**6,562,262**	**452,475**	**781,373**	**(7,796,110)**	**–**
Segment revenue	**52,092,968**	**2,751,253**	**909,582**	**(7,796,110)**	**47,957,693**
Segment expenses	**(51,036,368)**	**(452,474)**	**(963,637)**	**7,796,110**	**(44,656,369)**
Other segment income	**349,818**	**–**	**59,267**	**–**	**409,085**
Segment result	**₱1,406,418**	**₱2,298,779**	**₱5,212**	**₱–**	**3,710,409**
Interest income					**163,680**
Interest expense					**(218,910)**
Income before income tax					**3,655,179**
Provision for income tax					**(988,279)**
Net income					**₱2,666,900**
Assets and Liabilities:					
Segment assets	**₱28,567,425**	**₱–**	**₱318,960**	**₱–**	**₱28,886,385**
Deferred tax assets	**793,801**	**–**	**47,307**	**–**	**841,108**
Total assets	**₱29,361,226**	**₱–**	**₱366,267**	**₱–**	**₱29,727,493**
Segment liabilities	**₱10,489,066**	**₱–**	**₱170,005**	**₱–**	**₱10,659,071**
Deferred tax liabilities	**155,605**	**–**	**–**	**–**	**155,605**
Long-term debt - including current portion	**2,491,678**	**–**	**–**	**–**	**2,491,678**
Income tax payable	**135,934**	**–**	**–**	**–**	**135,934**
Total liabilities	**₱13,272,283**	**₱–**	**₱170,005**	**₱–**	**₱13,442,288**
Other segment information:					
Capital expenditures	**₱2,575,117**	**₱–**	**₱–**	**₱–**	**₱2,575,117**
Depreciation and amortization	**2,082,033**	**–**	**3,917**	**–**	**2,085,950**

	2008				
	Food Service	Franchising	Leasing	Eliminations	Total
	(In Thousands)				
Revenue from external customers	₱41,558,956	₱2,220,839	₱111,764	₱–	₱43,891,559
Inter-segment revenue	5,770,314	302,665	232,087	(6,305,066)	–
Segment revenue	47,329,270	2,523,504	343,851	(6,305,066)	43,891,559
Segment expenses	(46,772,468)	(302,665)	(433,729)	6,305,066	(41,203,796)
Other segment income	419,918	–	–	–	419,918
Segment result	₱976,720	₱2,220,839	(₱89,878)	₱–	3,107,681
Interest income					208,464
Interest expense					(105,080)
Income before income tax					3,211,065
Provision for income tax					(889,248)
Net income					₱2,321,817
Assets and Liabilities:					
Segment assets	₱26,015,000	₱–	₱350,577	₱–	₱26,365,577
Deferred tax assets	722,031	–	38,093	–	760,124
Total assets	₱26,737,031	₱–	₱388,670	₱–	₱27,125,701
Segment liabilities	₱10,070,347	₱–	₱238,511	₱–	₱10,308,858
Deferred tax liabilities	72,370	–	–	–	72,370
Long-term debt - including current portion	2,522,158	–	–	–	2,522,158
Income tax payable	82,483	–	–	–	82,483
Total liabilities	₱12,747,358	₱–	₱238,511	₱–	₱12,985,869
Other segment information:					
Capital expenditures	₱2,910,776	₱–	₱7,498	₱–	₱2,918,274
Depreciation and amortization	1,720,084	–	8,796	–	1,728,880

	2007				
	Food Service	Franchising	Leasing	Eliminations	Total
	(In Thousands)				
Revenue from external customers	₱36,338,859	₱2,024,652	₱333,420	₱–	₱38,696,931
Inter-segment revenue	4,178,741	257,865	305,210	(4,745,085)	(3,269)
Segment revenue	40,517,600	2,282,517	638,630	(4,745,085)	38,693,662
Segment expenses	(40,339,987)	–	(164,854)	4,745,085	(35,759,756)
Other segment income	113,589	–	–	–	113,589
Segment result	₱291,202	₱2,282,517	₱473,776	₱–	3,047,495

(Forward)

	2007				
	Food Service	Franchising	Leasing	Eliminations	Total
	(In Thousands)				
Interest income					₱142,989
Interest expense					(55,469)
Income before income tax					3,135,015
Income tax expense					(746,657)
Net income					₱2,388,358
Assets and Liabilities:					
Segment assets	₱20,764,336	₱–	₱306,499	₱–	₱21,070,835
Deferred tax assets	793,594	–	80,573	–	874,167
Total assets	₱21,557,930	₱–	₱387,072	₱–	₱21,945,002
Segment liabilities	₱8,807,187	₱–	₱135,524	₱–	₱8,942,711
Deferred tax liabilities	126,821	–	–	–	126,821
Long-term debt - including current portion	143,408	–	–	–	143,408
Income tax payable	83,725	–	–	–	83,725
Total liabilities	₱9,161,141	₱–	₱135,524	₱–	₱9,296,665
Other segment information:					
Capital expenditures	₱2,050,911	₱–	₱5,088	₱–	₱2,055,999
Depreciation and amortization	1,572,591	–	6,968	–	1,579,559

Geographical Segments

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

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

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

	Philippines	International	Total
		(In Thousands)	
2007:			
Revenue	₱35,179,857	₱3,513,805	₱38,693,662
Segment assets	18,421,431	2,649,404	21,070,835
Capital expenditures	1,806,309	249,690	2,055,999

Inter-Segment Transactions

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

6. Cash and Cash Equivalents

This account consists of:

	2009	2008
Cash on hand	**₱115,715,200**	₱159,627,196
Cash in banks	**2,435,425,884**	2,954,518,761
Short-term deposits	**6,426,117,312**	3,744,703,099
	₱8,977,258,396	₱6,858,849,056

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 ₱132.3 million, ₱151.1 million and ₱121.2 million in 2009, 2008 and 2007, respectively (see Note 23).

7. Receivables

This account consists of:

	2009	2008
Trade	**₱1,854,239,723**	₱1,882,203,843
Less allowance for impairment loss	**99,709,174**	77,063,380
	1,754,530,549	1,805,140,463
Advances to employees	**90,652,777**	73,547,173
Current portion of:		
Employee car plan receivables	**41,724,556**	44,266,499
Receivable from Meralco (Note 15)	**7,100,842**	10,135,536
Others	**6,202,092**	7,610,728
	₱1,900,210,816	₱1,940,700,399

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

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

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

	2009	2008
Balance at beginning of year	**₱77,063,380**	₱82,641,005
Provisions (Note 22)	**50,498,053**	34,876,434
Reversals	**(9,372,417)**	(38,273,611)
Write-offs	**(18,479,842)**	(2,180,448)
Balance at end of year	**₱99,709,174**	₱77,063,380

The provisions in 2009 and 2008 resulted from specific and collective impairment assessments performed by the Jollibee Group.

8. Inventories

This account consists of:

	2009	2008
At cost:		
Food supplies and processed inventories	**₱1,521,464,262**	₱2,353,512,815
Packaging, store and other supplies	**141,650,591**	176,028,890
Novelty items	**12,901,859**	14,075,001
	1,676,016,712	2,543,616,706
At net realizable value -		
Novelty items	**53,392,715**	183,847,706
Total inventories at lower of cost and net realizable value	**₱1,729,409,427**	₱2,727,464,412

The cost of novelty items carried at net realizable value amounted to ₱241.0 million and ₱241.2 million as of December 31, 2009 and 2008, respectively.

The allowance for inventory obsolescence amounted to ₱187.6 million and ₱57.4 million as of December 31, 2009 and 2008, respectively.

9. Other Current Assets

This account consists of:

	2009	2008
Prepaid expenses	**₱489,395,610**	₱395,817,649
Receivables from suppliers and others (Notes 31 and 32)	**440,781,698**	378,994,343
Deposits to suppliers (Notes 31 and 32)	**324,762,822**	417,005,344
Input VAT	**42,620,089**	–
Others	**32,489,274**	26,540,717
	₱1,330,049,493	₱1,218,358,053

Deposits to suppliers and receivables from suppliers and others are non-interest bearing and are normally collected within the next financial year.

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

10. AFS Financial Assets

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

	2009	2008
Quoted equity shares - at fair value	**₱113,261,994**	₱34,790,714
Unquoted equity shares - at cost	**41,966,500**	41,966,500
	₱155,228,494	₱76,757,214

The carrying values of AFS financial assets have been determined as follows:

	2009	2008
Balance at beginning of year	**₱76,757,214**	₱46,164,343
Additions	**9,193,912**	41,966,500
Disposals	**(747,172)**	(358,316)
Gain (loss) on changes in fair value of AFS financial assets	**70,024,540**	(11,015,313)
Balance at end of year	**₱155,228,494**	₱76,757,214

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

11. Investments in Subsidiaries

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

	Country of Incorporation	Principal Activities	Percentage of Ownership 2009	2008	2007
Fresh N' Famous Foods, Inc. (Fresh N' Famous)	Philippines	Food service	**100**	100	100
• Chowking Food Corporation USA[(a)]	United States of America (USA)	Holding company	**100**	100	100
• Chowking Food Corporation (Thailand) Co. Ltd.[(a)]	Thailand	Dormant	**100**	100	100
Freemont Foods Corporation	Philippines	Food service	**100**	100	100
RRB Holdings, Inc.	Philippines	Holding company	**100**	100	100
• Red Ribbon Bake Shop, Inc (RRBI)[(b)]	Philippines	Food service	**100**	100	100
• Red Ribbon Bakeshop, Inc. (RRBI USA)[(b)]	USA	Food service	**100**	100	100
Vismin Foods Corporation (Vismin)[(c)]	Philippines	Food service	**–**	–	100
Zenith Foods Corporation (Zenith)[(c)]	Philippines	Food service	**100**	100	100
Grandworth Resources Corporation (Grandworth)	Philippines	Leasing	**100**	100	100
• Adgraphix, Inc. (Adgraphix)[(d)]	Philippines	Digital printing	**60**	60	60
• IConnect Multimedia Network, Inc.[(d)]	Philippines	Advertising	**60**	–	–
Donut Magic Phils., Inc. (Donut Magic)[(e)]	Philippines	Dormant	**100**	100	100
Ice Cream Copenhagen Phils., Inc. (ICCP)[(e)]	Philippines	Dormant	**100**	100	100
Mary's Foods Corporation (Mary's)[(e)]	Philippines	Dormant	**100**	100	100
QSR Builders, Inc	Philippines	Inactive	**100**	–	–
Jollibee USA	USA	Holding company	**100**	100	100
Honeybee Foods Corporation (Honeybee)	USA	Food service	**100**	100	100
• Tokyo Teriyaki Corporation[(f)]	USA	Food service	**100**	100	100
Jollibee Worldwide Pte. Ltd. (Jollibee Worldwide)	Singapore	Holding company	**100**	100	100
• Jollibee Worldwide Services - Regional Headquarters of Jollibee Worldwide	Philippines	Accounting service	**100**	100	100
• Lao Dong Pte. Ltd.[(g)]	Singapore	Holding company	**100**	–	–
• Beijing New Hongzhuangyuan Food and Beverage Management Co., Ltd. (Hong Zhuang Yuan)[(g)]	Peoples' Republic of China (PRC)	Food service	**100**	100	–
• Southsea Binaries Ltd. (Southsea) [(g)]	British Virgin Island (BVI)	Holding company	**100**	100	–
• Hangzhou Yonghe Doujiang Food and Beverage Co., Ltd. (Hangzhou Yonghe)[(g)]	PRC	Food service	**100**	100	–
• Tianjin Yonghe King Food and Beverage Co., Ltd.[(g)]	PRC	Food service	**100**	100	100
• Kuai Le Feng Food & Beverage (Shenzhen) Co. Ltd.[(g)]	PRC	Food service	**100**	100	100
• Beijing Yonghe King Food and Beverage Co., Ltd.[(g)]	PRC	Food service	**100**	100	100
• Shenzhen Yonghe King Food and Beverage Co., Ltd.[(g)]	PRC	Food service	**100**	100	100

(Forward)

	Country of Incorporation	Principal Activities	Percentage of Ownership 2009	2008	2007
• Hangzhou Yongtong Food and Beverage Co., Ltd.(g)	PRC	Food service	**100**	100	100
• Hangzhou Yonghong Food & Beverage Co., Ltd.(g)	PRC	Food service	**100**	100	100
• Shanghai Yonghe King Food & Beverage Co., Ltd.(g)	PRC	Food service	**100**	100	100
• Wuhan Yongchang Food and Beverage Co., Ltd.(g)	PRC	Food service	**100**	100	100
• Shanghai Chunlv Co. Ltd.(g)	PRC	Food service	**100**	100	100
• Jollibee International (BVI) Ltd. (JIBL)(g)	BVI	Holding company	**100**	100	100
▪Jollibee Vietnam Corporation Ltd.(h)	Vietnam	Food service	**100**	100	100
▪PT Jollibee Indonesia(h)	Indonesia	Food service	**100**	100	100
▪Jollibee (Hong Kong) Limited(h)	Hong Kong	Food service	**85**	85	85
- Hanover Holdings Limited (Hanover)(h)	Hong Kong	Food service	**100**	100	100
▪Belmont Enterprises Ventures Limited (Belmont)(h)	BVI	Holding company	**100**	100	100
•Shanghai Belmont Enterprises Management and Adviser Co., Ltd.(h)	PRC	Business management service	**100**	100	100
•Yonghe Holdings Co., Ltd.(h)	BVI	Holding company	**100**	100	100
- Centenary Ventures Limited(h)	BVI	Holding company	**100**	100	100
- Colossus Global Limited(h)	BVI	Holding company	**100**	100	100
- Granite Management Limited(h)	BVI	Holding company	**100**	100	100
- Cosmic Resources Limited(h)	BVI	Holding company	**100**	100	100
•All Great Resources Limited(h)	BVI	Holding company	**100**	100	100
- Eastpower Resources Limited(h)	BVI	Holding company	**100**	100	100
- Shanghai Yongjue Foods & Beverage Co., Ltd(h)	PRC	Food service	**100**	100	100
- Eaglerock Development Limited(h)	BVI	Holding company	**100**	100	100

(a) Indirectly owned through Fresh N' Famous.

(b) Indirectly owned through RRB Holdings, Inc.

(c) On February 7, 2008, the SEC approved the merger between Zenith and Vismin effective January 1, 2008, with Zenith as the surviving entity.

(d) Indirectly owned through Grandworth.

(e) On June 18, 2004, the stockholders of the Jollibee Group approved the Plan of Merger of the three dormant companies, namely: Donut Magic, ICCP and Mary's with the Parent Company. The application for merger is pending approval of the SEC as of December 31, 2009.

(f) Indirectly owned through Honeybee.

(g) Indirectly owned through Jollibee Worldwide.

(h) Indirectly owned through JIBL.

Acquisition/Establishment of New Subsidiaries

IConnect Multimedia Network, Inc.

On August 26, 2009, Grandworth, a wholly owned subsidiary of the Parent Company, established IConnect Multimedia Network, Inc., a multimedia advertising company, with initial capital of ₱6.0 million, owning 60% of its issued and outstanding shares.

Lao Dong Pte. Ltd.

On January 1, 2009, Jollibee Worldwide, a wholly owned subsidiary of the Parent Company, incorporated Lao Dong Pte. Ltd., a Singapore-based holding company, with initial capital of USD0.8 million or ₱41.3 million, owning 100% of its issued and outstanding shares.

Hong Zhuang Yuan and Southsea

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

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

The final consideration was allocated as follows:

	Fair Market Value	Carrying Value
Cash and cash equivalents	₱182,049,407	₱182,049,407
Inventories	3,103,119	3,103,119
Receivables	483,296	483,296
Prepaid and other current assets	57,747,358	57,747,358
Property, plant and equipment	185,401,252	172,884,268
Noncurrent assets	11,451,012	11,451,012
Total identifiable assets	440,235,444	427,718,460

(Forward)

	Fair Market Value	Carrying Value
Less:		
Accounts payable	₱29,335,714	₱29,335,714
Accrued liabilities	59,446,880	59,446,880
Deferred tax liabilities	3,755,095	–
Other liabilities	196,821,790	196,821,790
Total identifiable liabilities	289,359,479	285,604,384
Net assets	150,875,965	₱142,114,076
Goodwill arising from acquisition (Note 14)	2,497,252,905	
Total consideration	₱2,648,128,870	

The net cash outflow on the acquisition is as follows:

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

Hangzhou Yonghe

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

The equipments used in the eight stores are owned by Hangzhou Huadong Xianzhi Equipment Marketing (Hangzhou Huadong). Accordingly, in relation to the Asset Purchase Agreement, Shanghai Yonghe entered into an Equipment Purchase Agreement with Hangzhou Huadong to purchase the store equipment for a total consideration of RMB16.0 million or ₱110.2 million. Pursuant to the Equipment Purchase Agreement, ownership of the store equipment will be transferred to and will be accepted by Shanghai Yonghe only upon fulfillment by Hangzhou Yonghe of the following conditions for each store:

a. Assignment of the lease contracts to Shanghai Yonghe, renewed for at least another five years based on the agreed rent fees; and

b. Transfer of all related business licenses and certificates to Shanghai Yonghe.

As of December 31, 2008, lease contracts and store equipment of three stores have been transferred to Shanghai Yonghe hence, a partial payment amounting to RMB4.8 million or ₱33.3 million was made. Shanghai Yonghe also made a deposit of RMB1.6 million or ₱11.1 million which will be applied as payment for the last store to be transferred.

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

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

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

	Fair Market Value
Leasehold rights	₱15,442,438
Deferred tax liability	(4,632,732)
Net assets	10,809,706
Goodwill arising from acquisition (Note 14)	106,264,544
	₱117,074,250

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

Acquisition of Minority Interest

Belmont

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

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

12. Property, Plant and Equipment

The details of property, plant and equipment are as follows:

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

	2008							
	Land and Land Improvements	Plant and Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
				(In Thousands)				
Cost:								
Balance at beginning of year	₱732,072	₱894,607	₱6,063,437	₱6,376,953	₱430,496	₱277,457	₱174,999	₱14,950,021
Additions (Note 11)	–	31,819	1,110,515	1,125,117	87,712	40,155	522,956	2,918,274
Retirements and disposals	–	(171)	(274,022)	(305,448)	(36,055)	(18,802)	(2,052)	(636,550)
Reclassifications	(61,157)	(15,489)	212,667	165,942	21,578	19,195	(487,054)	(144,318)
Balance at end of year	670,915	910,766	7,112,597	7,362,564	503,731	318,005	208,849	17,087,427

(Forward)

	2008							
	Land and Land Improvements	Plant and Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
				(In Thousands)				
Accumulated depreciation and amortization:								
Balance at beginning of year	₱–	₱540,455	₱2,698,145	₱3,662,225	₱307,956	₱179,682	₱–	₱7,388,463
Depreciation and amortization (Notes 21 and 22)	–	52,906	770,537	793,885	60,259	45,758	–	1,723,345
Retirements and disposals	–	(171)	(208,786)	(96,228)	(22,791)	(15,162)	–	(343,138)
Reclassifications	–	(8,014)	(111,905)	66,818	13,841	8,793	–	(30,467)
Balance at end of year	–	585,176	3,147,991	4,426,700	359,265	219,071	–	8,738,203
Accumulated impairment loss:								
Balance at beginning of year	–	–	49,740	–	–	–	20,773	70,513
Impairment loss (Note 22)	–	–	–	–	–	–	3,793	3,793
Balance at end of year	–	–	49,740	–	–	–	24,566	74,306
Net book value	₱670,915	₱325,590	₱3,914,866	₱2,935,864	₱144,466	₱98,934	₱184,283	₱8,274,918

The cost of fully depreciated assets still in use by the Jollibee Group amounted to ₱4,460.1 million and ₱4,086.9 million as of December 31, 2009 and 2008, respectively.

Loss on disposals and retirements of property, plant and equipment amounted to ₱388.1 million, ₱3.2 million and ₱31.6 million in 2009, 2008 and 2007, respectively.

13. Investment Properties

The movements in this account follow:

	2009		
	Land and Land Improvements	**Buildings and Building Improvements**	**Total**
		(In Thousands)	
Cost:			
Balance at beginning of year	**₱292,230**	**₱276,354**	**₱568,584**
Reclassifications/Transfers (Note 34)	**376,889**	**–**	**376,889**
Balance at end of year	**669,119**	**276,354**	**945,473**
Accumulated depreciation:			
Balance at beginning of year	**–**	**218,708**	**218,708**
Depreciation (Notes 21 and 22)	**–**	**5,190**	**5,190**
Balance at end of year	**–**	**223,898**	**223,898**
Accumulated impairment losses	**43,504**	**–**	**43,504**
Net book value	**₱625,615**	**₱52,456**	**₱678,071**

	2008		
	Land and Land Improvements	Buildings and Building Improvements	Total
		(In Thousands)	
Cost:			
Balance at beginning of year	₱252,501	₱208,860	₱461,361
Disposals	(21,535)	(2,645)	(24,180)
Reclassifications/Transfers	61,264	70,139	131,403
Balance at end of year	292,230	276,354	568,584
Accumulated depreciation:			
Balance at beginning of year	–	201,790	201,790
Depreciation (Notes 21 and 22)	–	5,535	5,535
Disposals	–	(2,645)	(2,645)
Reclassifications/Transfers	–	14,028	14,028
Balance at end of year	–	218,708	218,708
Accumulated impairment losses:			
Balance at beginning of year	45,455	–	45,455
Reversal of impairment	(1,951)	–	(1,951)
Balance at end of year	43,504	–	43,504
Net book value	₱248,726	₱57,646	₱306,372

The allowance for impairment loss in the value of land amounting to ₱43.5 million as of December 31, 2009 represents the excess of the carrying values over the estimated recoverable amounts of non-income-generating investment properties. The estimated recoverable amount is the estimated fair value less costs to sell.

The cost of fully depreciated buildings still being leased out by the Jollibee Group amounted to ₱176.2 million as of December 31, 2009 and 2008.

Investment properties have aggregate fair values of ₱1,194.7 million as of as determined by an independent appraiser on December 31, 2008. The Jollibee Group believes that there were no significant changes in the fair value of investment properties in 2009. 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 ₱78.6 million, ₱83.0 million and ₱93.0 million in 2009, 2008 and 2007, respectively (see Notes 20 and 30).

Direct operating costs relating to the investment properties that generated rent income recognized under "Cost of sales" and "General and administrative expenses" accounts amounted to ₱20.8 million, ₱42.1 million and ₱41.9 million in 2009, 2008 and 2007, respectively.

Direct operating costs relating to the investment properties that did not generate rent income recognized under "General and administrative expenses" accounts amounted to ₱7.9 million, ₱4.8 million and ₱1.3 million in 2009, 2008 and 2007, respectively.

14. Goodwill

Goodwill acquired through business combinations are allocated as follows:

	Red Ribbon	Belmont	Hongzhuangyuan	Hangzhou Yonghe	Total
Balance at December 31, 2007	₱1,172,590,156	₱429,016,110	₱–	₱–	₱1,601,606,266
Additions (Note 11)	–	–	1,551,465,536	33,281,280	1,584,746,816
Balance at December 31, 2008	1,172,590,156	429,016,110	1,551,465,536	33,281,280	3,186,353,082
Additions (Note 11)	–	–	945,787,369	72,983,264	1,018,770,633
Balance at December 31, 2009	₱1,172,590,156	₱429,016,110	₱2,497,252,905	₱106,264,544	₱4,205,123,715

Impairment Testing of Goodwill

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

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

15. Other Noncurrent Assets

This account consists of:

	2009	2008
Refundable and other deposits (Notes 31 and 32)	**₱1,312,199,603**	₱1,160,680,493
Noncurrent portion of:		
Employee car plan receivables (Notes 31 and 32)	**130,299,282**	74,464,709
Receivable from Meralco (Notes 31 and 32)	**–**	8,769,643
Deferred rent expense	**73,124,865**	93,014,555
Deposit for acquisition of real property (Note 34)	**–**	375,250,000
	₱1,515,623,750	₱1,712,179,400

Refundable and other deposits represent deposits for operating leases entered into by the Jollibee Group as lessee, including returnable containers and other deposits. The refundable deposits are recoverable from the lessors at the end of the lease term. These are presented at amortized cost. The discount rates used range from 6% to 22% in 2009 and 5% to 22% in 2008. The difference between the fair value at initial recognition and the notional amount of the refundable deposits is charged to "Deferred rent expense" account and amortized on straight-line basis over the lease terms.

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

The movements in unamortized discount as of December 31 are as follows:

	2009			
	Refundable Deposits	**Employee Car Plan Receivables**	**Receivable from Meralco**	**Total**
Beginning	**₱93,014,555**	**₱17,249,918**	**₱2,304,908**	**₱112,569,381**
Additions	**5,089,853**	**6,826,065**	**–**	**11,915,918**
Interest accretion (Note 23)	**(17,163,631)**	**(9,130,667)**	**(1,913,981)**	**(28,208,279)**
Disposals/pre-terminations	**(7,815,912)**	**(1,452,907)**	**–**	**(9,268,819)**
	₱73,124,865	**₱13,492,409**	**₱390,927**	**₱87,008,201**

	2008			
	Refundable Deposits	Employee Car Plan Receivables	Receivable from Meralco	Total
Beginning	₱98,465,525	₱15,765,087	₱4,889,197	₱119,119,809
Additions	10,778,615	12,168,989	–	22,947,604
Interest accretion (Note 23)	(11,966,342)	(9,541,921)	(2,584,289)	(24,092,552)
Disposals/pre-terminations	(4,263,243)	(1,142,237)	–	(5,405,480)
	₱93,014,555	₱17,249,918	₱2,304,908	₱112,569,381

16. Trade Payables and Other Current Liabilities

This account consists of:

	2009	2008
Trade	**₱3,720,413,153**	₱3,508,731,554
Accruals for:		
Salaries, wages and employee benefits	**940,064,658**	874,531,272
Local and other taxes	**934,234,445**	764,422,261
Advertising and promotions	**601,932,942**	435,456,652
Rent	**447,208,424**	222,682,237
Retention payable	**13,889,541**	46,893,647
Dividends payable	**364,058,525**	339,160,893
Short-term loans	**305,024,016**	407,197,154
Deposits	**149,985,800**	186,157,262
Output VAT	**–**	194,610,969
Others	**1,967,392,998**	1,849,122,146
	₱9,444,204,502	₱8,828,966,047

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

Short-term loans consist of unsecured bank loans of PRC-based subsidiaries. These unsecured bank loans are availed from foreign banks with maturities of one year or less. The interest rate on unsecured bank loans is 5.8% and 6.4% in 2009 and 2008, respectively.

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

Other current liabilities include accruals for stale checks and gift certificates issued to customers of the Jollibee Group and other liabilities relating to store operations and corporate events. These liabilities are normally settled within the next financial year.

Interest expense recognized on short-term loans amounted to ₱23.1 million and ₱23.7 million in 2009 and 2008, respectively (see Note 23).

17. Provisions

The movement of provisions are as follows:

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

	2008			
	Legal Claims	Restructuring Costs	Others	Total
Balance at beginning of year	₱32,112,104	₱6,156,799	₱19,237,291	₱57,506,194
Additions	18,259,410	–	2,212,310	20,471,720
Payments	(21,102,210)	(4,925,464)	(5,641,251)	(31,668,925)
Balance at end of year	₱29,269,304	₱1,231,335	₱15,808,350	₱46,308,989

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

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

18. Long-term Debt

	2009	2008
USD-denominated:		
Loan 1	**₱22,033,559**	₱44,029,133
Loan 2	**56,532,678**	74,242,207
RMB-denominated:		
Loan 3	**2,351,959,832**	2,403,886,898
Loan 4	**61,151,771**	–
	2,491,677,840	2,522,158,238
Less current portion	**53,697,466**	37,769,129
	₱2,437,980,374	₱2,484,389,109

USD-denominated loans of RRBI USA

Loan 1 consists of a 3-year unsecured loan acquired from a foreign bank in December 2007 amounting to US$1.35 million with an interest rate of 6.50%. The principal is payable in 36 monthly installments commencing on January 17, 2008 up to December 17, 2010, the date of maturity.

Loan 2 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.

RMB-denominated loan of the Parent Company

On September 8, 2008, the Parent Company entered into a Synthetic Credit Facility Agreement with several financial institutions to finance its investments in the PRC. The agreement covers a three-year loan amounting to RMB700 million at fixed interest rates for the Parent Company and at 2.25% above Libor floating rate for the lenders. The difference between the rates is covered by a notional swap subject to the same 2002 ISDA Master Agreement.

Loan 3 consists of Tranches A and B for RMB 350 million each. On September 26, 2008, the Parent Company drew the full amount of Tranche A at 6.85% fixed interest rate using RMB6.82:1USD as initial exchange rate. The Parent Company did not avail Tranche B.

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

Loan 4 consists of a 5-year unsecured loan acquired from a foreign bank in February 2009 amounting to RMB10.6 million with an interest rate of 5.76%. The principal is payable in 60 monthly installments commencing on February 27, 2009 up to February 27, 2014, the date of maturity.

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

	2009	2008
Principal	**₱2,507,838,450**	₱2,546,768,666
Less unamortized debt issue cost	**16,160,610**	24,610,428
	₱2,491,677,840	₱2,522,158,238

The repayment schedule of outstanding long-term debt as of December 31, 2009 is as follows:

Year	Loan 1	Loan 2	Loan 3	Loan 4	Total
2010	₱22,033,559	₱17,275,255	₱–	₱14,388,652	₱53,697,466
2011	–	18,209,212	2,368,120,442	14,388,652	2,400,718,306
2012	–	19,376,118	–	14,388,652	33,764,770
2013	–	1,672,093	–	14,388,652	16,060,745
2014	–	–	–	3,597,163	3,597,163
	₱22,033,559	₱56,532,678	₱2,368,120,442	₱61,151,771	₱2,507,838,450

Interest expense recognized on long-term loans amounted to ₱190.5 million, ₱80.0 million and ₱24.5 million in 2009, 2008 and 2007, respectively (see Note 23).

19. Equity

a. Capital Stock

The movements in the number of shares follow:

	2009	2008
Authorized - ₱1 par value	**1,450,000,000**	1,450,000,000
Issued:		
Balance at beginning of year	**1,037,996,191**	1,032,129,882
Issuances (Note 27)	**11,452,668**	5,866,309
Balance at end of year	**1,049,448,859**	1,037,996,191
Subscribed:		
Balance at beginning of year	**2,009,297**	2,009,297
Subscriptions	**11,452,668**	5,866,309
Issuances (Note 27)	**(11,452,668)**	(5,866,309)
Balance at end of year	**2,009,297**	2,009,297
	1,051,458,156	1,040,005,488

b. Treasury Shares

The movements in common stock held in treasury are as follow:

	Number of Shares		Amounts	
	2009	2008	**2009**	2008
Balance at beginning of year	**16,447,340**	16,692,150	**₱180,511,491**	₱183,338,740
Re-issuances for stock purchase rights exercised	**–**	(244,810)	**–**	(2,827,249)
Balance at end of year	**16,447,340**	16,447,340	**₱180,511,491**	₱180,511,491

Treasury shares were re-issued in 2008 to cover the stock purchase rights exercised by the employee participants in the Jollibee Group's Tandem Stock Purchase and Option Plan II (see Note 27).

c. Retained Earnings

The Jollibee Group has a Cash Dividend Policy of declaring one-third of its net income for the year in which the cash dividends are declared. It uses best estimates of its net income as basis for declaring cash dividends. Actual cash dividends per share declared as a percent of the EPS are 32.6%, 37.0% and 33.8% in 2009, 2008 and 2007, respectively.

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

On November 11, 2008, the BOD approved the declaration of cash dividends of ₱0.48 a share in favor of the stockholders of record as of November 28, 2008. The BOD also approved on April 14, 2008 the declaration of cash dividends of ₱0.30 a share in favor of stockholders of record as of May 2, 2008.

On November 28, 2007, the BOD approved the declaration of cash dividends of ₱0.46 a share in favor of the stockholders of record as of December 14, 2007. The BOD also approved on April 11, 2007 the declaration of cash dividends of ₱0.34 a share in favor of stockholders of record as of April 27, 2007.

The unappropriated retained earnings is restricted to the extent of ₱1,443.3 million and ₱1,902.8 million as of December 31, 2009 and 2008, respectively, representing appropriation for future expansion of ₱1,200.0 million and the cost of common stock held in treasury amounting to ₱180.5 million as of December 31, 2009 and 2008 and equity in net income of subsidiaries amounting to ₱62.8 million and ₱522.3 million as of December 31, 2009 and 2008, 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 Bakeshop in 2005 (₱1,700.0 million), the remaining 20% minority share in Greenwich in 2007 (₱384.0 million), the remaining 15% share of Yonghe King in 2007 (₱413.7 million) and 100% of Hong Zhuang Yuan restaurant chain in PRC in 2008 (₱2,600.0 million).

The Jollibee Group plans to continue to make substantial acquisitions in 2010 and in the next few years. The Jollibee Group uses its cash generated from operations to finance these acquisitions and capital expenditures. These limit the amount of cash dividends that it can declare and pay making the level of the Retained Earnings higher than the paid-in Capital Stock.

20. Royalty, Franchise Fees and Others

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

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

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

21. Cost of Sales

This account consists of:

	2009	2008	2007
Cost of inventories	**₱21,520,003,001**	₱20,867,044,942	₱17,878,964,134
Personnel costs:			
Salaries, wages and employee benefits	**5,520,520,889**	4,842,377,962	4,170,971,206
Net pension expense (Note 26)	**74,930,373**	85,298,371	108,281,404
Rent (Note 30)	**3,359,382,394**	2,751,207,602	2,192,579,879
Electricity and other utilities	**2,081,613,784**	1,862,476,746	1,746,714,091
Depreciation and amortization (Notes 12 and 13)	**1,829,244,905**	1,570,869,765	1,376,155,592
Supplies	**1,036,947,263**	1,053,362,489	935,052,357
Freight	**658,633,797**	576,891,935	432,547,827
Contracted services	**654,434,173**	586,221,240	417,505,627
Repairs and maintenance	**468,109,510**	399,622,914	437,468,866
Security and janitorial	**225,145,839**	217,615,854	195,509,983
Communication	**109,664,719**	107,192,628	92,885,415
Professional fees	**76,027,727**	90,893,405	69,296,351
Entertainment, amusement and recreation (EAR)	**19,563,502**	19,059,695	17,434,361
Others	**754,106,378**	750,038,576	525,245,352
	₱38,388,328,254	₱35,780,174,124	₱30,596,612,445

22. Expenses

This account consists of:

	2009	2008	2007
General and administrative expenses	**₱4,997,335,552**	₱4,275,192,846	₱3,985,019,306
Advertising and promotions	**952,455,995**	1,062,410,392	1,106,308,347
Provisions	**318,250,060**	86,018,445	71,815,450
	₱6,268,041,607	₱5,423,621,683	₱5,163,143,103

The general and administrative expenses consist of:

	2009	2008	2007
Personnel costs:			
Salaries, wages and employee benefits	**₱2,361,989,088**	₱1,954,662,398	₱1,871,923,301
Stock options expense (Note 27)	**147,522,179**	107,100,435	84,895,128
Net pension expense (Note 26)	**65,823,484**	60,393,611	72,537,479
Taxes and licenses	**589,132,269**	538,841,273	303,222,981
Depreciation and amortization (Notes 12 and 13)	**256,704,964**	158,009,998	203,403,281
Transportation and travel	**226,739,595**	222,620,660	155,562,358
Rent (Note 30)	**182,629,169**	151,548,685	198,424,514
Professional fee	**179,442,357**	214,608,747	203,740,268
EAR	**74,319,667**	47,234,312	42,493,374
Communication	**72,778,718**	68,528,787	58,939,755
Supplies	**57,269,728**	57,711,424	73,551,598
Repairs and maintenance	**50,413,062**	34,754,003	60,345,187
Donations	**46,373,823**	42,457,680	30,000,000
Electricity and other utilities	**44,715,764**	53,597,374	69,884,621
Contracted services	**36,776,355**	46,270,595	22,909,214
Security and janitorial	**35,882,287**	43,695,410	34,400,596
Training	**33,706,633**	45,269,836	26,814,833
Insurance	**8,443,845**	10,243,369	22,961,799
Corporate events and others	**526,672,565**	417,644,249	449,009,019
	₱4,997,335,552	₱4,275,192,846	₱3,985,019,306

The provisions consist of:

	2009	2008	2007
Impairment in value of:			
Receivables and inventories (Notes 7 and 8)	**₱231,841,183**	₱82,225,628	₱39,507,137
Property, plant and equipment and investment properties (Notes 12 and 13)	**86,408,877**	3,792,817	32,308,313
	₱318,250,060	₱86,018,445	₱71,815,450

23. Finance Income (Expense)

These accounts consist of:

	2009	2008	2007
Interest income:			
Short-term deposits	**₱120,932,443**	₱127,568,200	₱104,285,248
Accretion of interest on financial assets (Note 15)	**28,208,279**	24,092,552	14,417,480
Cash in banks	**11,371,809**	23,518,116	16,953,116
Loan and advances	**2,405,324**	33,088,018	7,333,136
Short-term investment	**762,760**	197,195	–
	₱163,680,615	₱208,464,081	₱142,988,980

	2009	2008	2007
Interest expense:			
Long-term loans	**₱190,545,110**	₱80,002,485	₱24,491,469
Short-term loans	**23,086,379**	23,666,702	50,000
Accretion of interest on financial liabilities (Note 18)	**5,278,265**	1,411,233	30,927,819
	₱218,909,754	₱105,080,420	₱55,469,288

24. Income Tax

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

	2009	2008
RCIT	**₱457,840,744**	₱292,380,613
MCIT	**9,049,550**	40,374,613
Final tax withheld on:		
Royalty and franchise income	**496,153,214**	467,824,511
Interest income	**22,984,385**	29,076,377
	₱986,027,893	₱829,656,114

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

	2009	2008
Deferred tax assets:		
Operating lease payables	**₱325,002,630**	₱337,807,069
NOLCO:		
PRC-based entities	**121,143,597**	42,199,902
Philippine-based entities	**8,065,957**	29,565,610
Pension liability and other benefits	**93,790,046**	162,797,707
Unamortized past service costs	**72,117,864**	6,356,627
Allowance for inventory losses obsolescence	**56,282,948**	16,788,061
Provision for impairment in value of property, plant and equipment, investment properties, and other nonfinancial assets	**53,794,452**	56,916,096
Allowance for impairment losses	**25,238,955**	13,979,836
Excess of MCIT over RCIT	**21,839,946**	73,596,216
Provisions for legal claims, restructuring costs and others	**9,150,192**	9,593,198
Others	**54,681,609**	10,524,096
	₱841,108,196	₱760,124,418

	2009	2008
Deferred tax liabilities:		
Excess of fair value over book value of property, plant and equipment of acquired businesses	**₱75,571,670**	₱–
Operating lease receivables	**13,451,059**	45,845,271
Income from Meralco refund	**2,130,253**	5,671,553
Others	**64,452,516**	20,853,274
	₱155,605,498	₱72,370,098

As of December 31, 2009, NOLCO and excess of MCIT over RCIT of the Philippine-based entities that can be claimed as deductions from taxable income and income tax due, respectively, are as follows:

Year Incurred/Paid	Carry Forward Benefit Up to	NOLCO	MCIT
December 31, 2009	December 31, 2012	₱26,886,523	₱9,049,550
December 31, 2008	December 31, 2011	–	52,085,826
December 31, 2007	December 31, 2010	–	4,905,086
December 31, 2006	December 31, 2009	98,552,034	16,605,304
		125,438,557	82,645,766
Less:			
Applied against regular taxable income in 2009		44,200,516	53,961,936
Expired in 2009		54,351,518	6,843,884
Balance at end of year		₱26,886,523	₱21,839,946

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on March 16, 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% effective January 1, 2008. The PRC-based subsidiaries, which are operating in a special economic zone and were previously taxed at a preferential rate of 15%, will apply increased tax rates of 18%, 20%, 22%, 24% and 25% for the years ending December 31, 2008, 2009, 2010, 2011 and 2012, respectively.

Year Incurred	Carry Forward Benefit Up to	Tax Losses
December 31, 2009	December 31, 2014	₱391,040,616
December 31, 2008	December 31, 2013	84,769,818
December 31, 2007	December 31, 2012	34,892,190
December 31, 2006	December 31, 2011	15,420,379
December 31, 2005	December 31, 2010	6,400,222
December 31, 2004	December 31, 2009	5,424,727
		537,947,952
Less expired in 2009		8,755,381
Balance at end of year		₱529,192,571

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

	2009	2008	2007
Provision for income tax at statutory income tax rates	**₱1,096,553,778**	₱1,123,872,818	₱1,097,255,056
Income tax effects of:			
Effect of different tax rate for royalty fees and interest	**(248,450,444)**	(371,579,442)	(333,250,076)
Expired/applied NOLCO and excess of MCIT over RCIT	**90,371,430**	–	13,272,704
Nondeductible expenses	**44,256,654**	40,828,955	31,366,946
Incentives availed by Zenith (Note 25)	**–**	–	(105,910,147)
Effects of changes in tax rate	**–**	46,286,375	29,096,536
Others	**5,548,097**	49,839,368	14,825,778
	₱988,279,515	₱889,248,074	₱746,656,797

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

25. Registration with the Board of Investments (BOI)

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

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

Incentives availed of by Zenith amounted to ₱105.9 million in 2007 (see Note 24).

26. Pension Costs

Defined Benefit Plan

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

The following tables summarize the components of net pension expense recognized in the consolidated statements of comprehensive income and the funded status and amounts recognized in the consolidated statements of financial position for the plans.

Net Pension Expense

	2009	2008	2007
Current service cost	**₱82,275,495**	₱91,054,355	₱111,560,548
Interest cost on benefit obligation	**97,064,311**	88,432,474	94,272,700
Expected return on plan assets	**(40,469,083)**	(34,803,756)	(43,777,679)
Net actuarial loss	**1,883,134**	1,008,909	18,763,314
	₱140,753,857	₱145,691,982	₱180,818,883

Pension Liability

	2009	2008
Present value of defined benefit obligation	**₱1,213,954,564**	₱985,573,966
Fair value of plan assets	**(973,263,844)**	(531,760,226)
Present value of unfunded obligation	**240,690,720**	453,813,740
Unrecognized net actuarial losses	**(66,493,104)**	(53,286,762)
	₱174,197,616	₱400,526,978

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

	2009	2008
Balance at beginning of year	**₱985,573,966**	₱896,922,683
Current service cost	**82,275,495**	91,054,355
Interest cost on benefit obligation	**97,064,311**	88,432,474
Actual benefits paid	**(13,212,061)**	(90,835,546)
Actuarial loss on benefit obligation	**62,252,853**	–
Balance at end of year	**₱1,213,954,564**	₱985,573,966

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

	2009	2008
Balance at beginning of year	**₱531,760,226**	₱433,325,653
Contributions	**353,871,159**	155,752,809
Expected return on plan assets	**40,469,083**	34,803,756
Actual benefits paid	**–**	(57,810,284)
Actuarial gain (loss) on plan assets	**47,163,376**	(34,311,708)
Balance at end of year	**₱973,263,844**	₱531,760,226
Actual return on plan assets	**₱87,632,459**	₱492,048

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

	2009	2008
Cash in banks	**37.47%**	30.79%
Investment in government debt securities	**33.08%**	39.04%
Investments in shares of stock	**20.36%**	22.99%
Loans and receivable	**7.00%**	1.88%
Other receivables	**2.09%**	1.04%
Investments in debt securities	**–**	4.26%
	100.00%	100.00%

The Jollibee Group contributed a substantial part of its unfunded defined benefit obligation amounting to about ₱354.0 million in 2009. Based on the 2009 Actuarial Valuation, the unfunded defined benefit obligation as of December 31, 2009 amounts to about ₱241.0 million. Consequently, the Jollibee Group will at least contribute in 2010, an amount equivalent to the unfunded defined benefit obligation as of December 31, 2009.

The overall expected rate of return on plan assets is determined based on the market prices, prevailing on that date, applicable to the period within which the obligation is to be settled. The latest actuarial valuation of the defined benefit plan is as of December 31, 2009.

As of December 31, 2009 and 2008, the principal actuarial assumptions used to determine pension benefits obligations are as follow:

	2009	2008
Discount rate	**11.00-11.31%**	10.15%
Salary increase rate	**8.00%**	8.00%
Rate of return on plan assets	**8.00%**	8.00%

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

	2009	2008	2007	2006	2005
Defined benefit obligation	**₱1,213,954,563**	₱985,573,966	₱896,922,683	₱1,208,554,155	₱551,321,126
Plan assets	**973,263,844**	531,760,226	433,325,653	430,319,438	291,831,385
Deficit	**₱240,690,719**	₱453,813,740	₱463,597,030	₱778,234,717	₱259,489,741
Experience adjustments on:					
Plan obligation	**(₱62,252,852)**	₱–	(₱220,551,925)	₱28,704,737	₱14,169,100
Plan assets	**47,163,376**	(34,311,708)	2,211,130	103,583,944	2,955,900

Defined Contribution Plan

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

The contributions made to the scheme and recognized as net pension expense amounted to ₱106.8 million, ₱82.8 million and ₱55.3 million in 2009, 2008 and 2007, respectively.

27. Stock Option Plans

Tandem Stock Purchase and Option Plan

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

A total of 12,713,452 shares were subscribed and fully paid as of December 31, 2004 by the employee participants under the Purchase portion of Plan II. The Jollibee Group's BOD approved the use of the treasury shares to cover the stock purchase rights exercised. The excess of the cost of the treasury shares issued over the purchase exercise price amounting to ₱24.8 million was deducted against additional paid-in capital resulting from treasury share transactions.

In accordance with Plan II, a total of 25,426,904 shares became available for the Option portion equivalent to two shares for every fully paid share under the Purchase portion. One-third of the shares available for the Option portion vested each year starting January 28, 2005 until January 30, 2007. The maximum option shares exercisable each year from January 28, 2005 until January 30, 2007 is one-third of the shares available for the Option portion. The unexercised option shares expired on January 30, 2008.

The movements in the number of stock options outstanding for Plan II in 2008 follows:

Balance at beginning of year	6,072,004
Options exercised during the year:	
Tranche 1	(4,184,358)
Tranche 2	(155,291)
Tranche 3	(50,137)
Options expired during the year	(1,682,218)
Balance at end of year	–

The option shares available are divided into three tranches. Tranche 1 had an exercise price of ₱10.00 per share, ₱12.00 per share for Tranche 2 and ₱15.75 per share for Tranche 3. As of December 31, 2008, a total of 1,682,218 option shares were not exercised and, consequently, forfeited.

The weighted average share price of options exercised was ₱10.14 as of December 31, 2008.

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

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

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

Senior Management Stock Option and Incentive Plan

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

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

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

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

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

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

On July 1, 2004, the Compensation Committee of the Jollibee Group granted 2,385,000 options under the 1st MSOP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted on each anniversary date which will start after a year from the MSOP grant date. One-third of the options granted, or 795,000 options, vested and may be exercised starting July 1, 2005 and will expire on June 30, 2012. On July 1, 2005 to 2009, the Compensation Committee granted series of MSOP grants under the 2nd to 6th MSOP cycle to eligible participants. The options vest similar to the 1st MSOP cycle.

The movements in the number of stock options outstanding for the 1st up to the 6th MSOP cycles and related weighted average exercise prices (WAEP) for the years ended December 31, 2009 and 2008 follow:

	1st MSOP Cycle (2004)	2nd MSOP Cycle (2005)	3rd MSOP Cycle (2006)	4th MSOP Cycle (2007)	5th MSOP Cycle (2008)	6th MSOP Cycle (2009)	Total	WAEP
Total options granted as of 2009	2,385,000	2,577,000	3,231,500	3,014,700	4,202,450	4,690,300	20,100,950	₱37.65
Outstanding at December 31, 2007	1,775,629	2,070,727	2,269,855	3,014,700	–	–	9,130,911	34.92
Options granted during the year	–	–	675,500	–	4,202,450	–	4,877,950	38.81
Option exercised during the year	(130,765)	(268,330)	(255,418)	–	–	–	(654,513)	27.88
Outstanding at December 31, 2008	1,644,864	1,802,397	2,689,937	3,014,700	4,202,450	–	13,354,348	36.69
Options granted during the year	–	–	–	–	–	4,690,300	4,690,300	45.45
Options forfeited during the year	(58,699)	(83,698)	(301,930)	(318,097)	(256,999)	(20,000)	(1,039,423)	39.00
Option exercised during the year	(193,665)	(154,467)	(452,958)	(68,325)	(224,528)	–	(1,093,943)	32.16
Outstanding at December 31, 2009	1,392,500	1,564,232	1,935,049	2,628,278	3,720,923	4,670,300	15,911,282	39.43
Exercisable at December 31, 2008	1,644,864	1,802,397	1,612,770	1,004,900	–	–	6,064,931	30.60
Exercisable at December 31, 2009	1,392,500	1,564,232	1,935,049	1,623,378	919,290	–	7,434,449	33.96

The weighted average share price was ₱48.25 and ₱43.63 as of December 31, 2009 and 2008, respectively. The weighted average remaining contractual life for the stock options outstanding as of December 31, 2009 and 2008 is 5.59 years and 5.82 years, respectively.

The weighted average fair value of stock options granted in 2009 and 2008 is ₱13.83 and ₱7.83, respectively. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The inputs to the model used for the options granted on the dates of grant for each MSOP cycle are shown below:

	1st MSOP Cycle (2004)	2nd MSOP Cycle (2005)	3rd MSOP Cycle (2006)	4th MSOP Cycle (2007)	5th MSOP Cycle (2008)	6th MSOP Cycle (2009)
Dividend yield	1.70%	1.70%	1.70%	1.70%	1.80%	2.00%
Expected volatility	36.90%	36.90%	36.90%	30.44%	28.50%	31.91%
Risk-free interest rate	6.20%	6.00%	6.20%	3.83%	6.10%	5.73%
Expected life of the option	5-7 years	5-7 years	5-7 years	3-4 years	3-4 years	3-4 years
Stock price on grant date	₱24.00	₱29.00	₱35.00	₱52.50	₱34.00	₱48.00
Exercise price	₱20.00	₱27.50	₱32.32	₱50.77	₱39.85	₱45.45

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 is awarded to members of the corporate management committee.

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

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

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

On July 1, 2004, the Compensation Committee granted 22,750,000 options under the 1st ELTIP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted on each anniversary of the ELTIP grant date. One-third of the options granted, or 7,583,333 options, vested and may be exercised starting July 1, 2007 and will expire on June 30, 2012. On July 1, 2008, 19,399,999 options under 2nd ELTIP cycle were granted to eligible participants. The options vest similar to the 1st ELTIP cycle.

The movements in the number of stock options outstanding for the 1st and 2nd ELTIP cycles and related WAEP for the years ended December 31, 2009 and 2008 follow:

	1st ELTIP Cycle (2004)	2nd ELTIP Cycle (2008)	Total	WAEP
Total options granted as of 2009	22,750,000	19,399,999	42,149,999	₱29.14
Outstanding at December 31, 2007	21,270,832	–	21,270,832	20.00
Options granted during the year	–	19,399,999	19,399,999	39.85
Options exercised during the year	(3,500,001)	–	(3,500,001)	20.00
Outstanding at December 31, 2008	17,770,831	19,399,999	37,170,830	30.36
Options forfeited during the year	(1,416,666)	–	(1,416,666)	20.00
Options exercised during the year	(2,366,666)	–	(2,366,666)	20.00
Outstanding at December 31, 2009	13,987,499	19,399,999	33,387,498	31.53
Exercisable at December 31, 2008	10,187,498	–	10,187,498	20.00
Exercisable at December 31, 2009	13,987,499	–	13,987,499	20.00

The weighted average remaining contractual life for the stock options outstanding as of December 31, 2009 and 2008 is 3.95 years and 4.28 years, respectively.

The fair value of stock options granted in 2008 is ₱6.74. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The inputs to the model used for the options granted on the dates of grant for each ELTIP cycle are shown below:

	1st ELTIP Cycle (2004)	2nd ELTIP Cycle (2008)
Dividend yield	1.7%	1.80%
Expected volatility	36.9%	28.50%
Risk-free interest rate	6.2%	6.10%
Expected life of the option	5 years	3-4 years
Stock price on grant date	₱24.00	₱34.00
Exercise price	₱20.00	₱39.85

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

The cost of the stock options expense charged to operations under "General and administrative expenses" account amounted to ₱147.5 million, ₱107.1 million, ₱84.9 million in 2009, 2008 and 2007, respectively.

28. Related Party Transactions

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

Compensation of Key Management Personnel of the Jollibee Group
The aggregate compensation and benefits to key management personnel of the Jollibee Group for the years ended December 31, 2009, 2008 and 2007 are as follows:

	2009	2008	2007
Salaries and short-term benefits	**₱387,276,428**	₱372,814,600	₱295,501,721
Stock options expense (Note 27)	**147,522,179**	85,654,300	84,895,128
Net pension expense from defined benefit plan	**42,141,407**	22,636,807	33,765,090
Employee car plan and other long-term benefits	**23,454,128**	24,509,655	14,033,389
	₱600,394,142	₱505,615,362	₱428,195,328

29. Earnings Per Share Computation

Basic and diluted EPS are computed as follows:

	2009	2008	2007
(a) Net income attributable to the equity holders of the Parent	**₱2,664,623,109**	₱2,319,087,864	₱2,386,722,219
(b) Weighted average number of shares - basic	**1,020,900,233**	1,022,431,961	1,009,526,325
Weighted average number of shares exercisable under the stock option plan	**21,915,140**	15,250,887	14,985,242
Weighted average number of shares that would have been purchased at fair market value	**(10,348,245)**	(8,551,814)	(5,113,222)
(c) Adjusted weighted average shares - diluted	**1,032,467,128**	1,029,131,034	1,019,398,345
EPS:			
Basic (a/b)	**₱2.610**	₱2.268	₱2.364
Diluted (a/c)	**2.581**	2.253	2.341

30. Commitments and Contingencies

a. Operating lease commitments - Jollibee Group as lessee

The Jollibee Group has various operating lease commitments for QSR outlets and offices. The noncancellable periods of the leases range from 3 to 20 years, mostly containing renewal options. Some of the leases contain escalation clauses. The lease contracts on certain sales outlets provide for the payment of additional rentals based on certain percentages of sales of the outlets. Rent payments in accordance with the terms of the lease agreements amounted to ₱1,141.4 million, ₱2,723.7 million and ₱2,391.0 million in 2009, 2008 and 2007, respectively.

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

	2009	2008
Within one year	**₱722,356,139**	₱848,088,729
After one year but not more than five years	**3,409,121,611**	3,706,473,909
More than five years	**2,402,465,406**	3,082,036,952
	₱6,533,943,156	₱7,636,599,590

The amounts by which rent expense recognized under the straight-line method exceeded the rent amounts due in accordance with the terms of the lease agreements are charged to "Operating lease payables" account. Rent expense recognized on a straight-line basis amounted to ₱1,865.0 million, ₱2,723.7 million and ₱2,391.0 million in 2009, 2008 and 2007, respectively.

b. Operating lease commitments - Jollibee Group as lessor

The Jollibee Group entered into commercial property leases for its investment property units. Noncancellable periods of the lease range from 3 to 20 years, mostly containing renewal options. All leases include a clause to enable upward revision of the rent charges on an annual basis based on prevailing market conditions. Rent income in accordance with the terms of the lease agreements amounted to ₱113.0 million, ₱89.8 million and ₱101.6 million in 2009, 2008 and 2007, respectively.

The future minimum rent receivable for the noncancellable periods of the operating leases are as follow:

	2009	2008
Within one year	**₱11,051,749**	₱51,911,745
After one year but not more than five years	**48,864,219**	102,659,383
More than five years	**123,333,400**	47,236,932
	₱183,249,368	₱201,808,060

The amounts by which rent income recognized under the straight-line method exceeded the rent amounts receivable in accordance with the terms of the lease agreements are included under "Operating lease receivables" account. Rent income recognized on a straight-line basis amounted to ₱118.9 million, ₱83.0 million and ₱96.3 million in 2009, 2008 and 2007, respectively.

c. Contingencies

The Jollibee Group is involved in litigations, claims and disputes which are normal to its business, except for the legal claims provided in Note 17, management believes that the ultimate liability, if any, with respect to these litigations, claims and disputes will not materially affect the financial position and results of operations of the Jollibee Group.

31. Financial Risk Management Objectives and Policies

The Jollibee Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Jollibee Group's risk management policies focus on actively securing the Jollibee Group's short-term to medium-term cash flows by minimizing the exposure to financial markets. The Jollibee Group does not actively engage in trading of financial assets for speculative purposes.

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

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

Foreign Currency Risk

The Jollibee Group's exposure to foreign currency risk arises as the Parent Company has investments outside of the Philippines, which are mainly in PRC and in USA. While the foreign business has been rapidly growing, the net assets of foreign business account for only 10.7% of the consolidated net assets of the Jollibee Group as of December 31, 2009 and 2008. Therefore, the total exposure to foreign exchange risk of the Jollibee Group is still not significant.

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

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

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

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

The Jollibee Group has recognized in its profit or loss, foreign currency exchange gain included under "Other income" account which amounted to ₱46.5 million, ₱71.6 million and ₱25.0 million on its net foreign currency-denominated assets and liabilities for the years ended December 31, 2009, 2008 and 2007, respectively. This resulted from the movements of the Philippine peso against the USD and RMB as shown in the following table:

	Peso to	
	RMB	USD
December 31, 2009	₱6.79	₱46.20
December 31, 2008	6.93	47.52

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

	2009		2008
	Increase (Decrease) in ₱ to	**Effect on Income Before Income Tax**	Effect on Income Before Income Tax
		(In Millions)	
USD			
	₱1.50	**₱26.7**	₱23.4
	(1.50)	**(26.7)**	(23.4)
	1.00	**17.8**	15.6
	(1.00)	**(17.8)**	(15.6)
RMB			
	0.95	**(198.7)**	(332.5)
	(0.95)	**198.7**	332.5
	0.63	**(131.8)**	(220.5)
	(0.63)	**131.8**	220.5

The increase in Philippine peso to USD and RMB rate means stronger foreign currency against the peso while a decrease in Philippine peso to USD and RMB rate means a stronger peso against the foreign currency.

Credit Risk

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

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

Credit Quality. The tables below show the credit quality by class of financial assets, based on the Jollibee Group's credit rating system as of December 31.

	2009				
		Neither Past Due nor Impaired			**Past Due or**
	Total	**A**	**B**	**C**	**Impaired**
		(In Millions)			
Loans and Receivables					
Cash and cash equivalents					
(excluding cash on hand)	**₱8,861.5**	**₱8,861.5**	**₱–**	**₱–**	**₱–**
Receivables:					
Trade	**1,854.2**	**984.8**	**7.7**	**3.6**	**858.1**
Advances to officers and employees	**90.7**	**90.7**	**–**	**–**	**–**
Current portion of:					
Employee car plan receivables	**41.7**	**41.7**	**–**	**–**	**–**
Receivable from Meralco	**7.1**	**7.1**	**–**	**–**	**–**
Others	**6.2**	**6.2**	**–**	**–**	**–**
Other current assets:					
Deposits to suppliers	**324.8**	**324.8**	**–**	**–**	**–**
Receivables from suppliers and others	**440.8**	**440.8**	**–**	**–**	**–**
Other noncurrent assets:					
Refundable and other deposits	**1,312.2**	**1,312.2**	**–**	**–**	**–**
Noncurrent portion of employee					
car plan receivables	**130.3**	**130.3**	**–**	**–**	**–**
AFS Financial Assets	**155.2**	**155.2**	**–**	**–**	**–**
	₱13,224.7	**₱12,355.3**	**₱7.7**	**₱3.6**	**₱858.1**

	2008				
		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)	₱6,699.2	₱6,699.2	₱–	₱–	₱–
Short-term investment	20.0	20.0	–	–	–
Receivables:					
Trade	1,882.2	588.0	287.0	27.0	980.2
Advances to officers and employees	73.5	73.5	–	–	–
Current portion of:					
Employee car plan receivables	44.3	44.3	–	–	–
Receivable from Meralco	10.1	10.1	–	–	–
Others	7.6	7.6	–	–	–

(Forward)

	2008				
		Neither Past Due nor Impaired			Past Due or
	Total	A	B	C	Impaired
	(In Millions)				
Other current assets:					
Deposits to suppliers	₱417.0	₱417.0	₱–	₱–	₱–
Receivables from suppliers and others	379.0	379.0	–	–	–
Other noncurrent assets:					
Refundable and other deposits	1,160.7	1,160.7	–	–	–
Noncurrent portion of:					
Employee car plan receivables	74.5	74.5	–	–	–
Receivable from Meralco	8.8	8.8	–	–	–
AFS Financial Assets	76.8	76.8	–	–	–
	₱10,853.7	₱9,559.5	₱287.0	₱27.0	₱980.2

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 banks, related parties and customers who pay on or before due date.

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

C - For counterparty who consistently defaults in settling its obligation and may be or actually referred to legal and/or subjected to cash before delivery (CBD) scheme. Under this scheme, the customer's credit line is suspended and all subsequent orders are paid in cash before delivery. The CBD status will only be lifted upon full settlement of the receivables and approval of management. Thereafter, the regular credit term and normal billing and collection processes will resume.

AFS financial assets are unrated.

The aging analyses of receivables are as follows:

	2009						
		Neither Past Due nor	**Past Due but not Impaired (Age in Days)**				
	Total	**Impaired**	**1-30**	**31-60**	**61-120**	**Over 120**	**Impaired**
	(In Millions)						
Receivables:							
Trade	**₱1,854.2**	**₱996.1**	**₱406.7**	**₱80.5**	**₱135.1**	**₱136.1**	**₱99.7**
Advances to officers and employees	**90.7**	**90.7**	**–**	**–**	**–**	**–**	**–**

(Forward)

	2009						
		Neither Past Due nor	**Past Due but not Impaired (Age in Days)**				
	Total	**Impaired**	**1-30**	**31-60**	**61-120**	**Over 120**	**Impaired**
Current portion of:							
Employee car plan receivables	**₱41.7**	**₱41.7**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Receivable from Meralco	**7.1**	**7.1**	**–**	**–**	**–**	**–**	**–**
Others	**6.2**	**6.2**	**–**	**–**	**–**	**–**	**–**
Other current assets:							
Deposits to suppliers	**324.8**	**324.8**	**–**	**–**	**–**	**–**	**–**
Receivables from suppliers and others	**440.8**	**440.8**	**–**	**–**	**–**	**–**	**–**
Other noncurrent assets:							
Refundable and other deposits	**1,312.2**	**1,312.2**	**–**	**–**	**–**	**–**	**–**
Noncurrent portion of employee car plan receivables	**130.3**	**130.3**	**–**	**–**	**–**	**–**	**–**
	₱4,208.0	**₱3,349.9**	**₱406.7**	**₱80.5**	**₱135.1**	**₱136.1**	**₱99.7**

	2008						
		Neither Past Due nor	Past Due but not Impaired (Age in Days)				
	Total	Impaired	1-30	31-60	61-120	Over 120	Impaired
	(In Millions)						
Receivables:							
Trade	₱1,882.2	₱902.0	₱204.4	₱68.7	₱77.0	₱553.0	₱77.1
Advances to officers and employees	73.5	73.5	–	–	–	–	–
Current portion of:							
Employee car plan receivables	44.3	44.3	–	–	–	–	–
Receivable from Meralco	10.1	10.1	–	–	–	–	–
Others	7.6	7.6	–	–	–	–	–
Other current assets:							
Deposits to suppliers	417.0	417.0	–	–	–	–	–

(Forward)

		2008					
	Total	Neither Past Due nor Impaired	Past Due but not Impaired (Age in Days) 1-30	31-60	61-120	Over 120	Impaired
					(In Millions)		
Receivables from suppliers and others	₱379.0	₱379.0	₱–	₱–	₱–	₱–	₱–
Other noncurrent assets							
Refundable and other deposits	1,160.7	1,160.7	–	–	–	–	–
Noncurrent portion of:							
Employee carplan receivables	74.5	74.5	–	–	–	–	–
Receivable from Meralco	8.8	8.8	–	–	–	–	–
	₱4,057.7	₱3,077.5	₱204.4	₱68.7	₱77.0	₱553.0	₱77.1

Credit Risk Exposure and Concentration. The table below shows the maximum exposure to credit risk of the Jollibee Group as of December 31, 2009 and 2008, without considering the effects of collaterals and other credit risk mitigation techniques.

	2009	2008
Loans and Receivables		
Cash and cash equivalents (excluding cash on hand)	**₱8,861,543,196**	₱6,699,221,860
Short-term investment	**–**	20,002,018
Receivables:		
Trade	**1,854,239,723**	1,882,203,843
Advances to officers and employees	**90,652,777**	73,547,173
Current portion of:		
Employee car plan receivables	**41,724,556**	44,266,499
Receivable from Meralco	**7,100,842**	10,135,536
Others	**6,202,092**	7,610,728
Other current assets:		
Deposits to suppliers	**324,762,822**	417,005,344
Receivables from suppliers and others	**440,781,698**	378,994,343
Other noncurrent assets:		
Refundable and other deposits	**1,312,199,603**	1,160,680,493
Noncurrent portion of:		
Employee car plan receivables	**130,299,282**	74,464,709
Receivable from Meralco	**–**	8,769,643
AFS Financial Assets	**155,228,494**	76,757,214
	₱13,224,735,085	₱10,853,659,403

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

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

Interest Rate Risk

Interest risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Jollibee Group's exposure to changes in market interest rates relates primarily to cash and cash equivalents, short-term investment and long-term debt. Long-term debt obligations of the Parent Company and Red Ribbon are with fixed interest rates. Thus, the changes in interest rates will have minimal impact on the Jollibee Group's consolidated statements of comprehensive income.

The following tables set out the financial instruments, by maturity, of the Jollibee Group's interest bearing instruments that are exposed to interest rate risk as of December 31:

	2009				
	Interest Rate	**Within 1 year**	**2-3 years**	**4-5 years**	**Total**
Total interest-bearing financial assets -					
Cash and cash equivalents		**₱8,861,543,196**	**₱–**	**₱–**	**₱8,861,543,196**
Total interest-bearing financial liabilities:					
USD-denominated:					
Loan 1	**6.50%**	**₱23,465,740**	**₱–**	**₱–**	**₱23,465,740**
Loan 2	**6.50%**	**18,398,146**	**40,028,377**	**1,780,779**	**60,207,302**
RMB-denominated:					
Loan 3	**6.85%**	**111,883,333**	**2,533,379,032**	**–**	**2,645,262,365**
Loan 4	**5.76%**	**15,217,438**	**30,434,877**	**19,021,798**	**64,674,113**
		₱168,964,657	**₱2,603,842,286**	**₱20,802,577**	**₱2,793,609,520**

	2008				
	Interest Rate	Within 1 year	2-3 years	4-5 years	Total
Total interest-bearing financial assets:					
Cash and cash equivalents		₱6,699,221,860	₱–	₱–	₱6,699,221,860
Short-term investment		20,002,018	–	–	20,002,018
		₱6,719,223,878	₱–	₱–	₱6,719,223,878

(Forward)

	2008				
	Interest Rate	Within 1 year	2-3 years	4-5 years	Total
Total interest-bearing					
financial liabilities					
USD-denominated:					
Loan 1	6.50%	₱23,629,082	₱23,496,596	₱–	₱47,125,678
Loan 2	6.50%	20,750,179	41,500,309	22,479,336	84,729,824
RMB-denominated -					
Loan 3	6.85%	166,355,973	2,761,209,319	–	2,927,565,292
		₱210,735,234	₱2,826,206,224	₱22,479,336	₱3,059,420,794

Liquidity Risk

Jollibee Group's exposure to liquidity risk refers to the risk that its financial liabilities are not serviced in a timely manner and that its working capital requirements and planned capital expenditures are not met. To manage this exposure and to ensure sufficient liquidity levels, the Jollibee Group closely monitors its cash flows to be able to finance its capital expenditures and to pay its obligations, as and when they fall due.

On a weekly basis, the Jollibee Group's Cash and Banking Team monitors its collections, expenditures and any excess/deficiency in the working capital requirements, by preparing cash position reports that present actual and projected cash flows for the subsequent week. Cash outflows resulting from major expenditures are planned so that money market placements are available in time with the planned major expenditure. In addition, the Jollibee Group has short-term cash deposits and has available credit lines with accredited banking institutions, in case there is a sudden deficiency. The Jollibee Group maintains a level of cash and cash equivalents deemed sufficient to finance the operations.

No changes were made in the objectives, policies or processes during the years ended December 31, 2009 and 2008.

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

	2009				
	On demand	**Within 1 year**	**2-3 years**	**4-5 years**	**Total**
Cash and cash equivalents	**₱2,551,141,084**	**₱6,426,117,312**	**₱–**	**₱–**	**₱8,977,258,396**
Receivables:					
Trade	**–**	**1,854,239,723**	**–**	**–**	**1,854,239,723**
Advances to employees	**–**	**90,652,777**	**–**	**–**	**90,652,777**
Current portion of:					
Employee car plan receivables	**–**	**41,724,556**	**–**	**–**	**41,724,556**
Receivable from Meralco	**–**	**7,100,842**	**–**	**–**	**7,100,842**
Others	**–**	**6,202,092**	**–**	**–**	**6,202,092**

(Forward)

	2009				
	On demand	**Within 1 year**	**2-3 years**	**4-5 years**	**Total**
Other current assets:					
Deposit to suppliers	**₱–**	**₱324,762,822**	**₱–**	**₱–**	**₱324,762,822**
Receivable from suppliers					
and others	**–**	**440,781,698**	**–**	**–**	**440,781,698**
	₱2,551,141,084	**₱9,191,581,822**	**₱–**	**₱–**	**₱11,742,722,906**
Trade payables and other					
current liabilities*	**₱8,451,027,965**	**₱–**	**₱–**	**₱–**	**₱8,451,027,965**
Long-term debt (including					
current portion)	**–**	**53,697,466**	**2,434,483,076**	**19,657,908**	**2,507,838,450**
	₱8,451,027,965	**₱53,697,466**	**₱2,434,483,076**	**₱19,657,908**	**₱10,958,866,415**

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

	2008				
	On demand	Within 1 year	2-3 years	4-5 years	Total
Cash and cash equivalents	₱3,114,145,957	₱3,744,703,099	₱–	₱–	₱6,858,849,056
Short-term investments	–	20,002,018	–	–	20,002,018
Receivables:					
Trade	–	1,882,203,843	–	–	1,882,203,843
Advances to employees	–	73,547,173	–	–	73,547,173
Current portion of:					
Employee car plan					
receivables	–	44,266,499	–	–	44,266,499
Receivable from Meralco	–	10,135,536	–	–	10,135,536
Others	–	7,610,728	–	–	7,610,728
Other current assets:					
Deposit to suppliers	–	417,005,344	–	–	417,005,344
Receivable from suppliers					
and others	–	378,994,343	–	–	378,994,343
	₱3,114,145,957	₱6,578,468,583	₱–	₱–	₱9,692,614,540
Trade payables and other					
current liabilities*	₱7,394,861,649	₱559,722,919	₱5,137,910	₱–	₱7,959,722,478
Long-term debt (including					
current portion)	–	37,769,129	2,487,349,947	21,649,590	2,546,768,666
	₱7,394,861,649	₱597,492,048	₱2,492,487,857	₱21,649,590	₱10,506,491,144

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

Capital Management

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

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

As of December 31, 2009 and 2008, the Jollibee Group's ratio of debt-to-equity and ratio of net debt-to-equity are as follows:

Debt-to-equity

	2009	2008
Total debt (a)	**₱13,442,287,667**	₱12,985,869,085
Total equity attributable to equity holders of the Parent	**16,281,991,640**	14,136,493,970
Total debt and equity attributable to equity holders of the Parent (b)	**₱29,724,279,307**	₱27,122,363,055
Debt-to-equity ratio (a/b)	**45%**	48%

Net debt-to-equity

	2009	2008
Total debt	**₱13,442,287,667**	₱12,985,869,085
Less cash and cash equivalents and short-term investment	**8,977,258,396**	6,858,849,056
Net debt (a)	**4,465,029,271**	6,127,020,029
Total equity attributable to equity holders of the Parent	**16,281,991,640**	14,136,493,970
Total net debt and equity attributable to equity holders of the Parent (b)	**₱20,747,020,911**	₱20,263,513,999
Net debt-to-equity ratio (a/b)	**22%**	30%

Net debt represents total liabilities after deducting cash and cash equivalents and short-term deposits.

32. Fair Value of Financial Assets and Liabilities

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities, by category and by class, as of December 31. There are no material unrecognized financial assets and liabilities as of December 31, 2009.

	2009		2008	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents	**₱8,977,258,396**	**₱8,977,258,396**	₱6,858,849,056	₱6,858,849,056
Short-term investment	**–**	**–**	20,002,018	20,002,018
Receivables:				
Trade	**1,754,530,549**	**1,754,530,549**	1,805,140,463	1,805,140,463
Advances to employees	**90,652,777**	**90,652,777**	73,547,173	73,547,173
Current portion of:				
Employee car plan receivables	**41,724,556**	**41,724,556**	44,266,499	44,266,499
Receivable from Meralco	**7,100,842**	**7,100,842**	10,135,536	10,135,536
Others	**6,202,092**	**6,202,092**	7,610,728	7,610,728
Other current assets:				
Deposit to suppliers	**324,762,822**	**324,762,822**	417,005,344	417,005,344
Receivable from suppliers and others	**440,781,698**	**440,781,698**	378,994,343	378,994,343
Other noncurrent assets:				
Refundable deposits and others	**1,312,199,603**	**1,385,324,468**	1,160,680,493	1,253,695,048
Noncurrent portion of:				
Employee car plan receivables	**130,299,282**	**147,549,200**	74,464,709	94,046,231
Receivable from Meralco	**–**	**–**	8,769,643	11,387,643
	13,085,512,617	**13,175,887,400**	10,859,466,005	10,974,680,082
AFS financial assets				
Investments in shares of stock and club shares	**155,228,494**	**155,228,494**	76,757,214	76,757,214
	₱13,240,741,111	**₱13,331,115,894**	₱10,936,223,219	₱11,051,437,296
Other Financial Liabilities				
Trade payables and other current liabilities*	**₱8,509,970,057**	**₱8,509,970,057**	₱7,869,932,821	₱7,869,932,817
Long-term debt (including current portion)	**2,491,677,840**	**2,580,886,823**	2,522,158,234	2,575,982,196
	₱11,001,647,897	**₱11,090,856,880**	₱10,392,091,055	₱10,445,915,013

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

Financial Instruments with Carrying Amounts Approximate Fair Value

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

Financial Instruments Carried at other than Fair Value

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

	2009	2008
Receivable from Meralco	**7%-8%**	7%-8%
Employee car plan receivables	**5%-8%**	5%-8%
Refundable and other deposits	**7%-8%**	7%-8%
Long-term debt	**6%-7%**	6%-7%

AFS Financial Assets

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

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

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

Fair Value Hierarchy

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

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

The Jollibee Group's quoted AFS financial assets amounting to ₱113.3 million and ₱34.8 million as of December 31, 2009 and 2008, respectively, are the only financial instruments measured at fair value using Level 1 fair value measurement (see Note 10).

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

33. Events after Reporting Date

Dividend Declaration

On April 12, 2010, the BOD of the Parent Company approved a regular cash dividend of ₱0.43 a share and a special cash dividend of ₱1.00 a share of common stock to all stockholders of record as of May 7, 2010. Both regular and special cash dividends totaling to ₱1.43 a share are expected to be paid out by June 3, 2010. The regular cash dividend is 16.2% higher than the ₱0.37 dividend a share declared in April 2009.

Grandworth's Acquisition of Minority Interest of Adgraphix

In 2010, Grandworth, a wholly owned subsidiary of the Parent Company, acquired the remaining 40% minority interest of its majority owned subsidiary, Adgraphix, a digital printing company, for ₱4.0 million. The acquisition resulted to Grandworth owning 100% interest in Adgraphix in 2010.

34. Non-cash Transaction

In 2009, non-cash investing activities pertains to the transfer of deposit for the acquisition of real property included under "Other noncurrent assets" account in 2008 to "Investment properties" account in 2009 amounting to ₱376.9 million.

35. Reclassification

In 2009, the Jollibee Group changed the presentation of its 2008 consolidated statement of financial position and consolidated statement of comprehensive income to conform with the 2009 presentation and classification and to provide more relevant information for the understanding of the Jollibee Group's financial statements. The Jollibee Group did not present a consolidated financial position as at beginning of the earliest comparative period since the reclassifications made were minimal and would not have an impact on the total assets and net income of the Jollibee Group.

Investor Information

Company Headquarters

10/F Jollibee Plaza Bldg., #10 Emerald Avenue
Ortigas Center, Pasig City 1805 Philippines
Telephone: (632) 634-1111
Facsimile: (632) 633-9504
Website: www.jollibee.com.ph

Common Stock

Jollibee's common stock is listed and traded on the Philippine Stock Exchange under the symbol "JFC."

It is one of the companies which comprise the PSE Composite Index.

Annual Stockholder's Meeting

The Annual Stockholders' Meeting will be held on June 25, 2010 at 2:00 P.M., (registration starts at 1:00 P.M.) Friday at the Philippine Stock Exchange Center Auditorium, Ground Floor, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

Stockholder Inquiries

Inquiries regarding dividend payments, account status, address changes, stock certificates and other pertinent matters may be addressed to the Company's registrar and transfer agent:

Rizal Commercial Banking Corporation
Stock Transfer Office
RCBC Plaza Tower 1
Senator Gil Puyat Avenue
corner Ayala Avenue, Makati City

SEC Form 17-A

The financial information in this report, in the opinion of Management, substantially conforms with the information required in the "17-A Report" submitted to the Securities and Exchange Commission. Copies of this report may be obtained free of charge upon written request to the Office of the Corporate Secretary.

Produced by **Jollibee Foods Corporation**
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JOLLIBEE FOODS CORPORATION
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