PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

JOLLIBEE FOODS CORPORATION
Doing business under the name and style of Jollibee
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousand Pesos)

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)	Change Amount	Change Pct
ASSETS				
Current Assets				
Cash and cash equivalents (Notes 6, 31 and 32)	**23,456,200**	21,361,486	2,094,714	9.8
Short-term investments (Notes 6, 31 and 32)	**165,220**	441,000	(275,780)	(62.5)
Financial assets at fair value through profit or loss (Notes 10, 31 and 32)	**30,631,834**	35,658,565	(5,026,731)	(14.1)
Receivables and contract assets (Notes 7, 31 and 32)	**6,244,802**	7,049,934	(805,132)	(11.4)
Inventories (Note 8)	**7,976,908**	8,295,828	(318,920)	(3.8)
Other current assets (Note 9)	**8,282,529**	7,233,744	1,048,785	14.5
Total Current Assets	**76,757,493**	80,040,557	(3,283,064)	(4.1)
Noncurrent Assets				
Financial assets at fair value through profit or loss (Notes 10, 31 and 32)	**33,792**	33,792	-	-
Interests in and advances to joint ventures, co-venturers and associates (Note 11)	**7,549,358**	7,329,618	219,740	3.0
Property, plant and equipment (Note 12)	**29,033,595**	28,684,131	349,464	1.2
Right-of-use assets (Note 29)	**31,651,866**	34,224,143	(2,572,277)	(7.5)
Investment properties (Notes 13 and 32)	**572,722**	572,722	-	-
Trademarks, goodwill and other intangible assets (Notes 14)	**50,137,793**	50,224,078	(86,285)	(0.2)
Operating lease receivables (Notes 29, 31 and 32)	**77,427**	87,160	(9,733)	(11.2)
Finance lease receivables (Notes 29, 31 and 32)	**67,414**	70,800	(3,386)	(4.8)
Deferred tax assets - net (Note 24)	**5,504,398**	6,114,384	(609,986)	(10.0)
Other noncurrent assets (Notes 15, 31 and 32)	**3,525,807**	3,428,745	97,062	2.8
Total Noncurrent Assets	**128,154,172**	130,769,573	(2,615,401)	(2.0)
	204,911,665	210,810,130	(5,898,465)	(2.8)
LIABILITIES AND EQUITY				
Current Liabilities				
Trade payables and other current liabilities and contract liabilities (Notes 16, 31 and 32)	**30,849,523**	31,366,014	(516,491)	(1.6)
Income tax payable	**83,245**	196,658	(113,413)	(57.7)
Short-term debt (Notes 18 and 31)	**15,027,200**	15,875,457	(848,257)	(5.3)
Current portion of:				
Lease liabilites (Notes 29, 31 and 32)	**5,495,049**	6,479,140	(984,091)	(15.2)
Long-term debt (Notes 18, 31 and 32)	**4,242,656**	4,720,096	(477,440)	(10.1)
Provisions (Note 17)	**291,110**	291,110	-	-
Total Current Liabilities	**55,988,783**	58,928,475	(2,939,692)	(5.0)
Noncurrent Liabilities				
Senior debt securities (Notes 18 and 31)	**29,103,837**	28,628,999	474,838	1.7
Noncurrent portion of:				
Lease liabilities (Notes 29, 31 and 32)	**30,877,984**	32,604,585	(1,726,601)	(5.3)
Long-term debt (Notes 18, 31 and 32)	**12,980,392**	14,538,117	(1,557,725)	(10.7)
Provisions (Note 17)	**1,035,636**	1,035,636	-	-
Interest in an associate (Note 11)	**117,263**	127,894	(10,631)	(8.3)
Pension liability (Note 25)	**2,676,280**	2,917,500	(241,220)	(8.3)
Derivative liability (Notes 18, 31 and 32)	**103,135**	141,480	(38,345)	(27.1)
Deferred tax liabilities - net (Note 24)	**3,851,911**	3,855,579	(3,668)	(0.1)
Total Noncurrent Liabilities	**80,746,438**	83,849,790	(3,103,352)	(3.7)
Total Liabilities *(Carried Forward)*	**136,735,221**	142,778,265	(6,043,044)	(4.2)

(Forward)

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)	Change Amount	Change Pct
Total Liabilities *(Brought Forward)*	**136,735,221**	142,778,265	(6,043,044)	(4.2)
Equity Attributable to Equity Holders of the Parent Company (Note 31)				
Capital stock - net of subscriptions receivable (Note 19)	**1,106,684**	1,105,079	1,605	0.1
Additional paid-in capital (Note 19)	**10,221,333**	9,913,890	307,443	3.1
Other reserve (Note 11)	**1,877,400**	1,877,400	-	-
Cumulative translation adjustments of foreign subsidiaries and interests in joint ventures and associates (Note 11)	**(80,353)**	(477,554)	397,201	83.2
Remeasurement loss on net defined benefit plan - net of tax (Note 25)	**(1,401,113)**	(1,401,113)	-	-
Comprehensive loss on derivative liability (Note 18)	**(103,135)**	(141,480)	38,345	27.1
Excess of cost over the carrying value of non-controlling interests acquired (Notes 11 and 19)	**(2,026,340)**	(2,026,340)	-	-
Retained earnings (Note 19):				
Appropriated for future expansion	**20,000,000**	20,000,000	-	-
Unappropriated	**9,572,079**	9,869,889	(297,810)	(3.0)
	39,166,555	38,719,771	446,784	1.2
Less cost of common stock held in treasury (Note 19)	**180,511**	180,511	-	-
	38,986,044	38,539,260	446,784	1.2
Senior perpetual securities (Notes 10 and 19)	**30,588,000**	30,588,000	-	-
Non-controlling Interests (Note 11)	**(1,397,600)**	(1,095,395)	(302,205)	(27.6)
Total Equity	**68,176,444**	68,031,865	144,579	0.2
	204,911,665	210,810,130	(5,898,465)	(2.8)

See accompanying Notes to Unaudited Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION
Doing business under the name and style of Jollibee
AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousand Pesos, Except Per Share Data)

	Quarters Ended June 30				Change	
	2021		2020 (As Restated)		Amount	Pct
	Pesos	Pct	Pesos	Pct		
REVENUES						
Gross sales	**35,073,676**	**95.6%**	22,835,415	97.8%	12,238,261	53.6%
Sales discount	**(938,138)**	**-2.6%**	(653,699)	-2.8%	(284,439)	-43.5%
Net sales	**34,135,538**	**93.0%**	22,181,716	95.0%	11,953,822	53.9%
Royalty, set-up fees and others	**2,020,380**	**5.5%**	1,071,244	4.6%	949,136	88.6%
	36,155,918	**98.5%**	23,252,960	99.6%	12,902,958	55.5%
PFRS 15 impact on system-wide advertising fees	**533,497**	**1.5%**	86,567	0.4%	446,930	516.3%
	36,689,415	**100.0%**	23,339,527	100.0%	13,349,888	57.2%
DIRECT COSTS						
Cost of inventories	**16,441,492**	**44.8%**	10,668,264	45.7%	5,773,228	54.1%
Store and manufacturing costs	**14,089,043**	**38.4%**	12,383,961	53.1%	1,705,082	13.8%
	30,530,535	**83.2%**	23,052,225	98.8%	7,478,310	32.4%
GROSS PROFIT	**6,158,880**	**16.8%**	287,302	1.2%	5,871,578	2043.7%
EXPENSES						
General and administrative expenses - net	**4,048,761**	**11.0%**	5,217,213	22.4%	(1,168,452)	-22.4%
Advertising and promotions	**733,815**	**2.0%**	501,468	2.1%	232,347	46.3%
	4,782,576	**13.0%**	5,718,681	24.5%	(936,105)	-16.4%
OPERATING INCOME (LOSS)	**1,376,304**	**3.8%**	(5,431,379)	-23.3%	6,807,683	125.3%
INTEREST INCOME (EXPENSE)						
Interest income	**33,333**	**0.1%**	70,477	0.3%	(37,144)	-52.7%
Interest expense:						
Financing	**(612,022)**	**-1.7%**	(284,554)	-1.2%	(327,468)	-115.1%
PFRS-16 Leases and others	**(406,423)**	**-1.1%**	(549,349)	-2.4%	142,926	26.0%
	(985,112)	**-2.7%**	(763,426)	-3.3%	(221,686)	-29.0%
EQUITY IN NET EARNINGS OF JOINT VENTURES AND ASSOCIATES - Net	**81,998**	**0.2%**	252,524	1.1%	(170,526)	-67.5%
OTHER INCOME (EXPENSE) - Net	**846,269**	**2.3%**	(5,597,323)	-24.0%	6,443,592	115.1%
INCOME (LOSS) BEFORE INCOME TAX	**1,319,459**	**3.6%**	(11,539,604)	-49.4%	12,859,063	111.4%
PROVISION FOR (BENEFIT FROM) INCOME TAX						
Current	**413,078**	**1.1%**	228,765	1.0%	184,313	80.6%
Deferred	**61,291**	**0.2%**	(1,149,815)	-4.9%	1,211,106	105.3%
	474,369	**1.3%**	(921,050)	-3.9%	1,395,419	151.5%
NET INCOME (LOSS)	**845,090**	**2.3%**	(10,618,554)	-45.5%	11,463,644	108.0%
OTHER COMPREHENSIVE INCOME (LOSS)						
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:						
Translation adjustments of foreign subsidiaries	**274,736**	**0.7%**	(554,624)	-2.4%	829,360	-149.5%
Translation adjustments of foreign joint ventures and associates	**25,703**	**0.1%**	(9,062)	0.0%	34,765	383.6%
Comprehensive income on derivative liability	**8,963**	**0.0%**	(11,313)	0.0%	20,276	179.2%
	309,402	**0.8%**	(574,999)	-2.5%	884,401	153.8%
TOTAL COMPREHENSIVE INCOME (LOSS)	**1,154,492**	**3.1%**	(11,193,553)	-48.0%	12,348,045	110.3%
Net Income (Loss) Attributable to:						
Equity holders of the Parent Company	**975,706**	**2.7%**	(10,287,343)	-44.1%	11,263,049	109.5%
Non-controlling interests	**(130,616)**	**-0.4%**	(331,211)	-1.4%	200,595	60.6%
	845,090	**2.3%**	(10,618,554)	-45.5%	11,463,644	108.0%
Total Comprehensive Income (Loss) Attributable to:						
Equity holders of the Parent Company	**1,308,962**	**3.6%**	(10,981,903)	-47.1%	12,290,865	111.9%
Non-controlling interests	**(154,470)**	**-0.4%**	(211,650)	-0.9%	57,180	27.0%
	1,154,492	**3.1%**	(11,193,553)	-48.0%	12,348,045	110.3%
Earnings (Loss) Per Share for Net Income (Loss) Attributable to Equity Holders of the Parent Company						
Basic	**0.885**		(9.331)		10.216	109.5%
Diluted	**0.884**		(9.319)		10.203	109.5%

JOLLIBEE FOODS CORPORATION
Doing business under the name and style of Jollibee
AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousand Pesos, Except Per Share Data)

	Periods Ended June 30				Change	
	2021		2020		Amount	Pct
	Pesos	**Pct**	Pesos	Pct		
REVENUES						
Gross sales	**68,291,009**	**95.7%**	60,390,228	96.2%	7,900,781	13.1%
Sales discount	**(1,854,763)**	**-2.6%**	(1,555,151)	-2.5%	(299,612)	-19.3%
Net sales	**66,436,246**	**93.1%**	58,835,077	93.7%	7,601,169	12.9%
Royalty, set-up fees and others (Note 20)	**3,892,220**	**5.5%**	3,209,377	5.1%	682,843	21.3%
	70,328,466	**98.5%**	62,044,454	98.9%	8,284,012	13.4%
PFRS 15 impact on system-wide advertising fees	**1,041,578**	**1.5%**	719,781	1.1%	321,797	44.7%
	71,370,044	**100.0%**	62,764,235	100.0%	8,605,809	13.7%
DIRECT COSTS (Note 21)						
Cost of inventories	**31,394,639**	**44.0%**	29,159,340	46.5%	2,235,299	7.7%
Store and manufacturing costs	**27,888,660**	**39.1%**	29,117,523	46.4%	(1,228,863)	-4.2%
	59,283,299	**83.1%**	58,276,863	92.9%	1,006,436	1.7%
GROSS PROFIT	**12,086,745**	**16.9%**	4,487,372	7.1%	7,599,373	169.4%
EXPENSES						
General and administrative expenses - net (Note 22)	**7,871,231**	**11.0%**	9,806,377	15.6%	(1,935,146)	-19.7%
Advertising and promotions	**1,353,589**	**1.9%**	1,280,017	2.0%	73,572	5.7%
	9,224,820	**12.9%**	11,086,394	17.7%	(1,861,574)	-16.8%
OPERATING INCOME (LOSS)	**2,861,925**	**4.0%**	(6,599,022)	-10.5%	9,460,947	143.4%
INTEREST INCOME (EXPENSE) (Note 23)						
Interest income	**60,012**	**0.1%**	141,406	0.2%	(81,394)	-57.6%
Interest expense:						
Financing	**(1,206,407)**	**-1.7%**	(628,534)	-1.0%	(577,873)	-91.9%
PFRS-16 Leases and others	**(798,928)**	**-1.1%**	(990,978)	-1.6%	192,050	19.4%
	(1,945,323)	**-2.7%**	(1,478,106)	-2.4%	(467,217)	-31.6%
EQUITY IN NET EARNINGS OF JOINT VENTURES AND ASSOCIATES - Net (Note 11)	**113,391**	**0.2%**	261,419	0.4%	(148,028)	-56.6%
OTHER INCOME (EXPENSE) - Net (Note 23)	**1,288,530**	**1.8%**	(5,357,211)	-8.5%	6,645,741	124.1%
INCOME (LOSS) BEFORE INCOME TAX	**2,318,523**	**3.2%**	(13,172,920)	-21.0%	15,491,443	117.6%
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)						
Current	**765,581**	**1.1%**	718,938	1.1%	46,643	6.5%
Deferred	**658,690**	**0.9%**	(1,321,319)	-2.1%	1,980,009	149.9%
	1,424,271	**2.0%**	(602,381)	-1.0%	2,026,652	336.4%
NET INCOME (LOSS)	**894,252**	**1.3%**	(12,570,539)	-20.0%	13,464,791	107.1%
OTHER COMPREHENSIVE INCOME (LOSS)						
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:						
Translation adjustments of foreign subsidiaries	**199,651**	**0.3%**	(929,669)	-1.5%	1,129,320	121.5%
Translation adjustments of foreign joint ventures and associates (Note 11)	**129,447**	**0.2%**	48,407	0.1%	81,040	167.4%
Comprehensive income (loss) on derivative liability (Note 18)	**38,345**	**0.1%**	(114,210)	-0.2%	152,555	133.6%
	367,443	**0.5%**	(995,472)	-1.6%	1,362,915	136.9%
TOTAL COMPREHENSIVE INCOME (LOSS)	**1,261,695**	**1.8%**	(13,566,011)	-21.6%	14,827,706	109.3%
Net Income (Loss) Attributable to:						
Equity holders of the Parent Company (Note 28)	**1,128,354**	**1.6%**	(11,963,440)	-19.1%	13,091,794	109.4%
Non-controlling interests	**(234,102)**	**-0.3%**	(607,099)	-1.0%	372,997	61.4%
	894,252	**1.3%**	(12,570,539)	-20.0%	13,464,791	107.1%
Total Comprehensive Income (Loss) Attributable to:						
Equity holders of the Parent Company	**1,563,900**	**2.2%**	(12,994,539)	-20.7%	14,558,439	112.0%
Non-controlling interests	**(302,205)**	**-0.4%**	(571,472)	-0.9%	269,267	47.1%
	1,261,695	**1.8%**	(13,566,011)	-21.6%	14,827,706	109.3%
Earnings (Loss) Per Share for Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 28)						
Basic	**1.024**		(10.892)		11.916	109.4%
Diluted	**1.023**		(10.870)		11.893	109.4%

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2021 and 2020
(Amounts in Thousand Pesos)

	Equity Attributable to Equity Holders of the Parent Company (Note 31)													
	Capital Stock - Net of Subscriptions Receivable (Note 19)	**Additional Paid-in Capital** (Note 19)	**Other Reserve** (Note 11)	**Cumulative Translation Adjustments of Foreign Subsidiaries and Interests in Joint Ventures and Associates** (Note 11)	**Remeasurement Loss on Net Defined Benefit Plan -** Net of tax (Note 25)	**Comprehensive Income (Loss) on Derivative Liability** (Note 18)	**Excess of Cost Over the Carrying Value of Non-controlling Interests Acquired** (Notes 11 and 19)	**Retained Earnings** (Note 19) **Appropriated for Future Expansion**	**Unappropriated**	**Cost of Common Stock Held in Treasury** (Note 19)	**Total**	**Senior Perpetual Securites** (Notes 10 and 19)	**Non-controlling Interests** (Note 11)	**Total Equity**
Balance at January 1, 2021	**1,105,079**	**9,913,890**	**1,877,400**	**(477,554)**	**(1,401,113)**	**(141,480)**	**(2,026,340)**	**20,000,000**	**9,869,889**	**(180,511)**	**38,539,260**	**30,588,000**	**(1,095,395)**	**68,031,865**
Net income (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,128,354**	**-**	**1,128,354**	**-**	**(234,102)**	**894,252**
Other comprehensive income (loss)	**-**	**-**	**-**	**397,201**	**-**	**38,345**	**-**	**-**	**-**	**-**	**435,546**	**-**	**(68,103)**	**367,443**
Total comprehensive income (loss)	**-**	**-**	**-**	**397,201**	**-**	**38,345**	**-**	**-**	**1,128,354**	**-**	**1,563,900**	**-**	**(302,205)**	**1,261,695**
Movements in other equity accounts:														
Issuances of and subscriptions to capital stock (Note 19)	**1,605**	**233,932**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**235,537**	**-**	**-**	**235,537**
Cost of stock options granted (Note 19 and 26)	**-**	**73,511**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**73,511**	**-**	**-**	**73,511**
Cash dividends (Note 19)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(861,054)**	**-**	**(861,054)**	**-**	**-**	**(861,054)**
Senior perpetual securities' coupon payment and accrual (Notes 10 and 19)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(565,110)**	**-**	**(565,110)**	**-**	**-**	**(565,110)**
	1,605	**307,443**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,426,164)**	**-**	**(1,117,116)**	**-**	**-**	**(1,117,116)**
Balance at June 30, 2021	**1,106,684**	**10,221,333**	**1,877,400**	**(80,353)**	**(1,401,113)**	**(103,135)**	**(2,026,340)**	**20,000,000**	**9,572,079**	**(180,511)**	**38,986,044**	**30,588,000**	**(1,397,600)**	**68,176,444**
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at January 1, 2020	1,092,971	8,797,360	1,877,400	832,080	(965,391)	(58,241)	(1,804,766)	20,000,000	23,009,145	(180,511)	52,600,047	-	(318,170)	52,281,877
Net income	-	-	-	-	-	-	-	-	(11,963,440)	-	(11,963,440)	-	(607,099)	(12,570,539)
Other comprehensive income (loss)	-	-	-	(916,890)	-	(114,209)	-	-	-	-	(1,031,099)	-	35,627	(995,472)
Total comprehensive loss	-	-	-	(916,890)	-	(114,209)	-	-	(11,963,440)	-	(12,994,539)	-	(571,472)	(13,566,011)
Movements in other equity accounts:														
Issuances of and subscriptions to capital stock (Note 19)	11,990	1,251,230	-	-	-	-	-	-	-	-	1,263,220	-	-	1,263,220
Cost of stock options granted (Note 26)	-	135,626	-	-	-	-	-	-	-	-	135,626	-	-	135,626
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	(680,528)	-	(680,528)	-	-	(680,528)
Acquisition of non-controlling interests (Note 11)	-	-	-	-	-	-	(95,774)	-	-	-	(95,774)	-	(53,681)	(149,455)
Issuance of senior perpetual securities (Note 19)	-	-	-	-	-	-	-	-	-	-	-	30,435,060	-	30,435,060
Additional investment during the period	-	-	-	-	-	-	-	-	-	-	-	-	9,125	9,125
	11,990	1,386,856	-	-	-	-	(95,774)	-	(680,528)	-	622,544	30,435,060	(44,556)	31,013,048
Balance at June 30, 2020	1,104,961	10,184,216	1,877,400	(84,810)	(965,391)	(172,450)	(1,900,540)	20,000,000	10,365,177	(180,511)	40,228,052	30,435,060	(934,198)	69,728,914

See accompanying Notes to Unaudited Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION
Doing business under the name and style of Jollibee
AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousand Pesos)

	Periods Ended June 30		Change	
	2021	2020	Amount	Pct
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	**2,318,523**	(13,172,920)	15,491,443	117.6
Adjustments for:				
Depreciation and amortization (Notes 12, 14, 15, 21, 22 and 29)	**6,422,873**	7,276,576	(853,703)	(11.7)
Interest expense (Note 23)	**2,005,335**	1,619,512	385,823	23.8
Unrealized gain from financial assets at fair value through profit or loss (Notes 10 and 23)	**(293,944)**	-	(293,944)	100.0
Reversals of provision for impairment on:				
Property, plant and equipment (Notes 12 and 22)	**(242,249)**	(24,464)	217,785	890.2
Inventories (Notes 8 and 22)	**(6,925)**	(3,581)	3,344	93.4
Receivables (Notes 7 and 22)	**(6,566)**	-	6,566	100.0
Pre-termination of leases (Note 23)	**(245,436)**	(102,759)	142,677	138.8
Loss on retirements and disposals of property, plant and equipment (Notes 12 and 22)	**211,652**	240,850	(29,198)	(12.1)
Movement in pension liability (Notes 21 and 22)	**144,398**	179,420	(35,022)	(19.5)
Rent concessions (Note 29)	**(124,780)**	(80,661)	44,119	54.7
Equity in net earnings of joint ventures and associates (Note 11)	**(113,391)**	(261,419)	(148,028)	(56.6)
Stock options expense (Notes 19, 22 and 26)	**78,366**	135,626	(57,260)	(42.2)
Net unrealized foreign exchange loss (gain)	**(74,970)**	5,232	(80,202)	(1,532.9)
Interest income (Note 23)	**(60,012)**	(141,406)	(81,394)	(57.6)
Impairment losses on:				
Receivables (Notes 7 and 22)	**39,390**	6,117	33,273	543.9
Inventories (Notes 8 and 22)	**11,452**	149,826	(138,374)	(92.4)
Amortization of debt issue cost	**19,095**	9,480	9,615	101.4
Provision for business transformation	**-**	6,235,585	(6,235,585)	(100.0)
Income before working capital changes	**10,082,811**	2,071,014	8,011,797	386.9
Decreases (increases) in:				
Receivables	**809,698**	709,704	99,994	14.1
Inventories	**314,393**	(235,563)	549,956	233.5
Other current assets	**(1,048,785)**	(117,675)	931,110	791.3
Decrease in trade payables and other current liabilities	**(313,290)**	(6,889,882)	(6,576,592)	(95.5)
Net cash generated from (used in) operations	**9,844,827**	(4,462,402)	14,307,229	320.6
Income taxes paid	**(878,994)**	(914,087)	(35,093)	(3.8)
Interest received	**48,830**	129,505	(80,675)	(62.3)
Net cash provided by (used in) operating activities	**9,014,663**	(5,246,984)	14,261,647	271.8
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Redemption of financial assets at fair value through profit or loss (Note 10)	**5,927,890**	-	5,927,890	100.0
Disposals of property, plant and equipment	**253,775**	164,428	89,347	54.3
Acquisitions of:				
Property, plant and equipment (Note 12)	**(3,349,075)**	(2,781,544)	567,531	20.4
Interest in joint ventures (Note 11)	**(65,000)**	(89,747)	(24,747)	(27.6)
Intangible assets (Note 14)	**(7,386)**	(33,616)	(26,230)	(78.0)
Decreases (increases) in:				
Other noncurrent assets	**(609,424)**	(412,685)	196,739	47.7
Short-term investments	**275,780**	719,040	(443,260)	(61.6)
Financial assets at fair value through profit or loss (Note 10)	**(86,478)**	-	(86,478)	100.0
Dividends received from a non-controlling interest (Note 11)	**-**	53,048	(53,048)	(100.0)
Net cash provided by (used in) investing activities	**2,340,082**	(2,381,076)	4,721,158	198.3

(Forward)

	Periods Ended June 30		Change	
	2021	2020	Amount	Pct
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Lease liabilities (Note 29)	**(3,806,850)**	(4,504,807)	(697,957)	(15.5)
Long-term debt (Note 18)	**(2,333,860)**	(1,335,596)	998,264	74.7
Interest	**(1,158,855)**	(462,810)	696,045	150.4
Short-term debt (Note 18)	**(976,000)**	(20,340,220)	(19,364,220)	(95.2)
Cash dividends (Note 19)	**(862,786)**	(684,900)	177,886	26.0
Coupons for senior perpetual securities	**(562,302)**	-	562,302	100.0
Proceeds from:				
Issuances of and subscriptions to capital stock (Note 19)	**235,537**	1,263,220	(1,027,683)	(81.4)
Long-term debt (Note 18)	**198,429**	229,635	(31,206)	(13.6)
Senior perpetual securities (Note 19)	**-**	30,435,060	(30,435,060)	(100.0)
Senior debt securities (Note 18)	**-**	29,698,083	(29,698,083)	(100.0)
Short-term debt (Note 18)	**-**	10,368,580	(10,368,580)	(100.0)
Net cash provided by (used in) financing activities	**(9,266,687)**	44,666,245	(53,932,932)	(120.7)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,088,058**	37,038,185	(34,950,127)	(94.4)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**6,656**	(16,251)	22,907	141.0
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**21,361,486**	20,892,021	469,465	2.2
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	**23,456,200**	57,913,955	(34,457,755)	(59.5)

See accompanying Notes to Unaudited Consolidated Financial Statements.

Jollibee Foods Corporation - Number of Stores

	Dec-20 Stores	January - June 2021 Open	Close	Net	Ownership Change	Jun-21 Stores
Jollibee						
Co-owned	473	-	8	(8)	(30)	435
Franchised	711	5	3	2	30	743
Total	**1,184**	**5**	**11**	**(6)**	**-**	**1,178**
Chowking						
Co-owned	200	1	7	(6)	(8)	186
Franchised	371	1	7	(6)	8	373
Total	**571**	**2**	**14**	**(12)**	**-**	**559**
Greenwich						
Co-owned	147	1	3	(2)	(1)	144
Franchised	126	-	1	(1)	1	126
Total	**273**	**1**	**4**	**(3)**	**-**	**270**
Red Ribbon						
Co-owned	171	5	-	5	(1)	175
Franchised	324	7	11	(4)	1	321
Total	**495**	**12**	**11**	**1**	**-**	**496**
Mang Inasal						
Co-owned	15	-	5	(5)	2	12
Franchised	579	4	8	(4)	(2)	573
Total	**594**	**4**	**13**	**(9)**	**-**	**585**
Burger King	**98**	**1**	**1**	**-**	**-**	**98**
PHO24	**1**	**2**	**-**	**2**	**-**	**3**
Panda Express	**1**	**2**	**-**	**2**	**-**	**3**
Total Philippines	**3,217**	**29**	**54**	**(25)**	**-**	**3,192**
Yonghe King						
Co-owned	273	18	18	-	-	273
Franchised	81	12	2	10	-	91
Total	**354**	**30**	**20**	**10**	**-**	**364**
Hongzhuangyuan						
Co-owned	31	4	-	4	-	35
Franchised	-	-	-	-	-	-
Total	**31**	**4**	**-**	**4**	**-**	**35**
Dunkin' Donuts	**3**	**3**	**-**	**3**	**-**	**6**
Tim Ho Wan	**1**	**1**	**-**	**1**	**-**	**2**
Total - China	**389**	**38**	**20**	**18**	**-**	**407**
North America						
Jollibee US	46	5	-	5	-	51
Jollibee Canada	14	3	-	3	-	17
Red Ribbon	31	-	-	-	-	31
Chowking	15	-	-	-	-	15
Total NA PH brands	**106**	**8**	**-**	**8**	**-**	**114**
Smashburger*						
Co-owned	117	5	2	3		120
Franchised	120	2	3	(1)		119
Total	**237**	**7**	**5**	**2**	**-**	**239**
Total - North America	**343**	**15**	**5**	**10**	**-**	**353**
Other Asia						
Jollibee:						
Vietnam	141	4	2	2	-	143
Hongkong	10	1	-	1	-	11
Brunei	18	-	-	-	-	18
Singapore	11	-	-	-	-	11
Macau	1	-	-	-	-	1
Malaysia	1	-	-	-	-	1
Total - Other Asia	**182**	**5**	**2**	**3**	**-**	**185**

Jollibee Foods Corporation - Number of Stores

	Dec-20 Stores	January - June 2021 Open	Close	Net	Ownership Change	Jun-21 Stores
Middle East						
Jollibee						
Saudi Arabia	12	-	-	-	-	12
Qatar	10	2	-	2	-	12
Kuwait	6	-	-	-	-	6
UAE	16	-	-	-	-	16
Bahrain	1	-	-	-	-	1
Oman	1	-	-	-	-	1
Chowking:						
UAE	20	-	-	-	-	20
Qatar	4	-	-	-	-	4
Oman	2	-	-	-	-	2
Kuwait	4	-	-	-	-	4
Saudi Arabia	3	-	-	-	-	3
Total - Middle East	**79**	**2**	**-**	**2**	**-**	**81**
Europe (Jollibee)						
Italy (Milan)	2	-	-	-	-	2
United Kingdom	3	2	-	2	-	5
Total - Europe	**5**	**2**	**-**	**2**	**-**	**7**
Oceania						
Jollibee Guam	1	-	-	-	-	1
Total - EMEAA PH Brands	**267**	**9**	**2**	**7**	**-**	**274**
Coffee Bean						
Co-owned	272	9	4	5	-	277
Franchised	799	17	42	(25)	-	774
Total	**1,071**	**26**	**46**	**(20)**	**-**	**1,051**
SuperFoods						
Highlands Coffee						
Co-owned	420	36	41	(5)	-	415
Franchised	63	-	2	(2)	-	61
Total	**483**	**36**	**43**	**(7)**	**-**	**476**
PHO24						
Co-owned	36	11	2	9	-	45
Franchised	16	-	-	-	-	16
Total	**52**	**11**	**2**	**9**	**-**	**61**
Hard Rock	**2**	-	-	-	-	**2**
Total - SuperFoods	**537**	**47**	**45**	**2**	**-**	**539**
Total International Stores	**2,607**	**135**	**118**	**17**	**-**	**2,624**
Grand Total	**5,824**	**164**	**172**	**(8)**	**-**	**5,816**

System Wide Sales (*Amounts in PhP Millions)*	30-Jun-20	**30-Jun-21**	**% Growth**
Quarter 2	30,678	**50,517**	64.7%
Year-to-date	85,830	**98,300**	14.5%

**Adjusted Smashburger's December 2020 store network by ownership to reclassify joint venture stores under company owned stores. There is no change in total number of stores.*

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

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

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

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

Coronavirus (Covid-19) Pandemic

The impact of Covid-19 to the JFC Group's business operations relates to interruptions or disruptions. Starting March 2020, a significant number of stores globally were temporarily closed due to the Covid-19 pandemic. Most of the JFC Group's stores across brands and regions that have remained open serve customers through take out, drive-thru and delivery business channels. These business channels helped in reducing lost sales from the closure of the JFC Group's dining areas.

In June 2020, JFC Group implemented significant changes to its global business structure (business transformation initiative). This business transformation initiative enabled the JFC Group to address and adapt to the impact of Covid-19. The changes include the rationalization of the number of restaurants within certain geography or area, the rationalization of resources deployed in the restaurants, implementation of safety and social distancing protocol in the dining area, investment in digital commerce and technology, the increase in the capacity for delivery-to-home and office, take out and drive thru, the installation of mobile applications to facilitate food ordering and payment, the establishment of "cloud kitchen" or unmarked delivery outlets with no dine-in facility located in discreet, low rent sites and the rationalization of production and distribution facilities. The changes include the transformation of support and management groups in the field and in the offices.

In relation to this business transformation initiative, the JFC Group incurred costs of rationalization of resources included under personnel costs, loss on disposals and retirements of property, plant and equipment, impairment loss on property, plant and equipment and right-of-use assets and other costs incidental to stores and production and distribution facilities amounting to ₱6,708.9 million in 2020. The remaining balance of the recognized provisions for business transformation initiative included under "Current liabilities" section in the consolidated statements of financial position amounted to ₱291.1 million as at December 31, 2020 (see Note 17).

The JFC Group has assessed the following impact of Covid-19 on its assets and liabilities:

- Collectability of accounts with customers continues to be closely monitored. An increase in the provision for impairment of trade receivables has been identified because of extended credit terms provided to the franchisees.

- Recognition of impairment losses on inventories, property, plant and equipment and right-of-use assets and derecognition of right-of-use assets and lease liabilities relating to pre-termination of closed and nonperforming stores.

- The forecast used for impairment testing of goodwill and trademarks with indefinite life include the JFC Group's estimates of the potential future impact from Covid-19 pandemic. Cash flow projections have been adjusted to reflect a range of possible outcomes, weighted by their expected occurrence.

- The uncertainty in determining key assumptions (including forecast of revenues and expenses) in the assessment of future taxable income of the JFC Group, upon which the recognition of deferred tax assets is assessed, was considered.

The JFC Group continues to monitor the risks and the ongoing impact of Covid-19 on its business.

Approval and Authorization for Issuance of Unaudited Consolidated Financial Statements
The consolidated financial statements as at June 30, 2021 and December 31, 2020 and for the six months ended June 30, 2021 and 2020 were reviewed and recommended for approval by the Audit Committee as well as approved and authorized for issuance by the BOD on August 10, 2021.

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

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

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

New Standards, Interpretations and Amendments adopted by the JFC Group
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements starting January 1, 2021. The JFC Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the JFC Group.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The JFC Group shall also disclose information about:

  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  These amendments had no impact on the consolidated financial statements of the JFC Group. The JFC Group intends to use the practical expedients in future periods if they become applicable.

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting years beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting years beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest year presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact to the JFC Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting years beginning on or after January 1, 2022. The JFC Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting year in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting years beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact to the JFC Group.

- Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting year in which the entity first applies the amendment.

  The amendment is effective for annual reporting years beginning on or after January 1, 2022 with earlier adoption permitted. The JFC Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting year in which the entity first applies the amendment. The amendments are not expected to have a material impact to the JFC Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting year beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact to the JFC Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement;
  - That a right to defer must exist at the end of the reporting period;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting years beginning on or after January 1, 2023 and must be applied retrospectively. The JFC Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

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

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

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

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

  PFRS 17 is effective for reporting years beginning on or after January 1, 2023, with comparative figures required. Early application is permitted. Adoption of this standard is not expected to have any impact to the JFC Group.

Deferred Effectivity

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

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

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2021 and December 31, 2020 and for the periods ended June 30, 2021 and 2020.

Control is achieved when the JFC Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the JFC Group controls an investee if, and only if, the JFC Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);

- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

There is a general presumption that a majority of voting rights results in control. To support this presumption when the JFC Group has less than a majority of the voting or similar rights of an investee, the JFC Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The JFC Group's voting rights and potential voting rights.

The JFC Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the JFC Group obtains control over the subsidiary and ceases when the JFC Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the JFC Group gains control until the date the JFC Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the JFC Group's accounting policies. All intra and inter-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the JFC Group are eliminated in full at consolidation.

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

If the JFC Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and,
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the JFC Group had directly disposed of the related assets or liabilities.

Non-controlling interests represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the consolidated statement of comprehensive income and consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company.

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

The consolidated financial statements include the accounts of the Parent Company and the following wholly-owned and majority-owned subsidiaries as at June 30, 2021 and December 31, 2020:

			June 2021 (Unaudited)		December 2020 (Audited)	
	Country of Incorporation	Principal Activities	**Direct Ownership**	**Indirect Ownership**	Direct Ownership	Indirect Ownership
Fresh N' Famous Foods Inc. (Fresh N' Famous) -	Philippines	Food service	**100**	**–**	100	–
Chowking Food Corporation USA	United States of America (USA)	Holding company	**–**	**100**	–	100
Zenith Foods Corporation (Zenith)	Philippines	Food service	**100**	**–**	100	–
Freemont Foods Corporation (Freemont)	Philippines	Food service	**100**	**–**	100	–
RRB Holdings, Inc. (RRBH):	Philippines	Holding company	**100**	**–**	100	–
Red Ribbon Bakeshop, Inc. (RRBI)	Philippines	Food service	**–**	**100**	–	100
Red Ribbon Bakeshop, Inc. USA (RRBI USA)	USA	Food service	**–**	**100**	–	100
Mang Inasal Philippines Inc. (Mang Inasal)	Philippines	Food service	**100**	**–**	100	–
Grandworth Resources Corporation (Grandworth):	Philippines	Leasing	**100**	**–**	100	–
Adgraphix, Inc. (Adgraphix)	Philippines	Digital printing	**–**	**100**	–	100
IConnect Multi Media Network, Inc. (IConnect)	Philippines	Dormant	**–**	**60**	–	60
JC Properties & Ventures Co.	Philippines	Dormant	**–**	**50**	–	50
Honeybee Foods Corporation (HFC):	USA	Food service	**100**	**–**	100	–
Tokyo Teriyaki Corporation (TTC)	USA	Food service	**–**	**100**	–	100
Honeybee Foods (Canada) Corporation (HFCC)	Canada	Food service	**–**	**100**	–	100
Jollibee Worldwide Pte. Ltd. (JWPL):	Singapore	Holding company	**100**	**–**	100	–
Regional Operating Headquarters of JWPL (JWS)	Philippines	Financial accounting, human resources and logistics services	**–**	**100**	–	100
Golden Plate Pte., Ltd. (GPPL):	Singapore	Holding company	**–**	**100**	–	100
- Golden Beeworks Pte. Ltd.	Singapore	Food service	**–**	**60**	–	60
- Golden Piatto Pte. Ltd.	Singapore	Holding company	**–**	**75**	–	75
• Cibo Felice S.R.L.	Italy	Food service	**–**	**100**	–	100
- Bee World Spain, Sociedad Limitada	Spain	Food service	**–**	**100**	–	100
- Hong Yun Hong (Shanghai) Food and Beverages Management Company Ltd.	PRC	Food service	**–**	**60**	–	60
Golden Cup Pte.Ltd.	Singapore	Holding company	**–**	**60**	–	60
- Beijing Golden Coffee Cup Food & Beverage Management Co., Ltd.	PRC	Food service	**–**	**100**	–	100
Beijing New Hongzhuangyuan Food and Beverage Management Co., Ltd. (Hong Zhuang Yuan)	PRC	Food service	**–**	**100**	–	100
Southsea Binaries Ltd. (Southsea)	British Virgin Island (BVI)	Holding company	**–**	**100**	–	100
Beijing Yong He King Food and Beverage Co., Ltd.	PRC	Food service	**–**	**100**	–	100
Shenzhen Yong He King Food and Beverage Co., Ltd.	PRC	Food service	**–**	**100**	–	100
Hangzhou Yongtong Food and Beverage Co., Ltd.	PRC	Food service	**–**	**100**	–	100
Hangzhou Yong He King Food and Beverage Co., Ltd.	PRC	Food service	**–**	**100**	–	100
Wuhan Yong He King Food and Beverage Co., Ltd.	PRC	Food service	**–**	**100**	–	100
Tianjin Yong He King Food and Beverage Co., Ltd.	PRC	Food service	**–**	**100**	–	100
Happy Bee Foods Processing Pte. Ltd. (HBFPPL)	Singapore	Holding company	**–**	**100**	–	100
- Happy Bee Foods Processing (Anhui) Co. Ltd.	PRC	Food service	**–**	**100**	–	100
JSF Investments Pte. Ltd. (JSF):	Singapore	Holding company	**–**	**100**	–	100
- SF Vung Tau Joint Stock Company	Vietnam	Holding company	**–**	**60**	–	60
• Highland Coffee Service Joint-stock Company	Vietnam	Food service	**–**	**100**	–	100
• Quantum Corporation	Vietnam	Food service	**–**	**100**	–	100
· Pho Viet Joint Stock Company	Vietnam	Food service	**–**	**100**	–	100

	Country of Incorporation	Principal Activities	June 2021 (Unaudited) Direct Ownership	June 2021 (Unaudited) Indirect Ownership	December 2020 (Audited) Direct Ownership	December 2020 (Audited) Indirect Ownership
· Pho 24 Service Trade Manufacture Corporation	Vietnam	Food service	–	**100**	–	100
- Blue Sky Holdings Limited	Hong Kong	Holding company	–	**60**	–	60
• Sino Ocean Limited	Hong Kong	Food service	–	**100**	–	100
• Blue Sky Holdings (Macau) Limited	Macau	Food service	–	**100**	–	100
Jollibee (China) Food & Beverage Management Co.Ltd.	PRC	Management company	–	**100**	–	100
Jollibee International (BVI) Ltd. (JIBL):	BVI	Holding company	–	**100**	–	100
- Jollibee Vietnam Corporation Ltd.	Vietnam	Food service	–	**100**	–	100
• Goldstar Food Trade and Service Company Limited (GSC)	Vietnam	Food service	–	**100**	–	100
- PT Chowking Indonesia	Indonesia	Dormant	–	**100**	–	100
- PT Jollibee Indonesia	Indonesia	Dormant	–	**100**	–	100
- Jollibee (Hong Kong) Limited	Hong Kong	Dormant	–	**85**	–	85
- Belmont Enterprises Ventures Limited (Belmont)	BVI	Holding company	–	**100**	–	100
• Yong He Holdings Co., Ltd.	BVI	Holding company	–	**100**	–	100
· Centenary Ventures Ltd.	BVI	Holding company	–	**100**	–	100
Bee Good! Inc. (BGI)	USA	Holding company	–	**100**	–	100
- SJBF LLC (SJBF)[j]	USA	Food service	–	**100**	–	100
Bee World UK Limited (UK)	UK	Food service	–	**100**	–	100
Bee World Australia Pty Ltd [a]	Australia	Food service	–	**100**	–	–
Super Magnificent Coffee Company Pte. Ltd. (SMCC-SG)	Singapore	Holding company	–	**80**	–	80
- Super Magnificent Coffee Company Ireland Limited (SMCC-IE)	Ireland	Holding company	–	**100**	–	100
- Super Magnificent Coffee Company Hungary Kft. (SMCC-HU)	Hungary	Holding company	–	**100**	–	100
• Java Ventures, LLC (JVL)	USA	Holding company	–	**100**	–	100
• International Coffee & Tea, LLC (ICTL)	USA	Food service	–	**100**	–	100
· 6000 Jefferson BH, LLC	USA	Holding company	–	**100**	–	100
· CBTL Ventures, LLC	USA	Food service	–	**100**	–	100
· CBTL Franchising, LLC	USA	Franchising company	–	**100**	–	100
- The Coffee Bean & Tea Leaf (Singapore) Pte., Ltd. (CBTL-SG)	Singapore	Food service	–	**100**	–	100
• The Coffee Bean & Tea Leaf (Malaysia) Sdn. Bhd.	Malaysia	Food service	–	**100**	–	100
• The Coffee Bean & Tea Leaf (Hongkong) Limited	Hong Kong	Dormant	–	**100**	–	100
- Magnificent Coffee Trading Pte. Ltd. [b]	Singapore	Food Service	–	**100**	–	–
Chanceux, Inc.	Philippines	Holding company	**100**	–	100	–
BKTitans Inc. (BKTitans)	Philippines	Holding company	–	**54**	–	54
- PFN Holdings Corporation	Philippines	Holding company	–	**99**	–	99
• PERF Restaurants, Inc.	Philippines	Food service	–	**100**	–	100
· PERF Trinoma	Philippines	Food service	–	**100**	–	100
· PERF MOA	Philippines	Food service	–	**100**	–	100
Jollibee Foods Corporation (USA)	USA	Holding company	**100**	–	100	–
Donut Magic Phils., Inc. (Donut Magic)[c]	Philippines	Dormant	**100**	–	100	–
Ice Cream Copenhagen Phils., Inc. (ICCP)[c]	Philippines	Dormant	**100**	–	100	–
Mary's Foods Corporation (Mary's)[c]	Philippines	Dormant	**100**	–	100	–
QSR Builders, Inc.	Philippines	Dormant	**100**	–	100	–

(a) On May 11, 2021, the JFC Group, through JWPL incorporated Bee World Pty. Ltd. in Australia.
(b) On December 7, 2020, the JFC Group, through SMCC-SG incorporated Magnificent Coffee Trading Pte. Ltd. in Singapore.
(c) On June 18, 2004, the stockholders of the JFC Group approved the Plan of Merger of the three (3) dormant companies. The application is pending approval from the SEC as at June 30, 2021.

3. Summary of Significant Accounting Policies

Current versus Noncurrent Classification
The JFC Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is classified as current when it is:

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

A liability is classified as current when:

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

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

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

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

The principal or the most advantageous market must be accessible by the JFC Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs. Where the JFC Group has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities), the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible) and the cost approach (i.e., based on the amount required to replace the service capacity of an asset).

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

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

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

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

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

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

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

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

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVTPL.

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

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

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

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

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

The JFC Group has no financial assets at FVOCI as at June 30, 2021 and December 31, 2020.

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The JFC Group's cash in banks, short-term deposits, short-term investments, receivables (excluding receivables from government agencies), security and other deposits, operating lease receivables and finance lease receivables are classified under this category as at June 30, 2021 and December 31, 2020.

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

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

The JFC Group's investments in golf, leisure club shares and bond funds are classified under this category as at June 30, 2021 and December 31, 2020.

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

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

For receivables and contract assets, and operating lease receivables, the JFC Group applies a simplified approach in calculating ECLs. Therefore, the JFC Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The JFC Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For security and other deposits, the JFC Group applies the general approach and calculates ECL based on the 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instruments since initial recognition.

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

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

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

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

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

Financial Liabilities

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

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

The JFC Group's financial liabilities include loans and borrowings, payables and derivative financial liabilities as at June 30, 2021 and December 31, 2020.

Subsequent Measurement

- *Financial Liabilities at FVTPL*. Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the JFC Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

  Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The JFC Group has not designated any financial liability as at FVTPL.

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

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

  This category includes the JFC Group's trade payables and other current liabilities (excluding local and other taxes payable and unearned revenue from gift certificates), short-term and long-term debts lease liabilities and senior debt securities as at June 30, 2021 and December 31, 2020.

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

<u>Derecognition of Financial Assets and Liabilities</u>

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

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

- The JFC Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the JFC Group has transferred substantially all the risks and rewards of the asset, or (b) the JFC Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the JFC Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the JFC Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the JFC Group also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the JFC Group has retained.

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

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

Classification of Financial Instruments Between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

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

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

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.

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

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

Derivative Financial Instruments and Hedge Accounting

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

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

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

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

The JFC Group's interest rate swap is cash flow hedge. The JFC Group has no fair value hedge and hedge of a net investment in a foreign operation as at June 30, 2021 and December 31, 2020.

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

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

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

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

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

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

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

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

<u>Contract Balances</u>

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

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

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

<u>Inventories</u>

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

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

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

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

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

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

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

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

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

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

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

Unrealized gains arising from transactions with the associates or joint ventures are eliminated to the extent of the JFC Group's interests in the associates or joint ventures against the related investments. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment in the asset transferred.

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

Investment Properties

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

The depreciation of buildings and building improvements are calculated on a straight-line basis over the estimated useful lives of the assets which are five (5) to thirty-five (35) years.

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

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

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

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

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

Borrowing Costs

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

Business Combinations

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

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

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

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

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

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

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

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

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

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

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

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

Allocation of Impairment Loss. An impairment loss is recognized for a CGU if the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit or group of units first to reduce the carrying amount of goodwill allocated to the CGU or group of units and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units. In allocating the impairment loss, the JFC Group cannot reduce the carrying amount of an asset below the highest of its fair value less costs of disposal if measurable, its value in use if determinable and zero.

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

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

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

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

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

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

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

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

Equity

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

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

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

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

Dividends. The JFC Group recognizes a liability to make cash distribution to its equity holders when the distribution is authorized and the distribution is no longer at the discretion of the JFC Group. A corresponding amount is recognized directly in the equity. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the reporting year.

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

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

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

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

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

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

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

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

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

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

Rent Income. Rent income from short-term leases and leases of low-value asset is recognized on a straight-line basis over the lease terms.

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

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

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

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

Pension Benefits

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

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

Pension expense comprises the following:

- Service cost; and
- Net interest on the net defined benefit liability or asset.

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

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

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

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

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

Employee Leave Entitlement

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

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

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

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

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

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

Leases
The JFC Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

JFC Group as Lessee. The JFC Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The JFC Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Right-of-Use Assets*. The JFC Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of right-of-use assets also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the JFC Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- *Lease Liabilities*. At the commencement date of the lease, the JFC Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

  In calculating the present value of lease payments, the JFC Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. In determining the IBR, the JFC Group uses risk-free rate plus credit spread where the credit spread is based on the credit risk of the lessee. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

  The JFC Group's lease liabilities are included in interest-bearing loans and borrowings.

- *Short-term Leases and Leases of Low-value Assets*. The JFC Group applies the short-term lease recognition exemption to its short-term leases of QSR outlets. It also applies the lease of low-value assets recognition exemption to leases of that are considered of low value (i.e., below USD5,000 or approximately ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

- *Subleases of Underlying Asset*. The JFC Group continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as the lessor (intermediate lessor).

- *Lease Modification*. Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

  A lessee shall account for a lease modification as a separate lease if both:

  - The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
  - The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in sope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

  For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification a lessee shall:

  - Allocate the consideration in the modified contract;
  - Determine the lease term of the modified lease; and
  - Remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, of the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined. The lessee shall account for the remeasurement of the lease liability by:

- Decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to partial or full termination of the lease.
- Making corresponding adjustment to the right-of-use asset for all other lease modifications.

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of Covid-19 pandemic is a lease modification and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and,
- There is no substantive change to other terms and conditions of the lease.

Rent concession from lessors were accounted for as negative variable lease payments in profit or loss.

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

JFC Group as an Intermediate Lessor. Sublease is classified at the inception date as a finance lease or an operating lease. Subleases in which the JFC Group determined that the lease term constitute a major part of the economic life of the underlying asset and at the inception date, the present value of the minimum lease payments amounts to substantially all of the fair value of the underlying asset are classified as finance lease.

If the sublease is classified as finance lease, JFC Group as an intermediate lessor:

- derecognizes the right-of-use asset relating to the head lease that it transfers to the sublessee and recognizes the net investment in the sublease;
- recognizes any difference between the right-of-use asset and the net investment in the sublease in profit or loss; and
- retains the lease liability relating to the head lease in its consolidated statement of financial position, which represents the lease payments owed to the head lessor.

During the term of the sublease, JFC Group recognizes both finance income on the sublease and interest expense on the head lease.

If the sublease is classified as an operating lease, JFC Group retains the lease liability and the right-of-use asset relating to the head lease in its consolidated statement of financial position. During the term of the sublease, JFC Group recognizes a depreciation charge for the right-of-use asset and interest on the lease liability and recognizes rent income from the sublease.

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

The functional currencies of the JFC Group's foreign operations are US dollar (USD), PRC Renminbi (RMB), Indonesia rupiah, Vietnam dong, Singapore dollar, Hong Kong dollar, Canadian dollar, Macau pataca, Euro and Malaysian ringgit. As of the reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the reporting date while the income and expense accounts are translated at the weighted average exchange rates for the year. The resulting translation differences are included in equity under the account "Cumulative translation adjustments of foreign subsidiaries and interests in joint ventures and associates". On disposal of a foreign subsidiary, the accumulated exchange differences are recognized in profit or loss.

Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions

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

Contingencies

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

Business Segments

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

Events after the Reporting Period

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

The JFC Group believes the following represents a summary of these significant judgments, estimates and assumptions and the related impact and associated risks on the JFC Group's consolidated financial statements.

Judgments

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

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

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

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

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

Determining the Lease Term of Contracts with Renewal Options - JFC Group as Lessee. The JFC Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The JFC Group has the option, under some of its leases to lease the assets for additional terms of 5 to 15 years. The JFC Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the JFC Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The JFC Group included the renewal period as part of the lease term for leases of QSR outlets and warehouses due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., 5 to 10 years) and there will be a significant negative effect on operations if a replacement is not readily available.

Property Lease Classification - JFC Group as Lessor. The JFC 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 it retains substantially all the risks and rewards incidental to ownership of these properties and thus, accounts for the contracts as operating leases.

Rent income amounted to ₱8.3 million and ₱11.3 million for the periods ended June 30, 2021 and 2020, respectively (see Notes 13, 20 and 29).

Assessing Joint Control of an Arrangement and the Type of Arrangement. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The JFC Group assessed that it has joint control in all joint arrangements by virtue of a contractual agreement with other stockholders. The JFC Group's joint ventures have separate legal entities and the shareholders have right to their net assets (see Note 11).

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

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

Estimates and Assumptions

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

Determination of Purchase Price Allocation. On September 24, 2019, the JFC Group, through SMCC-HU, acquired CBTL for the total consideration of ₱17,098.7 million (see Note 11). In identifying the assets acquired and liabilities assumed, management has determined that part of the assets being acquired pertains to the trademark and other intangibles of CBTL amounting to ₱19,333.0 million (see Note 14).

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

Recoverability of Trademarks, Goodwill and Other Intangible Assets. The JFC Group determines whether trademarks, goodwill and other intangible assets with indefinite useful life is impaired at least on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use requires the JFC Group to make an estimate of the expected net sales, long-term growth rates and earnings before interest, taxes, depreciation and amortization (EBITDA) from the CGU and also consider market data in determining discount rate in order to calculate the present value of those cash flows. In addition, the assumptions are also subjected to a higher level of estimation uncertainty due to the current economic conditions which have been impacted by the Covid-19 pandemic.

Management has determined that trademarks, goodwill and other intangible assets are not impaired. The carrying amount of trademarks, goodwill and other intangible assets amounted to ₱50,137.8 million and ₱50,224.1 million as at June 30, 2021 and December 31, 2020, respectively (see Note 14).

Recoverability of Interests in and Advances to Joint Ventures, Co-venturers and Associates. The JFC Group performs impairment test of its interests in and advances to joint ventures, co-venturers and associates when there are facts and circumstances indicating that their carrying amounts exceed their recoverable amounts. Determining the recoverable amount of assets, which requires the determination of future cash flows expected to be generated from the continued operations of joint ventures and associates, requires the JFC Group to make significant assumptions that can materially affect the consolidated financial statements. These assumptions include long-term growth rates, EBITDA and discount rate. Future events could cause the JFC Group to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the JFC Group's financial position and performance.

The carrying amounts of interests in and advances to joint ventures, co-venturers and associates as at June 30, 2021 and December 31, 2020 are as follows (see Note 11):

	June 2021 (Unaudited)	December 2020 (Audited)
Interests in joint ventures	**₱5,041,397**	₱4,904,383
Interests in associates	**826,800**	796,054
Advances to co-venturers	**1,681,161**	1,629,181

Recognition of Deferred Income Tax Assets. The carrying amounts of deferred tax assets at each reporting date is reviewed and reduced to the extent that sufficient taxable profits are available to allow all or part of the deferred tax assets to be utilized. The JFC Group's assessment on the recognition of deferred tax assets is based on the forecasted taxable income taking into account the period in which the deductible temporary differences can be claimed in the Philippines, PRC and USA. This forecast is based on assumptions that are affected by expected future market or economic conditions and the expected future performance as well as management's plans and strategies of the relevant taxable entities, including the Parent Company and certain subsidiaries. The effect of Covid-19 pandemic on the macroeconomic factors are also used in developing the assumptions.

The carrying amount of the recognized deferred tax assets amounted to ₱13,668.5 million and ₱15,463.9 million as at June 30, 2021 and December 31, 2020, respectively. Unrecognized deferred tax assets amounted to ₱3,081.4 million and ₱3,308.5 million as at June 30, 2021 and December 31, 2020, respectively (see Note 24).

Impairment of Property, Plant and Equipment, *Right-of-use Assets and Investment Properties*. The JFC Group performs impairment review of right-of-use assets, property, plant and equipment and investment properties when certain impairment indicators are present. Management has identified store closures and pre-termination of underlying lease agreements due to Covid-19 pandemic as impairment indicators and has performed impairment assessment on its property, plant and equipment and right-of-use assets and has identified the related lease pre-termination costs, if any.

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 JFC Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the JFC Group to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the JFC Group's financial position and performance.

There were no provision for impairment loss recognized for the periods ended June 30, 2021 and 2020, respectively. Reversal of previously recognized impairment loss amounted to ₱242.2 million and ₱24.5 million for the periods ended June 30, 2021 and 2020, respectively (see Notes 12 and 22).

The aggregate carrying values of property, plant and equipment, right-of-use assets and investment properties as at June 30, 2021 and December 31, 2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Property, plant and equipment (see Note 12)	**₱29,033,595**	₱28,684,131
Right-of-use assets (see Note 29)	**31,651,866**	34,224,143
Investment properties (see Note 13)	**572,722**	572,722

Impairment of Receivables and Contract Assets. The JFC Group uses a provision matrix to calculate ECLs for its receivables and contract assets. The provision rates are based on days past due.

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

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

Other than the considerations on the impact of Covid-19 on macroeconomic factors used as inputs to the ECL calculation, there have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Provision for impairment loss on receivables amounted to ₱39.4 million and ₱6.1 million for the periods ended June 30, 2021 and 2020, respectively (see Note 22). Reversal of previously recognized impairment loss amounted to ₱6.6 million and nil for the periods ended June 30, 2021 and 2020, respectively (see Note 22). The carrying amount of receivables and contract assets amounted to ₱6,244.8 million and ₱7,049.9 million as at June 30, 2021 and December 31, 2020, respectively (see Note 7).

Net Realizable Value of Inventories. The JFC 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 (i.e., Covid-19 pandemic).

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 JFC Group assessed that the net realizable value for some inventories is lower than cost, hence, it recognized provision for inventory obsolescence amounting to ₱11.5 million and ₱149.8 million for the periods ended June 30, 2021 and 2020, respectively (see Note 22). Reversal of previously recognized impairment loss amounted to ₱6.9 million and ₱3.6 million for the periods ended June 30, 2021 and 2020, respectively (see Note 22). The carrying amount of inventories amounted to ₱7,976.9 million and ₱8,295.8 million as at June 30, 2021 and December 31, 2020, respectively (see Note 8).

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

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

Future salary increases are based on budgetary salary increases.

The carrying amount of pension liability amounted to ₱2,676.3 million and ₱2,917.5 million as at June 30, 2021 and December 31, 2020, respectively (see Note 25).

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

Total expense arising from share-based payment recognized by the JFC Group amounted to ₱78.4 million and ₱135.6 million for the periods ended June 30, 2021 and 2020, respectively (see Notes 19, 22 and 26).

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

There was no change in the estimated useful lives of property, plant and equipment, investment properties and intangible assets in 2021 and 2020.

Leases - Determining the IBR. The JFC Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the JFC Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the JFC Group would have to pay, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions). The JFC Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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

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

Provisions and Contingencies. The JFC Group is involved in litigations, claims and disputes, and regulatory assessments 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 JFC Group's legal counsels and based upon an analysis of potential results (see Note 17). The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and application of laws and rulings. Management believes that the ultimate liability, if any, with respect to the litigations, claims and disputes, and regulatory assessments will not materially affect the financial position and performance of the JFC Group.

Total outstanding provisions amounted to ₱1,326.7 million as at June 30, 2021 and December 31, 2020 (see Notes 1, 17 and 30).

5. Segment Information

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

Business Segments

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

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

The following tables present certain information on revenues, expenses and other segment information of the different business segments for the periods ended June 30, 2021 and 2020:

	June 2021 (Unaudited)				
	Food Service	**Franchising**	**Leasing**	**Eliminations**	**Consolidated**
Revenues from external customers	**₱66,911,365**	**₱4,337,775**	**₱120,904**	**₱–**	**₱71,370,044**
Inter-segment revenues	**10,964,764**	**1,627,795**	**2,614,035**	**(15,206,594)**	**–**
Segment revenues	**77,876,129**	**5,965,570**	**2,734,939**	**(15,206,594)**	**71,370,044**
Segment expenses	**(78,599,360)**	**(2,669,373)**	**(2,650,878)**	**15,206,594**	**(68,713,017)**
Reversals of impairment loss on receivables, inventories and property, plant and equipment - net of provisions	**204,898**	**–**	**–**	**–**	**204,898**
Equity in net earnings of joint ventures and associates - net	**113,391**	**–**	**–**	**–**	**113,391**
Other segment income	**1,288,530**	**–**	**–**	**–**	**1,288,530**
Segment result	**₱883,588**	**₱3,296,197**	**₱84,061**	**₱–**	**4,263,846**
Interest income					**60,012**
Interest expense					**(2,005,335)**
Income before income tax					**2,318,523**
Provision for income tax					**1,424,271**
Net income					**894,252**

	June 2020 (Unaudited)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
Revenues from external customers	₱59,071,530	₱3,568,846	₱123,859	₱–	₱62,764,235
Inter-segment revenues	11,173,276	1,512,711	2,639,405	(15,325,392)	–
Segment revenues	70,244,806	5,081,557	2,763,264	(15,325,392)	62,764,235
Segment expenses	(79,655,216)	(2,232,492)	(2,673,043)	15,325,392	(69,235,359)
Impairment losses on receivables, inventories and property, plant and equipment - net of reversals	(127,898)	–	–	–	(127,898)
Equity in net earnings of joint ventures and associates - net	261,419	–	–	–	261,419
Other segment income (expense)	(5,357,595)	–	384	–	(5,357,211)
Segment result	(14,634,484)	₱2,849,065	₱90,605	₱–	(11,694,814)
Interest income					141,406
Interest expense					(1,619,512)
Loss before income tax					(13,172,920)
Benefit from income tax					602,381
Net loss					(12,570,539)

The following tables present certain information on assets and liabilities and other segment information of the different business segments as at June 30, 2021 and December 31, 2020:

	June 2021 (Unaudited)				
	Food Service	**Franchising**	**Leasing**	**Eliminations**	**Consolidated**
Assets and Liabilities					
Segment assets	**₱198,948,440**	**₱–**	**₱ 458,827**	₱–	**₱199,407,267**
Deferred tax assets - net	**5,504,398**	**–**	**–**	–	**5,504,398**
Consolidated assets	**₱204,452,838**	**₱–**	**₱458,827**	₱–	**₱204,911,665**
Segment liabilities	**₱115,492,558**	**₱–**	**₱84,459**	₱–	**₱115,577,017**
Deferred tax liabilities - net	**3,851,911**	**–**	**–**	–	**3,851,911**
Long-term debt - including current portion	**17,223,048**	**–**	**–**	–	**17,223,048**
Income tax payable	**82,426**	**–**	**819**	–	**83,245**
Consolidated liabilities	**₱136,649,943**	**₱–**	**₱85,278**	₱–	**₱136,735,221**
Other Segment Information					
Capital expenditures	**₱3,356,461**	**₱–**	**₱–**	₱–	**₱3,356,461**
Depreciation and amortization	**6,421,415**	**–**	**1,458**	–	**6,422,873**

	December 2020 (Audited)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
Assets and Liabilities					
Segment assets	₱204,238,510	₱–	₱457,236	₱–	₱204,695,746
Deferred tax assets - net	6,118,812	–	(4,428)	–	6,114,384
Consolidated assets	₱210,357,322	₱–	₱452,808	₱–	₱210,810,130
Segment liabilities	₱119,377,629	₱–	₱90,187	₱–	₱119,467,816
Deferred tax liabilities - net	3,855,579	–	–	–	3,855,579
Long-term debt - including current portion	19,258,213	–	–	–	19,258,213
Income tax payable	195,664	–	994	–	196,658
Consolidated liabilities	₱142,687,085	₱–	₱91,181	₱–	₱142,778,266
Other Segment Information					
Capital expenditures	₱5,922,003	₱–	₱–	₱–	₱5,922,003
Depreciation and amortization	14,564,126	–	4,614	–	14,568,740

Geographical Segments
The JFC Group's geographical segments are based on the location of the assets producing revenues in the Philippines and in other locations which include PRC, USA, Canada, Vietnam, UAE, Hongkong, Macau, Brunei, Singapore, Malaysia, Italy and UK. Sales to external customers disclosed in the geographical segments are based on the geographical location of the customers.

Majority of the JFC Group's revenues were generated from the Philippines, which is the Parent Company's country of domicile.

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

The following tables present segment revenues, segment assets and capital expenditures of the JFC Group's geographical segments:

	As at and for the Period Ended June 30, 2021 (Unaudited)			
	Philippines	**International**	**Eliminations**	**Consolidated**
Segment revenues	**₱43,303,306**	**₱28,703,678**	**(₱636,940)**	**₱71,370,044**
Segment assets	**59,343,520**	**140,063,747**	**–**	**199,407,267**
Capital expenditures	**710,273**	**2,646,188**	**–**	**3,356,461**

	As at and for the Period Ended June 30, 2020 (Unaudited)			
	Philippines	International	Eliminations	Consolidated
Segment revenues	₱39,011,948	₱ 24,150,485	(₱398,198)	₱62,764,235
Segment assets	78,154,647	136,215,281	–	214,369,928
Capital expenditures	956,121	1,859,039	–	2,815,160

Revenue from Contracts with Customers
Set out below is the disaggregation of the JFC Group's revenue from contracts with customers:

	June 2021 (Unaudited)		
Revenue Source	**Food Service**	**Franchising**	**Total**
Sale of goods	**₱66,436,246**	**₱–**	**₱66,436,246**
Royalty fees	**–**	**3,236,560**	**3,236,560**
Set-up fees	**–**	**59,637**	**59,637**
System-wide advertising fees	**–**	**1,041,578**	**1,041,578**
Other revenues	**475,119**	**–**	**475,119**
Total revenue from contracts with customers	**₱66,911,365**	**₱4,337,775**	**₱71,249,140**

Timing of recognition:	
Goods transferred at a point in time	**₱66,911,365**
Services transferred over time	**4,337,775**
	₱71,249,140

	June 2020 (Unaudited)		
Revenue Source	Food Service	Franchising	Total
Sale of goods	₱58,835,077	₱–	₱58,835,077
Royalty fees	–	2,757,974	2,757,974
Set-up fees	–	91,091	91,091
System-wide advertising fees	–	719,781	719,781
Other revenues	236,453	–	236,453
Total revenue from contracts with customers	₱59,071,530	₱3,568,846	₱62,640,376

Timing of recognition:	
Goods transferred at a point in time	₱59,071,530
Services transferred over time	3,568,846
	₱62,640,376

6. Cash and Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

This account consists of:

	June 2021 (Unaudited)	December 2020 (Audited)	June 2020 (Unaudited)
Cash on hand	**₱333,653**	₱324,779	₱356,762
Cash in banks	**16,530,577**	14,170,871	53,037,928
Short-term deposits	**6,591,970**	6,865,836	4,519,265
	₱23,456,200	₱21,361,486	₱57,913,955

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 JFC Group, and earn interest at the respective short-term deposit rates.

Short-term Investments

The JFC Group also has short-term investments amounting to ₱165.2 million and ₱441.0 million as at June 30, 2021 and December 31, 2020, respectively. These pertain to deposits with maturities of more than three months but less than a year.

Interest income earned from cash and cash equivalents and short-term investments amounted to ₱23.5 million and ₱78.4 million for the periods ended June 30, 2021 and 2020, respectively (see Note 23).

7. Receivables and Contract Assets

This account consists of:

	June 2021 (Unaudited)	December 2020 (Audited)
Trade	**₱4,830,214**	₱5,466,778
Less allowance for impairment loss	**649,535**	658,633
	4,180,679	4,808,145
Receivable from retirement fund (see Notes 25 and 27)	**777,819**	878,710
Advances to employees	**216,052**	221,045
Current portion of employee receivables (see Note 15)	**57,882**	59,337
Interest receivable	**6,554**	6,685
Others	**84,840**	87,674
	5,323,826	6,061,596
Contract assets	**920,976**	988,338
	₱6,244,802	₱7,049,934

The terms and conditions of the receivables are as follows:

- Trade receivables are noninterest-bearing and are generally settled on a 14-day term. The JFC Group classified accrued receivables as contract assets, which are billed and collected in the next 12 months.
- Receivable from retirement fund represents benefit payments made by the JFC Group for and in behalf of the retirement plans. The receivable is noninterest-bearing.
- Advances to employees, current portion of employee car plan receivables and other receivables are normally collectible within the next financial year.
- Other receivables consist of receivables from the Social Security System (SSS) and insurance claims.

The movements in the allowance for impairment loss on trade receivables as at June 30, 2021 and December 31,2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Balance at beginning of period	**₱658,633**	₱392,357
Write-offs	**(44,090)**	(11,582)
Provisions (see Note 22)	**39,390**	281,866
Reversals (see Note 22)	**(6,566)**	–
Translation adjustments	**2,168**	(4,008)
Balance at end of period	**₱649,535**	₱658,633

8. Inventories

This account consists of:

	June 2021 (Unaudited)	December 2020 (Audited)
At net realizable value:		
Food supplies and processed inventories	**₱7,223,035**	₱7,590,490
Novelty items	**135,396**	89,472
	7,358,431	7,679,962
At cost-		
Packaging, store and other supplies	**618,477**	615,866
Total inventories at lower of cost and net realizable value	**₱7,976,908**	₱8,295,828

The cost of food supplies and processed inventories, and novelty items carried at net realizable value amounted to ₱7,386.2 million and ₱231.6 million, respectively, as at June 30, 2021 and ₱7,694.9 million and ₱253.6 million, respectively, as at December 31, 2020.

The movements in the allowance for inventory obsolescence as at June 30, 2021 and December 31, 2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Balance at beginning of period	**₱268,564**	₱21,430
Write-offs	**(14,480)**	(1,804)
Provisions (see Note 22)	**11,452**	332,505
Reversals (see Note 22)	**(6,925)**	(82,354)
Translation adjustments	**699**	(1,213)
Balance at end of period	**₱259,310**	₱268,564

9. Other Current Assets

This account consists of:

	June 2021 (Unaudited)	December 2020 (Audited)
Prepaid expenses:		
Taxes	**₱3,843,440**	₱3,232,092
Rent	**927,075**	909,537
Supplies	**65,913**	61,917
Insurance and others	**594,881**	457,824
Deposits to suppliers and other third parties	**2,710,484**	2,431,638
Current portion of security and other deposits (see Note 15)	**140,736**	140,736
	₱8,282,529	₱7,233,744

Terms and conditions of other current assets are as follows:

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

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

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

10. **Financial Assets at FVTPL**

This account consists of:

	June 2021 (Unaudited)	December 2020 (Audited)
Investments in bond funds	**₱30,631,834**	₱35,692,356
Investment in club shares	**33,792**	33,792
Balance at end of period	**30,665,626**	35,726,148
Less current portion	**30,631,834**	35,658,565
Noncurrent portion	**₱33,792**	₱33,792

The movements in financial assets at FVTPL are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Balance at beginning of period	**₱35,692,357**	₱38,202
Additions	**86,478**	37,857,050
Redemption	**(5,927,890)**	(3,066,548)
Marked-to-market gain on financial assets at FVTPL (see Note 23)	**293,944**	1,317,728
Translation adjustment	**520,737**	(454,075)
Balance at end of period	**₱30,665,626**	₱35,692,357

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

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

A. Business Combinations

Acquisition of CBTL. On June 4, 2019 and June 28, 2019, JWPL, a wholly owned subsidiary, incorporated Java Ventures, LLC in the state of Delaware, USA and Super Magnificent Coffee Company Pte. Ltd. (SMCC-SG) in Singapore, respectively.

On July 24, 2019, the JFC Group, through its wholly owned subsidiary, JWPL, entered into an agreement with Brewheal Pte. Ltd. (Brewheal), a company based in Singapore, to invest USD100.0 million (₱5,118.0 million) in SMCC-SG to acquire 100% of The Coffee Bean & Tea Leaf (CBTL), specialty coffee and tea brand based in Los Angeles, California, USA. Consequently, Brewheal subscribed to 20% ordinary shares of SMCC-SG for a total consideration of USD70.0 million (₱3,650.5 million). SMCC-SG is 80% owned by JWPL and 20% owned by Brewheal. The difference between the value of the ordinary shares purchased and the subscription price amounting to USD36.0 million (₱1,877.4 million) is recognized and included in equity under “Other reserve” account in the consolidated statements of financial position.

The agreement between JWPL and Brewheal provides a mechanism wherein JWPL has the option, but not the obligation, to purchase the 20% ordinary shares of SMCC-SG held by Brewheal and to subscribe for up to 10% of the ordinary shares of SMCC-SG, respectively, upon the occurrence of a call option event enumerated in the agreement from the date of acquisition of CBTL up to September 24, 2029.

On September 11, 2019, the JFC Group, through SMCC-SG, incorporated Super Magnificent Coffee Company Hungary Kft. (SMCC-HU), a holding company based in Hungary.

On September 24, 2019, SMCC-SG, through its wholly owned subsidiary, SMCC-HU, completed the 100% acquisition of CBTL. The closing of the transactions was effected after the completion of closing conditions, including required government approvals, provided under the executed Unit Purchase Agreement (UPA).

Consistent with the terms of the executed UPA, the JFC Group, through SMCC-HU acquired CBTL for USD350.0 million (₱18,252.5 million) on a debt-free basis. SMCC-HU paid in cash amounting to USD329.1 million (₱17,163.0 million). The balance amounting to USD20.9 million (₱1,089.5 million) was applied to CBTL’s debt from unearned revenue from gift certificates sold assumed by SMCC-HU at acquisition date.

Transaction costs of USD0.7 million (₱36.6 million) have been expensed and are included in general and administrative expenses in the consolidated statement of comprehensive income for the year ended December 31, 2019.

The JFC Group included CBTL in its financial consolidation starting September 24, 2019 (the “acquisition date”).

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

Cash and cash equivalents	₱221,426
Receivables	361,192
Inventories	1,162,540
Other current assets	144,177
Right-of-use assets	11,709,851
Property, plant and equipment	3,978,818
Trademarks and other intangibles (see Note 14)	19,333,001
Other noncurrent assets	350,294
Total identifiable assets acquired	37,261,299
Less:	
Trade payables and other current liabilities	1,957,587
Lease liabilities	12,472,792
Other noncurrent liabilities	731,091
Deferred tax liabilities	745,839
Total identifiable liabilities assumed	15,907,309
Net identifiable assets acquired	₱21,353,990

In 2020, the fair values of the assets acquired, and liabilities assumed were finalized, resulting to changes or adjustments made from that of previously recognized in 2019 as shown below.

Impact on the consolidated statements of financial position [increase (decrease)] as at December 31, 2019:

Other intangible assets	₱607,214
Right-of-use assets	(440,456)
Trade payables and other current liabilities and contract liabilities	(334,508)
Deferred tax liabilities - net	(581,130)
Noncontrolling interest	220,910

Impact on the consolidated statements of comprehensive income [increase (decrease)] for the year ended December 31, 2019:

General and administrative expenses	₱22,152
Other income	1,104,547
Income tax expense	(5,470)

Consequently, the 2019 consolidated statement of comprehensive income has been restated to increase the provisional gain on bargain purchase from ₱3,150.8 million to ₱4,255.3 million shown as part of "Other Income" determined as follows:

Cash consideration	₱17,098,666
Less fair value of net identifiable assets acquired	21,353,990
Gain on bargain purchase	₱4,255,324

The net cash outflow from the acquisition is as follows:

Cash paid on acquisition	₱17,098,666
Less cash acquired from subsidiary	221,426
	₱16,877,240

Management has measured the trademarks that were acquired using the valuation report that was prepared by an independent valuation specialist. The trademarks were valued using the relief-from-royalty method wherein the fair value of the trademarks is based on cost savings from owning the trademarks. Significant assumptions and estimates used include comparable royalty rates, long-term growth rates, discount rates based on available market data and revenue growth rate forecasts. On September 24, 2019, SMCC-HU completed the acquisition of 100% of CBTL from previous shareholders. The previous shareholders had been looking for buyers for the past two years and were unable to sell CBTL. Upon notification and after doing due diligence, JFC Group agreed to purchase the business.

As part of the ownership restructuring, the trademarks of CBTL are required to be valued by an independent third party. Management determined that the bargain purchase gain was mainly attributable to the value of trademarks. The legal structure of CBTL is being redesigned for fast growth both in the United States and Asia, to be driven mainly by franchising. This is in line with JFC Group’s plan to build a truly global business. Management expects CBTL to be accretive to JFC Group’s profit within a short period of time. The acquisition of the CBTL brand is JFC Group’s largest and most multinational with business presence in 27 countries. This will bring JFC Group closer to its vision to be one of the top 5 restaurant companies in the world in terms of market capitalization. Combined with Highlands Coffee, the business mostly in Vietnam, the CBTL acquisition will enable JFC Group to become an important player in the large, fast growing, and profitable coffee business. CBTL will be JFC Group’s second largest business after Jollibee brand. Management’s priority is to accelerate the growth of the CBTL brand particularly in Asia, by strengthening its brand development, marketing and franchise support system.

From the acquisition date, CBTL contributed ₱4,436.8 million of revenues and ₱153.5 million net loss to the JFC Group. If the business combination had taken place at the beginning of 2019, contribution to consolidated revenues and net loss for the year ended December 31, 2019 would have been ₱15,645.1 million and ₱1,634.1 million, respectively.

On June 23, 2021, SMCC-SG was granted a Development and Expansion Incentive under the International Headquarters Award by the Minister for Trade and Industry of Singapore, entitling SMCC-SG to a concessionary tax rate of 10% instead of 17%.

Business Combination Achieved in Stages

SJBF. On March 1, 2020 , the JFC Group, through SJBF's wholly-owned subsidiary, Icon Burger Acquisition LLC (Icon Burger), acquired the remaining 30% interest in Smashburger Long Island JV LLC (Long Island) for a total cash consideration of USD2.9 million (₱149.5 million). The acquisition resulted to Smashburger Long Island becoming a wholly owned subsidiary of SJBF. On November 20, 2020, Icon Burger amended and restated a limited liability agreement to hold the 49% abandoned equity interest in Smashburger Westchester JV LLC (Westchester) without any cash consideration. The abandonment of membership interest resulted to Westchester becoming a wholly owned subsidiary of SJBF.

The difference in the carrying values of the minority interests over the acquisition cost at the date of acquisition of Long Island and Westchester, amounted to ₱95.8 million and ₱125.8 million, respectively. These were recognized under the “Excess of cost over the carrying value of non-controlling interests acquired”, a separate component of “Equity Attributable to Equity Holders of the Parent Company” in the consolidated statements of financial position (see Note 19).

B. Incorporation of New Subsidiaries and Additional Investment to a Subsidiary

Bee World Pty. Ltd. (Bee World Australia). On May 11, 2021, the JFC Group, through its wholly owned subsidiary JWPL, incorporated Bee World Australia in Australia. As at June 30, 2021, no capital investment has been made other than the investment to incorporate the new entity.

Magnificent Coffee Trading Pte. Ltd. (MCT). On December 7, 2020, the JFC Group, through its majority owned subsidiary SMCC-SG, incorporated MCT in Singapore. As at June 30, 2021 and December 31, 2020, no capital investment has been made other than the investment to incorporate the new entity. MCT started its commercial operations on April 1, 2021.

Hong Yun Hong (Shanghai) Food and Beverages Management Company Ltd. (Hong Yun Hong). On November 13, 2019, the JFC Group through its wholly owned subsidiary, GPPL, entered into an agreement with Dim Sum Pte. Ltd. (DSPL) to develop and operate Tim Ho Wan stores in Shanghai and other cities within PRC as may be agreed with the Franchisor.

Hong Yun Hong, incorporated on November 18, 2019, is 60% owned by GPPL and 40% owned by DSPL. GPPL and DSPL have committed to invest up to USD13 million (₱658.3 million) to Hong Yun Hong. As at June 30, 2021 and December 31, 2020, the capital contribution of GPPL amounted to USD0.9 million (₱45.6 million). Hong Yun Hong started its commercial operations on September 23, 2020.

Super Magnificent Coffee Company Hungary Kft (SMCC-HU). On September 11, 2019, the JFC Group, through SMCC-SG, incorporated SMCC-HU, a holding company in Hungary. As at December 31, 2020, SMCC-HU owns the US Entities of CBTL and the capital contribution of SMCC-SG amounted to USD28.9 million (₱1,508.2 million).

Super Magnificent Coffee Company Ireland Limited (SMCC-IE). On August 22, 2019 the JFC Group, through SMCC-SG, incorporated SMCC-IE in Ireland. As at December 31, 2020, the capital contribution of SMCC-SG amounted to USD307.1 million (₱16,017.1 million). SMCC-IE owns the intellectual property and existing contracts of CBTL starting from October 1, 2019.

Bee World Spain, Sociedad Limitada (Bee World Spain). On May 23, 2019, the JFC Group, through its wholly owned subsidiary, GPPL, incorporated Bee World Spain. On April 26, 2021, GPPL made additional investment amounting to USD0.1 million (₱6.0 million). On June 11, 2021, advances amounting USD1.3 million (₱63.6 million) were converted to equity. As at June 30, 2021 and December 31, 2020, the capital contribution of GPPL amounted to USD1.5 million (₱69.8 million) and USD0.003 million (₱0.2 million), respectively. Bee World Spain will own and operate Jollibee stores in Spain.

C. Material Non-Controlling Interests

The JFC Group has subsidiaries with material non-controlling interests as provided below.

Proportion of equity interest held by non-controlling interests in 2021 and 2020:

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

The summarized financial information of GCPL and SuperFoods Group in 2021 and 2020 are provided below. These information are based on amounts before intercompany eliminations.

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

	GCPL	
	2021	2020
Revenues	**₱30,603**	₱28,110
Net loss	**(6,343)**	(75,044)
Other comprehensive income	**4,988**	6,927
Total comprehensive loss	**(1,355)**	(68,117)
Total comprehensive loss attributable to non-controlling interests	**(542)**	(27,247)

	SuperFoods Group	
	2021	2020
Revenues	**₱2,442,932**	₱2,289,399
Net loss	**(225,832)**	(197,351)
Other comprehensive income	**5,671**	39,699
Total comprehensive loss	**(220,162)**	(157,652)
Total comprehensive loss attributable to non-controlling interests	**(88,065)**	(63,061)

Summarized Statements of Financial Position as at June 30, 2021 (Unaudited) and December 31, 2020 (Audited)

	GCPL	
	2021	2020
Current assets	**₱723,667**	₱721,385
Noncurrent assets	**113,823**	108,460
Current liabilities	**527,820**	509,744
Total equity	**309,670**	320,100
Equity attributable to non-controlling interests	**123,868**	128,040

	SuperFoods Group	
	2020	2020
Current assets	**₱667,846**	₱747,343
Noncurrent assets	**5,617,034**	5,891,257
Current liabilities	**3,317,287**	3,182,817
Noncurrent liabilities	**2,665,373**	2,949,194
Total equity	**302,220**	506,589
Equity attributable to non-controlling interests	**120,888**	202,635

Summarized Unaudited Cash Flow Information for the period ended June 30

	GCPL	
	2021	2020
Net cash provided by (used in) operating activities	**₱15,394**	(₱69,711)
Net cash provided by (used in) investing activities	**(16,396)**	25,425
Net decrease in cash and cash quivalents	**(1,002)**	(44,286)

	SuperFoods Group	
	2021	2020
Net cash provided by (used in) operating activities	**₱626,996**	(₱11,111)
Net cash used in investing activities	**(312,819)**	(116,745)
Net cash provided by (used in) financing activities	**(354,887)**	213,265
Net increase (decrease) in cash and cash equivalents	**(40,710)**	85,409

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

	June 2021 (Unaudited)	December 2020 (Audited)
Interests in joint ventures:		
Titan Dining LP	**₱4,661,412**	₱4,618,007
Golden Bee Foods Restaurant LLC	**263,190**	233,062
JBPX Foods Inc.	**51,795**	53,314
Yoshinoya Jollibee Foods, Inc.	**65,000**	–
	5,041,397	4,904,383
Interests in associates:		
Tortas Frontera	**661,523**	660,675
Entrek (B) SDN BHD	**152,167**	124,149
C-Joy Poultry Realty, Inc.	**13,110**	11,230
C-Joy Poultry Meats Production, Inc.	**–**	–
	826,800	796,054
Advances to co-venturer:		
VTI Group	**1,681,161**	1,629,181
	₱7,549,358	₱7,329,618

Interests in Joint Ventures

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

The investment provides an opportunity for the JFC Group to have a significant interest in the Tim Ho Wan franchise in the long-term.

Consistent with the agreement that JWPL shall invest up to SGD45.0 million (₱1,687.1 million) or 45% of the total maximum fund of SGD100.0 million (₱3,749.0 million) in Titan, JWPL made additional investments to Titan amounting to SGD2.7 million (₱102.7 million) and SGD0.9 million (₱35.3 million) for the 3rd and 2nd capital call on May 29, 2019 and August 29, 2018, respectively.

On October 2, 2019, the total maximum fund of Titan increased from SGD100.0 million (₱3,749.0 million) to SGD200.0 million (₱7,498.0 million). As such, JWPL, increased its capital commitment to Titan from SGD45.0 million (₱1,687.1 million) to SGD120.0 million (₱4,498.8 million) which, when completed, JWPL's investment will constitute 60% of the total maximum fund. The increase in the total maximum fund and additional capital commitment of JWPL are in furtherance of certain strategic projects currently being undertaken by Titan, consistent with its mandate to invest in the food service sector and grow strong Asia Pacific food service brands.

On October 28, 2019 and March 12, 2020, JWPL made additional investments for the 4th and 5th capital call amounting to SGD53.4 million (₱2,006.1 million) and SGD2.4 million (₱89.7 million), respectively.

On October 30, 2020, JWPL acquired the 25% interest of a partner in Titan for a total cash consideration of SGD36.3 million (₱1,297.0 million). The acquisition increased JWPL's interest in Titan from 60% to 85%.

On November 27, 2020, JWPL made additional investment for the 6th capital call amounting to SGD4.4 million (₱156.5 million).

The details of the JFC Group's interest in Titan as at June 30, 2021 and December 31, 2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Interest in a joint venture - cost:		
Balance at beginning of period	**₱4,394,180**	₱2,850,966
Additions during the period	**–**	1,543,214
	4,394,180	4,394,180
Cumulative equity in net earnings (losses):		
Balance at beginning of period	**223,827**	(46,719)
Equity in net earnings during the period	**43,405**	270,546
	267,232	223,827
	₱4,661,412	₱4,618,007

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

	June 2021 (Unaudited)	December 2020 (Audited)
Current assets	**₱141,083**	₱52,862
Noncurrent assets	**5,013,155**	4,997,840
Total assets	**₱5,154,238**	₱5,050,702
Current liabilities	**₱18,251**	₱34,528

The amounts of assets and liabilities above include:

	June 2021 (Unaudited)	December 2020 (Audited)
Cash and cash equivalents	**₱140,268**	₱52,576

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

	June 2021 (Unaudited)	June 2020 (Unaudited)
Net income	**₱51,065**	₱468,312
Total comprehensive income	**51,065**	468,312

	June 2021 (Unaudited)	December 2020 (Audited)
Net assets	**₱5,135,987**	₱5,250,789
Proportion of the JFC Group's ownership	**85%**	85%
	4,365,589	4,463,171
Cumulative translation adjustments	**295,823**	154,836
	₱4,661,412	₱4,618,007

Golden Bee Foods Restaurant LLC (Golden Bee). On February 25, 2014, the JFC Group, through GPPL, signed a joint agreement with Golden Crown Foods LLC (GCFL) to establish a joint venture entity to own and operate the Jollibee brand in the United Arab Emirates.

The joint venture entity, incorporated as Golden Bee on January 28, 2015, is 49% owned by GPPL and 51% owned by GCFL. GPPL and GCFL will share joint control and management of Golden Bee. GPPL has invested USD0.8 million (₱33.9 million) in Golden Bee. The first store started commercial operations on May 4, 2015.

The details of the JFC Group's interest in the Golden Bee joint venture as at June 30, 2021 and December 31, 2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Interest in a joint venture - cost	**₱33,926**	₱33,926
Cumulative equity in net earnings:		
Balance at beginning of period	**199,136**	206,627
Equity in net earnings (loss) during the period	**30,128**	(7,491)
Dividends received during the period	**–**	–
Balance at end of period	**229,264**	199,136
	₱263,190	₱233,062

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

	June 2021 (Unaudited)	December 2020 (Audited)
Current assets	**₱813,629**	₱661,382
Noncurrent assets	**201,178**	246,533
Total assets	**₱1,014,807**	₱907,915
Current liabilities	**₱494,869**	₱454,736

The amounts of assets and liabilities above include:

	June 2021 (Unaudited)	December 2020 (Audited)
Cash and cash equivalents	**₱421,672**	₱352,633

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

	June 2021 (Unaudited)	June 2020 (Unaudited)
Revenues	**₱745,903**	₱595,799
Depreciation and amortization	**49,564**	45,861
Net income	**61,486**	(29,434)
Total comprehensive income	**61,486**	(29,434)

	June 2021 (Unaudited)	December 2020 (Audited)
Net assets	**₱519,938**	₱453,179
Proportion of the JFC Group's ownership	**49%**	49%
	254,770	222,058
Cumulative translation adjustments	**8,420**	11,004
	₱263,190	₱233,062

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

The joint venture entity, incorporated as JBPX Foods Inc. on July 3, 2019, is 50% owned by the Parent Company and 50% owned by Panda Restaurant Group, Inc. Panda Express started commercial operations on December 12, 2019.

The details of JFC Group's interest in Panda Express as at June 30, 2021 and December 31,2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Interest in a joint venture - cost	**₱66,023**	₱66,023
Cumulative equity in net losses:		
Balance at beginning of period	**(12,709)**	(8,264)
Equity in net loss during the period	**(1,519)**	(4,445)
Balance at end of year	**(14,228)**	(12,709)
	₱51,795	₱53,314

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

	June 2021 (Unaudited)	December 2020 (Audited)
Current assets	**₱97,780**	₱93,245
Noncurrent assets	**109,038**	80,842
Total assets	**₱206,818**	₱174,087
Current liabilities	**₱60,653**	₱24,885
Noncurrent liabilities	**42,575**	42,575
Total liabilities	**₱103,228**	₱67,460

The amounts of assets and liabilities above include:

	June 2021 (Unaudited)	December 2020 (Audited)
Cash and cash equivalents	**₱90,208**	₱89,898
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	**2,770**	4,899
Noncurrent financial liabilities	**42,575**	42,575

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

	June 2021 (Unaudited)	June 2020 (Unaudited)
Revenues	**₱107,973**	₱43,549
Depreciation and amortization	**7,805**	5,209
Taxes and licenses	**4**	16
Interest income	**141**	484
Interest expense	**(871)**	(711)
Net loss	**(3,038)**	(8,194)
Total comprehensive loss	**(3,038)**	(8,194)

	June 2021 (Unaudited)	December 2020 (Audited)
Net assets	**₱103,590**	₱106,627
Proportion of the JFC Group's ownership	**50%**	50%
	₱51,795	₱53,314

Yoshinoya Jollibee Foods, Inc. (Yoshinoya). On February 15, 2021, the JFC Group, through the Parent Company, entered into an agreement with Yoshinoya International Philippines, Inc. (YIPI) to establish a joint venture entity to own and expand Yoshinoya restaurants in the Philippines.

The joint venture entity, incorporated as Yoshinoya Jollibee Foods, Inc. on June 18, 2021, is 50% owned by the Parent Company and 50% owned by YIPI. Yoshinoya has not yet started commercial operations under the joint venture entity.

Interest in Associates

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

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

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

The details of the JFC Group's interest in Tortas as at June 30, 2021 and December 31, 2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Interest in an associate - cost	**₱668,679**	₱668,679
Cumulative equity in net losses:		
Balance at beginning of period	**(8,004)**	10,114
Equity in net earnings (loss) during the period	**848**	(18,118)
Balance at end of period	**(7,156)**	(8,004)
	₱661,523	₱660,675

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

	June 2021 (Unaudited)	December 2020 (Audited)
Current assets	**₱370,181**	₱364,264
Noncurrent assets	**344,848**	339,336
Total Assets	**₱715,029**	₱703,600
Current liabilities	**₱15,632**	₱15,382

The amounts of assets and liabilities above include:

	June 2021 (Unaudited)	December 2020 (Audited)
Cash and cash equivalents	**₱366,066**	₱360,215

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

	June 2021 (Unaudited)	June 2020 (Unaudited)
Revenues	**₱4,386**	₱28,047
Net income (loss)	**1,624**	(34,696)
Total comprehensive income (loss)	**1,624**	(34,696)

	June 2021 (Unaudited)	December 2020 (Audited)
Net assets	**₱699,397**	₱688,218
Proportion of the JFC Group's ownership	**52.22%**	52.22%
	365,225	359,387
Goodwill	**381,532**	381,532
Cumulative translation adjustments	**(85,234)**	(80,244)
	₱661,523	₱660,675

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

The details of the JFC Group's interest in Entrek as at June 30, 2021 and December 31, 2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Interest in an associate - cost	**₱16,660**	₱16,660
Cumulative equity in net earnings:		
Balance at beginning of period	**107,489**	120,405
Equity in net earnings during the period	**28,018**	40,131
Dividends received during the period	**–**	(53,047)
Balance at end of period	**135,507**	107,489
	₱152,167	₱124,149

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

	June 2021 (Unaudited)	December 2020 (Audited)
Current assets	**₱644,597**	₱463,626
Noncurrent assets	**283,178**	287,414
Total assets	**₱927,775**	₱751,040
Current liabilities	**₱443,420**	₱350,213
Noncurrent liabilities	**12,965**	12,973
Total liabilities	**₱456,385**	₱363,186

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

	June 2021 (Unaudited)	June 2020 (Unaudited)
Revenues	**₱561,604**	₱499,756
Depreciation	**37,654**	37,879
Net income	**84,054**	51,494
Total comprehensive income	**84,054**	51,494

	June 2021 (Unaudited)	December 2020 (Audited)
Net assets	**₱471,390**	₱387,854
Proportion of the JFC Group's ownership	**33.33%**	33.33%
	157,130	129,285
Cumulative translation adjustments	**(4,963)**	(5,136)
	₱152,167	₱124,149

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

The details of the JFC Group's interest in C-Joy Realty as at June 30, 2021 and December 31, 2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Interest in an associate - cost	**₱10,586**	₱10,586
Cumulative equity in net earnings:		
Balance at beginning of period	**644**	(2,039)
Equity in net earnings during the period	**1,880**	2,683
Balance at end of period	**2,524**	644
	₱13,110	₱11,230

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

	June 2021 (Unaudited)	December 2020 (Audited)
Current assets	**₱4,708**	₱4,477
Noncurrent assets	**62,152**	62,152
Total assets	**₱66,860**	₱66,629
Current liabilities	**₱1,165**	₱5,126
Noncurrent liabilities	**21,994**	24,069
Total liabilities	**₱23,159**	₱29,195

The amounts of assets and liabilities above include the following:

	June 2021 (Unaudited)	December 2020 (Audited)
Cash and cash equivalents	**₱2,675**	₱3,412
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	**530**	4,532
Noncurrent financial liabilities	**21,994**	24,069

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

	June 2021 (Unaudited)	June 2020 (Unaudited)
Revenues	**₱8,506**	₱1,200
Taxes and licenses	**1**	1
Interest Income	**1**	–
Interest expense	**344**	909
Net income (loss)	**6,267**	(316)
Total comprehensive income (loss)	**6,267**	(316)

	June 2021 (Unaudited)	December 2020 (Audited)
Net assets	**₱43,701**	₱37,434
Proportion of the JFC Group's ownership	**30%**	30%
	₱13,110	₱11,230

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

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

The details of JFC Group's interest in C-Joy Poultry as at June 30, 2021 and December 31, 2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Interest in an associate – cost:		
Balance at beginning of period	**₱1,470,126**	₱233,406
Conversion of advances	**–**	1,236,720
	1,470,126	1,470,126
Cumulative equity in net losses:		
Balance at beginning of period	**(1,598,020)**	(233,406)
Equity in net earnings (loss) during the period	**10,631**	(1,364,614)
Balance at end of period	**(1,587,389)**	(1,598,020)
	(₱117,263)	(₱127,894)

The JFC Group's equity share in net losses amounting to ₱527.1 million in 2018 exceeded the carrying value of its interest in C-Joy Poultry amounting to ₱151.5 million as at December 31, 2017. Consequently, the JFC Group's unrecognized equity share in net losses amounted to ₱591.7 million and ₱375.6 million for the years ended December 31, 2019 and 2018, respectively.

On May 20, 2020, the BOD approved the conversion of C-Joy Poultry's advances from Parent Company to equity amounting to ₱1,236.7 million.

On September 9, 2020, the BOD ratified the Minutes of Special Meeting dated May 20, 2020 for the conversion of JFC Group's advances amounting ₱1,236.7 million to additional interest in C-Joy Poultry. Consequently, the equity in net loss amounting to ₱1,364.6 million recognized in the consolidated statements of comprehensive income in 2020 includes the unrecognized equity share in net losses amounting to ₱967.3 million as at December 31, 2019. The loss in excess of interest in C-Joy Poultry of ₱117.3 million and ₱127.9 million as at June 30, 2021 and December 31, 2020, respectively, is presented as part of "Noncurrent liabilities" account in the consolidated statements of financial position.

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

	June 2021 (Unaudited)	December 2020 (Audited)
Current assets	**₱1,298,954**	₱1,008,150
Noncurrent assets	**2,171,941**	2,138,033
Total Assets	**₱3,470,895**	₱3,146,183
Current liabilities	**₱3,825,481**	₱3,528,140
Noncurrent liabilities	**36,291**	44,358
Total liabilities	**₱3,861,772**	₱3,572,498

The amounts of assets and liabilities above include the following:

	June 2021 (Unaudited)	December 2020 (Audited)
Cash and cash equivalents	**₱355,627**	₱156,071
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	**700,051**	473,980
Noncurrent financial liabilities	**34,587**	44,358

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

	June 2021 (Unaudited)	June 2020 (Unaudited)
Revenues	**₱3,053,659**	₱ 2,170,345
Depreciation and amortization	**100,074**	97,531
Taxes and licenses	**511,336**	10,808
Interest income	**160**	663
Interest expense	**43,841**	131,737
Net income (loss)	**35,438**	(939,006)
Total comprehensive income (loss)	**35,438**	(939,006)

	June 2021 (Unaudited)	December 2020 (Audited)
Net liabilities	**(₱390,877)**	(₱426,315)
Proportion of the JFC Group's ownership	**30%**	30%
	(₱117,263)	(₱127,894)

Advances to Co-venturers

Advances to VTI Group. The details of the JFC Group's advances to VTI Group as at June 30, 2021 and December 31, 2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Balance at beginning of period	**₱1,629,181**	₱1,664,532
Accrual of interest (see Note 23)	**25,222**	52,451
Translation adjustments and others	**26,758**	(87,802)
Balance at end of period	**₱1,681,161**	₱1,629,181

On December 14, 2016, a loan of USD9.0 million (₱447.5 million) was extended to the VTI Group with an interest rate of 3.5% per annum. The loan was agreed to be used for SuperFoods Group's capital needs. The loan is part of the total agreed loan of USD30.0 million payable in eight (8) years from the first utilization date. On June 2, 2017, the additional loan of USD21.0 million (₱1,060.0 million) was granted to the VTI Group. The loan is secured by pledged shares in SFVT and Blue Sky which will be released in proportion to the amount of the principal paid. Total interest from this loan, recognized as interest income, amounted to USD0.5 million (₱25.2 million), USD1.1 million (₱52.5 million) and USD1.1 million (₱53.5 million) for the period ended June 30, 2021 and years ended December 31 2020 and 2019, respectively (see Note 23).

Advances to an Associate

Advances to C-Joy Poultry. The details of the JFC Group's advances to C-Joy Poultry as at December 31, 2020 are as follows:

Balance at beginning of year	₱1,240,606
Conversion to equity during the year	(1,236,720)
Accrual (collection) of interest	(3,886)
Balance at end of year	₱–

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

On June 28, 2019, additional loan was extended amounting to ₱315.0 million due on June 26, 2020. The loan was subject to interest rate based on 6-month BVAL plus spread of 0.50%.

On December 20, 2019, additional loan amounting to ₱306.7 million was extended subject to interest rate based on 6-month BVAL plus spread of 0.50%.

Total interest from the loans recognized as interest income amounted to ₱17.5 million and ₱32.5 million in 2020 and 2019, respectively.

On September 9, 2020, upon ratification of the BOD Minutes of Special Meeting dated May 20, 2020, total advances amounting ₱1,236.7 million were converted to equity.

12. **Property, Plant and Equipment**

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

	June 2021 (Unaudited)							
	Land and Land Improvements	**Plant, Buildings, Commercial Condominium Units and Improvements**	**Leasehold Rights and Improvements**	**Office, Store and Food Processing Equipment**	**Furniture and Fixtures**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost								
Balance at beginning of period	**₱1,040,804**	**₱7,963,196**	**₱25,033,818**	**₱25,311,849**	**₱2,701,090**	**₱621,445**	**₱3,751,360**	**₱66,423,562**
Additions	**–**	**7,586**	**860,248**	**420,161**	**55,117**	**17,814**	**1,988,149**	**3,349,075**
Retirements and disposals	**–**	**(9,509)**	**(956,444)**	**(762,464)**	**(96,351)**	**(3,076)**	**(21,733)**	**(1,849,577)**
Reclassifications	**–**	**114,376**	**823,074**	**254,675**	**13,572**	**–**	**(1,205,697)**	**–**
Translation adjustments	**6,368**	**31,044**	**227,491**	**116,892**	**19,467**	**739**	**40,005**	**442,006**
Balance at end of period	**1,047,172**	**8,106,693**	**25,988,187**	**25,341,113**	**2,692,895**	**636,922**	**4,552,084**	**68,365,066**
Accumulated Depreciation and Amortization								
Balance at beginning of period	**–**	**2,457,444**	**14,110,630**	**17,473,893**	**1,996,337**	**503,633**	**–**	**36,541,937**
Depreciation and amortization (see Notes 21 and 22)	**–**	**261,372**	**1,188,506**	**1,344,793**	**165,995**	**27,041**	**–**	**2,987,707**
Retirements and disposals	**–**	**(8,790)**	**(645,164)**	**(636,870)**	**(90,301)**	**(3,025)**	**–**	**(1,384,150)**
Reclassifications	**–**	**–**	**(108)**	**–**	**108**	**–**	**–**	**–**
Translation adjustments	**–**	**14,528**	**105,689**	**88,282**	**18,279**	**697**	**–**	**227,475**
Balance at end of period	**–**	**2,724,554**	**14,759,553**	**18,270,098**	**2,090,418**	**528,346**	**–**	**38,372,969**
Accumulated Impairment Losses								
Balance at beginning of period	**–**	**1,437**	**501,327**	**669,771**	**4,155**	**338**	**20,466**	**1,197,494**
Reversals (see Note 22)	**–**	**–**	**(182,046)**	**(57,643)**	**3,166**	**(90)**	**(5,636)**	**(242,249)**
Reclassifications	**–**	**–**	**92,495**	**(101,235)**	**1,986**	**–**	**6,754**	**–**
Translation adjustments	**–**	**–**	**–**	**3,257**	**–**	**–**	**–**	**3,257**
Balance at end of period	**–**	**1,437**	**411,776**	**514,150**	**9,307**	**248**	**21,584**	**958,502**
Net Book Value	**₱1,047,172**	**₱5,380,702**	**₱10,816,858**	**₱6,556,865**	**₱593,170**	**₱108,328**	**₱4,530,500**	**₱29,033,595**

	December 2020 (Audited)							
	Land and Land Improvements	Plant, Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
Cost								
Balance at beginning of year	₱1,069,759	₱7,508,767	₱25,861,381	₱25,871,816	₱3,068,656	₱626,159	₱3,709,083	₱67,715,621
Additions	–	376,853	890,409	972,162	121,595	22,491	3,496,015	5,879,525
Retirements and disposals	(7,564)	(213,559)	(3,303,598)	(2,152,757)	(413,546)	(26,151)	(83,829)	(6,201,004)
Reclassifications	–	361,437	2,002,990	900,283	63,792	29	(3,328,531)	–
Translation adjustments	(21,391)	(70,302)	(417,364)	(279,655)	(139,407)	(1,083)	(41,378)	(970,580)
Balance at end of year	1,040,804	7,963,196	25,033,818	25,311,849	2,701,090	621,445	3,751,360	66,423,562
Accumulated Depreciation and Amortization								
Balance at beginning of year	7,564	2,187,141	13,889,198	16,266,305	1,901,747	467,697	–	34,719,652
Depreciation and amortization (see Notes 21 and 22)	–	510,583	2,303,053	3,252,511	398,087	59,489	–	6,523,723
Retirements and disposals	(7,564)	(211,207)	(1,639,531)	(1,992,015)	(219,683)	(23,059)	–	(4,093,059)
Reclassifications	–	(2)	(181,386)	163,148	18,240	–	–	–
Translation adjustments	–	(29,071)	(260,704)	(216,056)	(102,054)	(494)	–	(608,379)
Balance at end of year	–	2,457,444	14,110,630	17,473,893	1,996,337	503,633	–	36,541,937
Accumulated Impairment Losses								
Balance at beginning of year	–	–	–	403,847	–	–	–	403,847
Additions (see Note 22)	–	1,437	501,327	657,789	4,155	338	20,466	1,185,512
Reversals (see Note 22)	–	–	–	(76,173)	–	–	–	(76,173)
Retirements and disposals	–	–	–	(296,836)	–	–	–	(296,836)
Translation adjustments	–	–	–	(18,856)	–	–	–	(18,856)
Balance at end of year	–	1,437	501,327	669,771	4,155	338	20,466	1,197,494
Net Book Value	₱1,040,804	₱5,504,315	₱10,421,861	₱7,168,185	₱700,598	₱117,474	₱3,730,894	₱28,684,131

Construction in progress account mainly pertains to costs incurred for ongoing construction of properties, including soon-to-open stores and commissaries. The borrowing cost that has been capitalized for the construction of commissaries amounted to ₱89.7 million as at June 30, 2021 and December 31, 2020, respectively.

On December 9, 2019, RRB Holdings Inc., a wholly owned subsidiary, entered into a memorandum of agreement with Robinsons Land Corporation, DoubleDragon Properties Corp. and Hotel of Asia, Inc. for the sale of a parcel of land for ₱1,033.2 million with carrying amount of ₱250.8 million.

On December 24, 2019, the Parent Company purchased condominium units in Jollibee Tower for a total cost of ₱1,055.0 million in relation to the contract to sell entered with DoubleDragon.

In relation to JFC Group's business transformation initiative, certain stores have been permanently closed resulting in a loss on retirements and disposals of property, plant and equipment amounting to ₱1,489.2 million in 2020. Gain on retirements and disposals of property, plant and equipment amounted to ₱299.0 million in 2019.

The JFC Group also performed impairment assessments of fixed assets considering that there are observable indications that the assets' values have significantly declined specially that certain stores were planned to be closed in 2021 resulting to recognition of provision for impairment amounting to ₱1,185.5 million and ₱399.2 million in 2020 and 2019, respectively.

Management reassessed the recoverable amount of the JFC Group's office, store and food processing equipment and recognized reversal of provision amounting to ₱242.2 million and ₱24.5 million for the periods ended June 30, 2021 and 2020, respectively (see Note 22). Consequently, allowance for impairment loss amounted to ₱958.5 million and ₱1,197.5 million as at June 30, 2021 and December 31, 2020, respectively.

No property, plant and equipment as at June 30, 2021 and December 31, 2020 have been pledged as security or collateral.

13. **Investment Properties**

The rollforward analysis of this account as at June 30, 2021 and December 31, 2020 is as follows:

	Land	Buildings and Building Improvements	Total
Cost			
Balance at beginning and end of period	₱572,722	₱179,377	₱752,099
Accumulated Depreciation and Amortization			
Balance at beginning and end of period	–	179,377	179,377
Net Book Value	₱572,722	₱–	₱572,722

The JFC Group's investment properties have an aggregate fair value of ₱1,537.3 million as at December 31, 2020 as determined by independent appraisers who holds a recognized and relevant professional qualification. The fair value represents the amount at which the assets and liabilities can be exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions in accordance with International Valuation Standards.

In determining the fair value of the investment properties, the independent appraisers used the market data approach for land and cost approach for buildings and building improvements. For land, fair value is based on sales and listings of comparable properties within the vicinity after adjustments for differences in location, size and shape of the lot, time elements and other factors between the properties and their comparable properties. For buildings and building improvements, fair value is based on the current cost to replace the properties in accordance with prevailing market prices for materials, labor, and contractors' overhead, profit and fees in the locality after adjustments for depreciation due to physical deterioration, and functional and economic obsolescence based on personal inspection of the buildings and building improvements and in comparison to similar properties. Fair value hierarchy disclosures for investment properties have been provided in Note 32.

Rent income derived from income-generating properties amounted to ₱5.1 million and ₱3.7 million for the periods ended June 30, 2021 and 2020, respectively (see Notes 20 and 29).

Direct operating costs relating to the investment properties which include maintenance expenses totaled to ₱3.1 million and ₱3.2 million for the periods ended June 30, 2021 and 2020, respectively.

In 2015, the Parent Company entered into an agreement to develop a commercial and office condominium building (the "Project") in a parcel of its land in consideration for cash and assigned units in the Project. The completion of the transaction is conditional upon fifty percent (50%) completion of the Project, as certified by the general contractor of the Project, and when all of the assigned units are fully constructed and accepted in accordance with the specifications contained in the Agreed Design. As at June 30, 2021, the assigned units have not been accepted by and conveyed to the JFC Group.

No investment properties as at June 30, 2021 and December 31, 2020 have been pledged as security or collateral for the JFC Group's debts.

14. Trademarks, Goodwill and Other Intangible Assets

This account consists of:

	June 2021 (Unaudited)	December 2020 (Audited)
Trademarks (Note 11)	**₱35,047,990**	₱35,047,990
Goodwill (Note 11)	**14,299,259**	14,097,283
Computer software, net of accumulated amortization	**424,964**	479,463
Other intangible assets, net of accumulated amortization	**365,580**	599,342
	₱50,137,793	₱50,224,078

Trademarks and Goodwill
Trademarks and goodwill acquired through business combinations are attributable to the following group of CGUs as at June 30, 2021 and December 31, 2020:

	June 2021 (Unaudited)	December 2020 (Audited)
Trademarks:		
CBTL (see Note 11)	**₱18,484,721**	₱18,484,721
Smashburger	**10,414,000**	10,414,000
SuperFoods Group:		
Highlands Coffee	**3,681,912**	3,681,912
Pho 24	**463,101**	463,101
Mang Inasal	**2,004,256**	2,004,256
Total	**35,047,990**	35,047,990
Goodwill:		
Smashburger	**5,009,797**	4,929,722
Hong Zhuang Yuan	**2,816,352**	2,756,350
SuperFoods Group	**2,373,935**	2,340,102
Mang Inasal	**1,781,267**	1,781,267
Red Ribbon Bakeshop:		
Philippine operations	**737,939**	737,939
US operations	**386,075**	379,904
Yong He King	**596,347**	583,642
Chowking US operations	**432,313**	425,403
GSC	**159,989**	157,709
Burger King	**5,245**	5,245
	14,299,259	14,097,283
Trademarks and goodwill	**₱49,347,249**	₱49,145,273

The rollforward analysis of the JFC Group's goodwill as at June 30, 2021 and December 31, 2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Cost		
Balance at beginning and end of period	**₱14,497,162**	₱14,497,162
Translation Adjustments		
Balance at beginning of period	**(399,879)**	101,445
Translation adjustments of foreign subsidiaries	**201,976**	(501,324)
Balance at end of period	**(197,903)**	(399,879)
Net Book Value	**₱14,299,259**	₱14,097,283

Computer Software
The JFC Group's computer software pertains to the Enterprise Resource Planning (ERP) system which the JFC Group started to use on August 1, 2014 and cloud-based hosting arrangements and implementation costs of CBTL.

The rollforward analysis of the JFC Group's computer software as at June 30, 2021 and December 31, 2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Cost		
Balance at beginning of period	**₱1,006,084**	₱972,468
Additions	**–**	33,616
Balance at end of period	**1,006,084**	1,006,084
Accumulated Amortization		
Balance at beginning of period	**513,013**	397,035
Amortizations (see Note 22)	**56,749**	115,978
Balance at end of period	**569,762**	513,013
Translation adjustment	**(11,358)**	(13,608)
Net Book Value	**₱424,964**	₱479,463

Other Intangible Assets
The JFC Group's other intangible assets include other trademarks and patents, liquor licenses and customer list amortized over a useful life of five (5) years.

The rollforward analysis of other intangible assets as at June 30, 2021 and December 31, 2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Cost		
Balance at beginning of period	**₱809,198**	₱800,336
Additions	**7,386**	8,862
Reclassification (see Note 29)	**(78,625)**	–
Balance at end of period	**737,959**	809,198
Accumulated Amortization		
Balance at beginning of period	**214,141**	97,207
Amortizations (see Note 22)	**58,378**	116,934
Balance at end of period	**272,519**	214,141
Translation adjustment	**(99,860)**	4,285
Net Book Value	**₱365,580**	₱599,342

Impairment Testing of Trademarks and Goodwill

Goodwill acquired through business combinations have been allocated to ten (10) groups of CGUs, which are subsidiaries of the Parent Company, owned directly or indirectly. The recoverable amounts of the groups of CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by the BOD covering a five-year period, taking into consideration effect of significant events (i.e., Covid-19) on the macroeconomic factors used in developing the assumptions. Furthermore, the trademarks of Smashburger, SuperFoods Group and Mang Inasal are allocated to the CGU of Smashburger, SuperFoods Group and Mang Inasal, respectively. The recoverable amount of the trademarks of CBTL was determined using the relief-from-royalty method wherein the value is based on cost savings from owning the trademark.

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

CGUs	Geographical Location	Pre-tax Discount Rate	Long-term Revenue Growth Rate
Hong Zhuang Yuan	PRC	8.2%	5.5%
Mang Inasal	Philippines	10.3%	5.9%
Red Ribbon Bakeshop:			
Philippine operations	Philippines	10.5%	5.2%
US operations	USA	6.4%	1.4%
Yong He King	PRC	8.3%	5.5%
Chowking US operations	USA	6.5%	1.4%
Burger King	Philippines	10.3%	5.2%
GSC	Vietnam	9.5%	8.4%
SuperFoods Group	Vietnam	9.5%	8.4%
Smashburger	USA	4.9%	2.4%
CBTL	USA	6.7%	3.5%

Key assumptions with respect to the calculation of value in use of the groups of CGUs as at December 31, 2020 used by management in its cash flow projections to undertake impairment testing of goodwill are as follows:

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

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

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

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

No impairment losses were recognized for trademarks and goodwill for the period ended June 30, 2021 and year ended December 31, 2020.

15. Other Noncurrent Assets

This account consists of:

	June 2021 (Unaudited)	December 2020 (Audited)
Security and other deposits (see Notes 9, 31 and 32)	**₱2,845,696**	₱2,772,604
Noncurrent portion of:		
Employee car plan receivables (see Notes 7, 31 and 32)	**90,045**	79,598
Rent and other long-term prepayments	**36,932**	21,209
Prepaid market entry fee - net of accumulated amortization of ₱28.6 million and ₱26.0 million in 2021 and 2020, respectively	**74,725**	76,052
Franchise rights - net of accumulated amortization of ₱77.6 million and ₱72.0 million in 2021 and 2020, respectively	**59,224**	64,499
Deferred compensation	**15,913**	15,913
Returnable containers and others	**13,684**	12,364
Tools and other assets	**389,588**	386,506
	₱3,525,807	₱3,428,745

Terms and conditions of other noncurrent assets are as follows:

- Security and other deposits generally represent deposits for leases entered into by the JFC Group as lessee. The security deposits are recoverable from the lessors at the end of the lease terms, which range from three to twenty years. These are carried at amortized cost. The discount rates used range from 1.00%-15.43% and 2.91%-21.57% in 2020 and 2019, respectively. The difference between the fair value at initial recognition and the notional amount of the security deposits is recognized as right-of-use asset.

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

  Accretion of interest on security and other deposits and employee car plan receivables amounted to ₱4.0 million and ₱1.9 million for the periods ended June 30, 2021 and 2020, respectively (see Note 23).

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

  The rollforward analysis of prepaid market entry fee as at June 30, 2021 and December 31, 2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Market Entry Fee		
Balance at beginning and end of period	**₱93,870**	₱93,870
Accumulated Amortization		
Balance at beginning of period	**26,039**	20,830
Amortizations (see Note 22)	**2,532**	5,209
Balance at end of period	**28,571**	26,039
Translation adjustment	**9,426**	8,221
	₱74,725	₱76,052

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

The rollforward analysis of franchise rights as at June 30, 2021 and December 31, 2020 are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Franchise Rights		
Balance at beginning of period	**₱136,481**	₱143,172
Additions	**369**	2,511
Write-off	–	(9,202)
Balance at end of period	**136,850**	136,481

(Forward)

	June 2021 (Unaudited)	December 2020 (Audited)
Accumulated Amortization		
Balance at beginning of period	**₱71,982**	₱63,047
Amortizations (see Note 22)	**5,644**	12,313
Write-off	**–**	(3,378)
Balance at end of period	**77,626**	71,982
	₱59,224	₱64,499

- Tools and other assets represent tools for repairs and maintenance of office and store equipment which were still unused as at June 30, 2021 and December 31, 2020.

16. Trade Payables and Other Current Liabilities and Contract Liabilities

This account consists of:

	June 2021 (Unaudited)	December 2020 (Audited)
Trade	**₱12,072,376**	₱11,665,921
Accruals for:		
Salaries, wages and employee benefits	**3,585,489**	2,740,760
Store operations	**1,615,550**	1,687,259
Rent	**1,355,213**	1,355,193
Advertising and promotions	**1,292,322**	1,118,474
Freight	**1,035,504**	1,093,078
Local taxes	**909,668**	1,356,637
Interest (Note 18)	**591,281**	543,729
Utilities	**583,429**	625,803
Repairs and maintenance	**465,624**	414,559
Operating supplies	**322,905**	330,252
Professional fees	**303,563**	295,004
Security	**202,829**	212,063
Transportation and travel	**163,988**	145,180
Communication	**147,599**	136,689
Insurance	**68,110**	63,989
Trainings and seminars	**34,202**	20,812
Service fees and others	**1,683,209**	2,559,020
Customer deposits	**623,435**	1,207,191
Dividends and coupons payable	**585,328**	579,100
Unearned revenue from gift certificates	**499,871**	565,202
Other current liabilities	**1,459,501**	1,331,175
	29,600,996	30,047,090
Contract liabilities	**1,248,527**	1,318,924
	₱30,849,523	₱31,366,014

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

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

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

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

  Accretion of interest on customer deposits amounted to ₱0.4 million for the periods ended June 30, 2021 and 2020 (see Note 23).

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

- Contract liabilities pertain to deferred revenues and unearned revenues from gift certificates from international operations.

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

	June 2021 (Unaudited)	December 2020 (Audited)
Balance at beginning of period	**₱1,318,924**	₱1,008,073
Utilization and amortization	**(1,009,752)**	(1,713,631)
Additions	**931,499**	2,067,725
Translation adjustments	**7,856**	(43,243)
Balance at end of period	**₱1,248,527**	₱1,318,924

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

17. **Provisions**

The rollforward analysis of provisions is as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Balance at beginning of period	**₱1,326,746**	₱825,109
Additions (see Notes 1 and 23)	**–**	501,637
Balance at end of period	**1,326,746**	1,326,746
Current	**291,110**	291,110
Noncurrent	**₱1,035,636**	₱1,035,636

The JFC Group’s outstanding provisions consist mainly of provisions for asserted claims which are normal to the JFC Group’s business. These include estimates of legal services, settlement amounts and other costs of claims made against the JFC Group. Other information on the claims is not disclosed as this may prejudice the JFC Group’s position on such claims (see Note 30).

18. Short and Long-term Debts and Senior Debt Securities

Short-term Debt

The short-term debt consists of the following:

	Availment Date	Maturity Date	Interest Rate	Condition	**June 2021 (Unaudited)**	December 2020 (Audited)
USD-denominated						
Subsidiaries						
Loan 1	April 5, 2019- July 19, 2019	March 23, 2020/ March 31, 2021/ December 31, 2021	LIBOR plus spread; quarterly	Unsecured	**₱488,000**	₱960,400
Loan 2	August 22, 2019 -April 2, 2020	August 14, 2020/ February 3, 2021/ February 3, 2022	LIBOR plus spread; quarterly	Unsecured	**1,708,000**	1,680,700
Loan 3	September 30, 2020	September 24, 2021	LIBOR plus spread; quarterly	Unsecured	**488,000**	480,200
Loan 4	March 11, 2020- April 21, 2020	December 31, 2021	LIBOR plus spread; quarterly	Unsecured	**976,000**	1,440,600
Loan 5	October 27, 2020	September 24, 2021	LIBOR plus spread; quarterly	Unsecured	**488,000**	480,200
Parent Company						
Loan 6	April 23, 2020	September 24, 2021	1,2% Fixed rate	Unsecured	**1,464,000**	1,440,690
Loan 7	April 29, 2020	September 24, 2021	1,2% Fixed rate	Unsecured	**1,415,200**	1,392,667
PHP-denominated						
Parent Company						
Loan 8	April 15, 2020	April 10, 2021/ October 7, 2021	BVAL plus spread; quarterly	Unsecured	**4,000,000**	4,000,000
Subsidiary						
Loan 9	April 20, 2020	April 15, 2021/ October 12, 2021	Variable rate; quarterly	Unsecured	**1,000,000**	1,000,000
Loan 10	September 8, 2020	September 3, 2021	Variable rate; quarterly	Unsecured	**3,000,000**	3,000,000
					₱15,027,200	₱15,875,457

Loans of SJBF. Loan 1 consists of a short-term uncommitted line of credit agreement signed on March 22, 2019 with a local bank up to an aggregate amount of USD20.0 million (₱1,046.4 million) until April 1, 2020. The loan is subject to variable interest rate based on three-month LIBOR plus spread of 0.95% which is payable monthly and subject to quarterly repricing. The initial drawdown was availed on April 5, 2019 amounting to USD5.0 million (₱260.5 million). Subsequently, 2nd , 3rd and 4th drawdowns amounting to USD5.0 million (₱262.2 million), USD5.0 million (₱257.9 million) and USD5.0 million (₱255.2 million) were availed on May 14, 2019, June 21, 2019 and July 19, 2019, respectively. The maturity of the loan was extended from March 23, 2020 to March 31, 2021. On March 31, 2021, the credit agreement was further extended up to December 31, 2021. As at June 30, 2021 and December 31, 2020, the carrying value of the loan amounted to USD10.0 million (₱488.0 million) and USD20.0 million (₱960.4 million), respectively.

Loan 2. On August 14, 2019, Smashburger Finance LLC signed a short-term uncommitted line of credit agreement with a local bank up to an aggregate amount of USD20.0 million (₱1,045.6 million) until August 14, 2020. The loan is subject to variable interest rate based on three-month LIBOR plus spread of 0.95% which is payable and repriced quarterly. The initial drawdown was availed on August 22, 2019 amounting to USD5.0 million (₱261.3 million). Subsequently, 2nd and 3rd drawdowns amounting to USD10.0 million (₱507.3 million) and USD3.0 million (₱151.9 million) were availed on November 12, 2019 and December 30, 2019, respectively. The loan will mature on August 14, 2020.

On February 3, 2020, the credit agreement was amended to increase the aggregate amount from USD20.0 million (₱1,045.6 million) to USD35.0 million (₱1,778.0 million). The credit agreement was extended until February 3, 2021, the maturity date, and made available to the JFC Group's other subsidiaries in North America. Each loan is subject to variable interest rate based on three-month LIBOR plus spread of 0.85% which is payable monthly and subject to quarterly repricing. The 4th, 5th and 6th drawdowns amounting to USD10.0 million (₱506.8 million), USD5.0 million (₱253.4 million) and USD2.0 million (₱99.6 million) were availed on February 6, 2020, March 16, 2020 and April 2, 2020, respectively. On February 3, 2021, the credit agreement was extended up to February 3, 2022. As at June 30, 2021 and December 31, 2020, the carrying value of the loan amounted to USD35.0 million (₱1,708.0 million) and USD18.0 million (₱1,680.7 million), respectively.

Loan 3 consists of a short-term loan availed on September 30, 2020 from a local bank amounting to USD10.0 million (₱485.0 million) subject to variable interest rate based on three-month LIBOR plus spread determined by the bank and subject to quarterly repricing. The principal is payable on September 24, 2021, the maturity date. As at June 30, 2021 and December 31, 2020, the carrying value of the loan amounted to USD10.0 million (₱488.0 million) and USD10.0 million (₱480.2 million), respectively.

Loans 1 to 3 are guaranteed by the Ultimate Parent Company.

Loan of HFC and HFC (Canada). Loan 4 consists of a short-term uncommitted line of credit agreement signed on March 5, 2020 with a local bank up to an aggregate amount of USD30.0 million (₱1,517.7 million) until March 4, 2021. The loan is subject to variable interest rate based on three-month LIBOR plus spread of 0.80% which is payable and repriced quarterly. The initial drawdown was availed on March 11, 2020 amounting to USD15.0 million (₱760.2 million). The 2nd drawdown was availed on April 21, 2020 amounting to USD15.0 million (₱761.9 million). On March 3, 2021, the credit agreement was extended up to December 31, 2021. As at June 30, 2021 and December 31, 2020, the carrying value of the loan amounted to USD20.0 million (₱976.0 million) and USD30.0 million (₱1,440.6 million), respectively. This loan is guaranteed by the Ultimate Parent Company.

Loan of ICTL. Loan 5 consist of a short-term uncommitted line of credit agreement signed on September 25, 2020 with a local bank up to an aggregate amount of USD10.0 million (₱483.8 million). The loan was availed on October 27, 2020 and is subject to variable interest rate based on LIBOR plus spread determined by the bank and subject to quarterly repricing. The loan is payable in three months from drawdown date and can be rolled over until September 24, 2021, the maturity date. As at June 30, 2021 and December 31, 2020, the carrying value of the loan amounted to USD10.0 million (₱488.0 million) and USD10.0 million (₱480.2 million), respectively.

Loans of Parent Company. Loan 6 consists of a short-term loan availed on April 23, 2020 from a local bank amounting to USD30.0 million (₱1,520.1 million) subject to a 2.5% fixed interest rate which is payable on a quarterly basis. The principal is payable on February 26, 2021, the maturity date. On March 29, 2021, the loan agreement was extended up to September 24, 2021 and interest has been updated to a fixed rate of 1.2%. As at June 30, 2021 and December 31, 2020, the carrying value of the loan amounted to USD30.0 million (₱1,464.0 million) and USD30.0 million (₱1,440.7 million), respectively.

Loan 7 consists of a short-term loan availed on April 29, 2020 from a local bank amounting to USD29.0 million (₱1,464.8 million) subject to a 2.5% fixed interest rate which is payable on a quarterly basis. The principal is payable on February 26, 2021, the maturity date. On March 29, 2021, the loan agreement was extended up to September 24, 2021 and interest has been updated to a fixed rate of 1.2%. As at June 30, 2021 and December 31, 2020, the carrying value of the loan amounted to USD29.0 million (₱1,415.2 million) and USD29.0 million (₱1,392.7 million), respectively.

Loan 8 consists of a short-term loan availed on April 15, 2020 from a local bank amounting to ₱4,000.0 million subject to a variable interest rate based on three-month BVAL plus spread of 1.0%, subject to a floor of 5.0% which is payable and is reset on a quarterly basis. The principal is payable on April 10, 2021, the maturity date. On April 10, 2021, the loan agreement was extended up to October 7, 2021 and the variable interest has been updated based on three-month BVAL plus spread of 0.75%, subject to a floor of 2.0%.

Loans of ZFC. Loan 9 consists of a short-term loan availed on April 20, 2020 from a local bank amounting to ₱1,000.0 million subject to a variable interest rate which is payable and is reset on a quarterly basis. The principal is payable on April 15, 2021, the maturity date. On April 15, 2021, the loan agreement was extended up to October 12, 2021.

Loan 10 consists of a short-term loan availed on September 8, 2020 from a local bank amounting to ₱3,000.0 million subject to a variable interest rate based on three-month BVAL plus spread of 1.0%, subject to a floor of 5.0% which is payable and is reset on a quarterly basis. The principal is payable on September 3, 2021, the maturity date.

Loans 9 and 10 are guaranteed by the Parent Company.

Interest expense recognized on short-term debt amounted to ₱273.5 million and ₱219.2 million for the periods ended June 30, 2021 and 2020, respectively (see Note 23).

<u>Long-term Debt</u>

The long-term debt consists of the following:

	June 2021 (Unaudited)	December 2020 (Audited)
Principal	**₱17,281,914**	₱19,326,476
Unamortized debt issue cost	**(58,866)**	(68,263)
	₱17,223,048	₱19,258,213

The details of long-term debt follow:

	Availment Date	Maturity Date	Interest Rate	Condition	**June 2021 (Unaudited)**	December 2020 (Audited)
USD-denominated						
Subsidiaries						
Loan 1	October 21, 2015	October 21, 2025	LIBOR plus spread; quarterly	Unsecured	**₱2,684,000**	₱2,934,556
Loan 2	November 29, 2016	November 29, 2024	3.0% per annum; annually	Unsecured	**1,405,440**	1,382,976
Loan 3	November 29, 2016	November 29, 2022	ROP 2121 and ROP 2024 plus spread; annually	Unsecured	**374,784**	368,794
VND-denominated						
Subsidiaries						
Loan 4	April 3, 2017	April 1, 2022	VND COF plus spread; quarterly	Unsecured	**35,785**	61,731
Loan 5	February 13, 2018	March 20, 2023	VND COF plus spread; quarterly	Unsecured	**118,933**	167,482
Loan 6	November 15, 2018 - October 9, 2019	December 24, 2023	Bank's three-month COF plus spread; quarterly	Unsecured	**324,521**	383,875
Loan 7	November 19 - September 30, 2020	August 30, 2024	Bank's three-month COF plus spread; quarterly	Unsecured	**273,650**	311,250
Loan 8	August 27, 2020- June 30, 2021	July 26, 2026	Bank's three-month COF plus spread; quarterly	Unsecured	**347,302**	145,812
Parent Company						
Loan 9	April 22, 2016	April 22, 2021	PDST-R2 plus spread; quarterly	Unsecured	–	124,583
Loan 10	December 22, 2017	December 22, 2022	PDST-R2 plus spread; quarterly	Unsecured	**597,600**	796,800

(Forward)

	Availment Date	Maturity Date	Interest Rate	Condition	**June 2021 (Unaudited)**	December 2020 (Audited)
Loan 11	December 22, 2017	December 22, 2022	PDST-R2 plus spread; quarterly	Unsecured	**₱784,350**	₱1,045,800
Loan 12	December 22, 2017	December 22, 2022	PDST-R2 plus spread; quarterly	Unsecured	**298,800**	398,400
Loan 13	December 27, 2017	December 27, 2022	PDST-R2 plus spread; quarterly	Unsecured	**224,100**	298,800
Loan 14	March 27, 2018	March 27, 2025	PDST R2 plus spread; quarterly	Unsecured	**3,133,125**	3,550,875
Loan 15	May 11, 2018	May 11, 2025	PDST R2 plus spread; quarterly	Unsecured	**2,387,410**	2,685,803
Loan 16	August 15, 2018	August 15, 2025	PDST-R2 plus spread; quarterly	Unsecured	**2,282,946**	2,551,500
Subsidiaries						
Loan 17	December 21, 2016	December 21, 2021	PDST-R2 plus spread; quarterly	Unsecured	**109,945**	109,890
Loan 18	August 24, 2018	August 24, 2025	PDST-R2 plus spread; quarterly	Unsecured	**845,536**	945,000
Loan 19	May 8, 2019	May 8, 2026	BVAL plus spread	Unsecured	**994,821**	994,286
					17,223,048	19,258,213
Less current portion - net of debt issue costs of ₱18.1 million and ₱18.4 million in 2021 and 2020, respectively					**4,242,656**	4,720,096
Noncurrent portion					**₱12,980,392**	₱14,538,117

LIBOR – London Interbank Offered Rate
VIOR – Vietnam Interbank Offered Rate
BVAL – Bloomberg Valuation Service
PDST-R2 – Philippine Dealing System Treasury - Reference Rate Two

VND-denominated Loans of SuperFoods Group. Loan 7 consists of a 5-year unsecured loan acquired from a local bank in Vietnam amounting to VND160.0 billion (₱349.6 million) available in tranches within twelve (12) months from August 29, 2019, the date of loan agreement. The loan is subject to a variable interest rate based on the Bank's three-month COF plus spread of 1.35%. The principal is payable in sixteen (16) quarterly installments commencing on the 16th month from the date of agreement. Initial drawdown amounting to VND4.6 billion (₱10.2 million) was availed on November 19, 2019. Subsequent tranches amounting to a total of VND49.6 billion (₱108.4 million) were availed in November and December 2019 and a total of VND105.8 billion (₱229.6 million) were availed in 2020. The loan will mature on August 30, 2024. As at June 30, 2021 and December 31, 2020, the carrying value of the loan amounted to VND130.0 billion (₱273.7 million) and VND150.0 billion (₱311.3 million), respectively.

Loan 8 consists of a 5-year unsecured loan acquired from a local bank in Vietnam amounting to VND232.0 billion (₱484.6 million) available in tranches within twelve (12) months from July 27, 2020, the date of loan agreement. The loan is subject to a variable interest rate based on the Bank's three-month COF plus spread of 1.5%. The principal is payable in sixteen (16) quarterly installments commencing on the 16th month from the date of agreement. Initial drawdown amounting to VND7.2 billion (₱15.0 million) was availed on August 27, 2020. Subsequent tranches amounting to a total of VND63.1 billion (₱131.1 million) were availed in September to December 2020 and a total of VND94.7 billion (₱198.4 million) were availed in 2021. As at June 30, 2021 and December 31, 2020, the carrying value of the loan amounted to VND165.0 billion (₱347.3 million) and VND70.3 billion (₱145.8 million), respectively.

Loans 4 to 8 are guaranteed by the Ultimate Parent Company.

PHP-denominated Loans of the Parent Company. The Parent Company's PHP denominated long-term debt (Loans 9 to 16) amounted to ₱9,708.3 million and ₱11,452.6 million, net of unamortized debt issue cost of ₱49.2 million and ₱57.4 million as at June 30, 2021 and December 31, 2020, respectively. The current portion amounted to ₱2,710.5 million and ₱3,363.9 million, net of debt issue cost of ₱15.7 million and ₱16.2 million as at June 30, 2021 and December 31, 2020, respectively.

PHP-denominated Loan of Zenith. Loan 19 consist of 7-year unsecured loan acquired from a local bank on May 8, 2019 amounting to ₱1,000.0 million. The loan is subject to a variable interest equal to the simple average of the preceding five (5) banking days PHP BVAL Reference rate for three (3) months tenor plus spread of 0.66% or to an interest rate floor equal to the BSP Overnight Reverse Repurchase Rate plus spread of 0.50%. Zenith has an option to convert the variable interest rate into a fixed interest within one (1) year from the drawdown date. The conversion to fixed interest rate is based on simple average of the applicable/interpolated PHP BVAL Reference rate for the remaining tenor of the loan plus spread of 1.0%. Zenith incurred debt issue cost of ₱7.5 million, representing documentary stamp tax, in relation to this loan. The principal is payable in equal quarterly installments commencing on the 9th quarter from the drawdown date and every quarter thereafter until maturity. The carrying amount of the loan is ₱994.8 million and ₱994.3 million, net of unamortized debt issue cost of ₱5.2 million and ₱5.7 million, as at June 30, 2021 and December 31, 2020, respectively.

The loans are guaranteed by the Parent Company. Consequently, the Parent Company is subject to certain debt covenants which include, among others, maintaining Debt-to-Equity ratio, Debt-to-EBITDA ratio and Debt-to-Service Coverage Ratio. As at December 31, 2019, the Debt-to-EBITDA ratio was amended temporarily from 3.0-4.0 or below to 5.0 or below and Debt-to-Service Coverage Ratio was waived. In June 2020, the Debt-to-EBITDA ratio and Debt-to-Service Coverage Ratio were waived until December 31, 2021. Except for the ratios covered by the waiver, the Parent Company is in compliance with the applicable debt covenants as at June 30, 2021 and December 31, 2020.

Interest expense recognized on long-term debt amounted to ₱290.7 million and ₱409.4 million for the periods ended June 30, 2021 and 2020, respectively (see Note 23).

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

	June 2021 (Unaudited)	December 2020 (Audited)
2021	**₱2,417,729**	₱4,738,472
2022	**5,067,863**	5,041,401
2023	**3,346,523**	3,211,366
2024	**4,488,353**	4,383,325
2025 to 2026	**1,961,446**	1,951,912
	17,281,914	19,326,476
Less debt issue costs	**(58,866)**	(68,263)
	₱17,223,048	₱19,258,213

Embedded Derivatives

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

The JFC Group assessed that the derivatives embedded in the loan contracts need not be bifurcated since they are clearly and closely related to the economic characteristics and risks of the host loan contract and do not qualify for separate accounting as at June 30, 2021 and December 31, 2020.

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

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

The fair value of the IRS amounted to ₱103.1 million and ₱141.5 million as at June 30, 2021 and December 31, 2020, respectively, presented as derivative liability in the consolidated statements of financial position. The terms of the IRS approximately match the terms of the interest payments on the loan. Accordingly, there is no hedge ineffectiveness to be recognized in profit or loss.

Unrealized gain of ₱38.3 million and unrealized loss of ₱114.2 million were recognized in other comprehensive income for the periods ended June 30, 2021 and 2020, respectively.

Senior Debt Securities (Notes)
On June 24, 2020, the JFC Group, through JWPL, issued a USD300.0 million (₱14,994.0 million) 5.5-year and USD300.0 million (₱14,994.0 million) 10-year Reg S dual tranche US dollar denominated guaranteed Notes with a coupon rate of 4.125% and 4.750%, respectively, and payable semi-annually. This was listed in the Singapore Exchange Securities Trading Limited on June 25, 2020.

The proceeds from the issuance will be used for general corporate purposes, intended as a precautionary measure from the unforeseen eventualities that may be caused by the Covid-19 pandemic, as well as fund initiatives of the JFC Group (see Note 10).
The JFC Group incurred debt issue cost of USD4.0 million (₱200.4 million) for this transaction. As at June 30, 2021 and December 31, 2020, the carrying value of the Notes amounted to USD596.4 million (₱29,103.8 million) and USD596.2 million (₱28,629.0 million), net of unamortized debt issue cost of USD3.6 million (₱176.2 million) and USD3.9 million (₱183.0 million), respectively.

Interest expense recognized on senior debt securities amounted to ₱642.2 million and nil for the periods ended June 30, 2021 and 2020, respectively, (see Note 23).

19. **Equity**

a. Capital Stock

The movements in the account are as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Authorized - ₱1 par value		
1,450,000,000 shares	**₱1,450,000**	₱1,450,000
Issued and subscribed:		
Balance at beginning of period	**₱1,122,257**	₱1,110,149
Issuances during the period	**1,605**	12,108
Balance at end of period	**1,123,862**	1,122,257
Subscriptions receivable	**(17,178)**	(17,178)
	₱1,106,684	₱1,105,079

The total number of shareholders of the Parent Company is 2,991 and 2,999 as at June 30, 2021 and December 31, 2020, respectively.

b. Additional Paid-in-Capital

The movements in the Additional paid in-capital pertain to the difference between the exercise prices of stock options exercised and the par value of Parent Company's shares. For the period endeds June 30, 2021 and December 31, 2020, stock options totaling 1,605,665 shares and 12,108,364 shares, respectively, were exercised (see Note 26). These resulted to an additional paid-in capital amounting to ₱233.9 million and ₱1,268.7 million for the periods ended June 30, 2021 and December 31, 2020, respectively.

Stock options expense, amounting to ₱78.4 million and ₱135.6 million for the periods ended June 30, 2021 and 2020, respectively, were also recognized as part of additional paid-in capital (see Notes 22 and 26).

The Parent Company recognized deferred tax assets on MSOP and ELTIP, resulting to a decrease of ₱4.9 million and ₱340.5 million in additional paid-in capital for the periods ended June 30, 2021 and December 31, 2020, respectively.

As at June 30, 2021 and December 31, 2020, total additional paid-in capital amounted to ₱10,221.3 million and ₱9,913.9 million, respectively.

c. Treasury Shares

The cost of common stock of the Parent Company held in treasury of ₱180.5 million consists of 16,447,340 shares as at June 30, 2021 and December 31, 2020.

d. Senior Perpetual Securities (Securities)

The Securities amounting to USD600.0 million (₱30,588.0 million) was issued by the JFC Group, through JWPL, on January 23, 2020 and was listed in the Singapore Exchange Securities Trading Limited on January 24, 2020. The Securities confer a right to receive a return on the Securities (the "Distribution") every Distribution Payment Date as described in the terms and conditions of the Securities. These distributions are payable semi-annually in arrears on the Distribution

Payment Dates of each year. The Securities offered an initial distribution rate of 3.9%, noncallable in five (5) years and payable semi-annually. However, the Issuer may, at its sole and absolute discretion, prior to any Distribution Payment Date, resolve to defer payment of all or some of the Distribution which would otherwise be payable on that Distribution Payment Date subject to exceptions enumerated in the terms and conditions of the Securities. The Securities are perpetual securities in respect of which there is no fixed redemption date, but the Issuer may, at its option change the status of the Securities or redeem the same on instances defined under its terms and conditions. The Securities are unconditionally and irrevocably guaranteed by the Parent Company.

The proceeds from issuance of the Securities were partially used to refinance the short-term debt for the acquisition of CBTL (see Note 18) while some were invested to bond funds (see Note 10).

On July 23, 2020, JWPL paid the first distribution amounting to USD11.7 million (₱577.7 million). Distribution due as at June 30, 2021 totaling to USD11.7 million (₱565.1 million) has been accrued and subsequently paid on July 23, 2021.

The Securities are treated as equity as part of non-controlling interests in the consolidated financial statements of the JFC Group because nothing in the terms and conditions of the Securities gives rise to an obligation of the JFC Group to deliver cash or another financial asset in the future as defined by PAS 32.

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

The amount of excess of cost over the carrying value of non-controlling interests acquired as at June 30, 2021 and December 31, 2020, recognized as part of "Equity Attributable to Equity Holders of the Parent Company" section in the consolidated statements of financial position, resulted from the following acquisitions of non-controlling interests:

20% of Greenwich in 2006	₱168,257
15% of Belmont in 2007	375,721
40% of Adgraphix in 2010	(1,214)
30% of Mang Inasal in 2016	1,217,615
30% of HBFPPL in 2016	391,782
15% of SJBF in 2018	(347,395)
30% of Smashburger Long Island in 2020 (Note 11)	95,774
49% of Smashburger Westchester in 2020 (Note 11)	125,800
	₱2,026,340

f. Retained Earnings

The JFC Group has a cash dividend policy of declaring one-third of the JFC Group's net income for the year as cash dividends. It uses best estimate of its net income as basis for declaring cash dividends. Actual cash dividends per share declared as a percentage of the EPS are 76.2%, 12.4% and 38.6% in 2021, 2020 and 2019, respectively.

The Parent Company's cash dividend declarations for 2021, 2020 and 2019 follow:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total Cash Dividends Declared
			(In Thousands, except dividend per share)	
2021				
April 8	April 26	May 12	**₱0.78**	**₱861,054**
2020				
April 7	April 27	May 22	₱0.62	₱680,528
November 9	November 24	December 14	0.68	750,562
			₱1.30	₱1,431,090
2019				
April 8	April 26	May 9	₱1.23	₱1,341,178
November 11	November 26	December 10	1.35	1,473,767
			₱2.58	₱2,814,945

An important part of the JFC Group's growth strategy is the acquisition of new businesses in the Philippines and abroad. Examples were acquisitions of 85% of Yonghe King in 2004 in PRC (₱1,200.0 million), 100% of Red Ribbon in 2005 (₱1,700.0 million), the remaining 20% minority share in Greenwich in 2006 (₱384.0 million), the remaining 15% share of Yonghe King in 2007 (₱413.7 million), 100% of Hong Zhuang Yuan restaurant chain in PRC in 2008 (₱2,600.0 million), 70% of Mang Inasal in 2010 (₱2,976.2 million), 100% of Chowking US operations in 2011 (₱693.3 million), 40% of SJBF LLC, the parent company of the entities comprising the Smashburger business in US (₱4,812.8 million), including transaction costs in 2015, the remaining 30% minority share each in Mang Inasal (₱2,000.0 million) and HBFPPL (₱514.9 million), acquisition of GSC (₱8.6 million) in 2016, the acquisition of additional 10% share in SuperFoods Group (₱2,712.7 million) in 2017, acquisition of the remaining 60% share in SJBF LLC (₱5,735.8 million) in 2018, acquisition of the 80% of The Coffee Bean & Tea Leaf (₱17,098.7 million) in 2019 and the remaining 30% minority share in Smashburger Long Island (₱95.8 million) in 2020.

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

Details of the appropriated retained earnings as at June 30, 2021 and December 31, 2020 follow:

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

The unappropriated retained earnings of the Parent Company is also restricted to the extent of cost of common stock held in treasury amounting to ₱180.5 million as at June 30, 2021 and December 31, 2020, respectively.

The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in SEC Memorandum Circular No. 11, amounted to ₱14,669.1 million and ₱12,566.0 million as at June 30, 2021 and December 31, 2020, respectively.

g. Planned Issuance of Preferred Shares and Buy-Back of Senior Perpetual Securities

On May 11, 2021, the BOD of the Parent Company approved the amendment to the Seventh Article of the Articles of Incorporation of the Parent Company to reclassify twenty million (20,000,000) unissued common shares, with par value of ₱1.00 per share, out of the authorized capital stock of the Parent Company, into twenty million (20,000,000) cumulative, non-voting, non-participating, and non-convertible perpetual preferred shares, with a par value of ₱1.00 per share and the Parent Company's plans to issue peso preferred shares and to buy back some of its senior perpetual securities through a cash tender offer within 2021. The amount of the planned preferred shares issuance is estimated at ₱8,000.0 million. The amount of the buy-back of senior perpetual securities could reach up to USD250.0 million.

The issuance of the preferred shares was approved by the Parent Company's shareholders during the Parent Company's annual stockholders' meeting on June 25, 2021, and is subject to the approval of the Philippine SEC.

h. Amendments of the Articles of Incorporation of the Parent Company and its Subsidiaries

On June 1, 2021, the BOD of the Parent Company and its subsidiaries approved the amendments to Second Article of the Articles of Incorporation to clarify and ensure, for avoidance of doubt of the Parent Company and its subsidiaries, in pursuit of its primary business purpose can invest in, acquire, own, hold, use, sell, assign, transfer, lease, mortgage, exchange, or otherwise dispose of real and personal properties, of every kind and description, or interests therein.

The amendments of Articles of Incorporation of the Parent Company was approved by the Parent Company's shareholders during the Parent Company's annual stockholders' meeting on June 25, 2021, and is subject to the approval of the Philippine SEC.

In relation with the Securities Regulation Code, below is the summary of the Parent Company's track record of registration of securities.

	Number of Shares registered	Initial issue/offer price	Listing Date	Number of holders of securities **June 2021 (Unaudited)**	 December 2020 (Audited)
Common shares	75,000,000	₱9	July 14, 1993	**2,991**	2,999

20. Royalty, Set-up Fees and Others

This account consists of:

	June 2021 (Unaudited)	June 2020 (Unaudited)
Royalty fees	**₱3,236,560**	₱2,757,974
Service fees	**106,996**	108,073
Set-up fees	**59,637**	91,091
Scrap sales	**39,030**	64,496
Rent income (see Notes 13 and 29)	**8,346**	11,286
Delivery fees and others	**441,651**	176,457
	₱3,892,220	₱3,209,377

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

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

On June 24, 2021, the Parent Company and its subsidiaries, Fresh N' Famous and Mang Inasal have entered into a license agreement with Milkshop International Co., Ltd. ("Milkshop"), a popular Taiwanese Bubble tea brand. The license agreement grants the Parent Company, Fresh N' Famous and Mang Inasal the exclusive rights to sell and market products under the Milksha brand in JFC Group's stores starting with Chowking stores.

21. Direct Costs

This account consists of:

	June 2021 (Unaudited)	June 2020 (Unaudited)
Cost of Sales		
Cost of inventories*	**₱31,394,639**	₱29,159,340
Personnel costs:		
Salaries, wages and other employee benefits	**8,813,443**	8,822,589
Pension expense	**69,012**	90,808
Depreciation and amortization (see Notes 12 and 29)	**6,102,877**	6,977,675
Contracted services*	**3,009,753**	3,186,769
Electricity and other utilities	**1,950,928**	2,129,570
Rent* (see Note 29)	**1,519,310**	1,330,450
Supplies	**1,145,192**	1,214,526
Repairs and maintenance	**842,503**	866,187
Security and janitorial	**454,533**	494,245
Communication	**162,016**	199,059
Professional fees	**38,122**	62,344
Representation and entertainment	**24,644**	53,642
Delivery costs, insurance and others*	**2,714,749**	2,969,878
	58,241,721	57,557,082
Cost of Services		
Advertising expense	**1,041,578**	719,781
	₱59,283,299	₱58,276,863

**The JFC Group changed the presentation for the six-month period ended June 30, 2020 to conform with the presentation used in the note disclosure for the six-month period ended June 30 2021.*

22. General and Administrative Expenses

This account consists of:

	June 2021 (Unaudited)	June 2020 (Unaudited)
Personnel costs:		
Salaries, wages and other employee benefits	**₱4,262,694**	₱4,771,263
Stock options expense (see Notes 19 and 26)	**78,366**	135,626
Pension expense	**75,386**	88,612
Taxes and licenses	**765,992**	760,396
Professional fees	**571,993**	715,991
Depreciation and amortization (see Notes 12, 14, 15 and 29)	**319,996**	298,901
Contracted services	**278,654**	700,882
Reversals of provision for impairment on:		
Property, plant and equipment (see Note 12)	**(242,249)**	(24,464)
Inventories (see Note 8)	**(6,925)**	(3,581)
Receivables (see Note 7)	**(6,566)**	–
Rent (see Note 29)	**216,271**	246,216
Loss on retirements and disposals of property, plant and equipment and intangibles (see Note 12)	**211,652**	240,850
Repairs and maintenance	**203,640**	124,010
Membership and subscriptions	**154,070**	123,812
Transportation and travel	**134,464**	274,065
Communication	**106,548**	133,359
Insurance	**58,230**	60,347
Impairment in value of:		
Receivables (see Note 7)	**39,390**	6,117
Inventories (see Note 8)	**11,452**	149,826
Supplies	**46,226**	48,944
Training	**33,394**	66,380
Donations	**32,744**	230,738
Corporate events	**27,850**	153,455
Representation and entertainment	**13,091**	22,634
Electricity and other utilities	**19,527**	25,972
Association dues	**19,277**	20,034
Security and janitorial	**5,989**	7,967
Research and development and others (see Notes 14, 15 and 29)	**440,075**	428,025
	₱7,871,231	₱9,806,377

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

	June 2021 (Unaudited)	June 2020 (Unaudited)
Interest income		
Loans and advances (see Note 11)	**₱25,222**	₱44,089
Cash and cash equivalents and short-term investments (see Note 6)	**23,477**	78,431
Accretion of:		
Lease receivables (see Note 29)	**7,350**	17,030
Interest on security and other deposits and employee car plan receivables (see Note 15)	**3,963**	1,856
	₱60,012	₱141,406

	June 2021 (Unaudited)	June 2020 (Unaudited)
Interest expense		
Financing:		
Senior debt securities (see Note 18)	**(₱642,195)**	₱–
Long-term debt (see Note 18)	**(290,713)**	(409,353)
Short-term debt (see Note 18)	**(273,499)**	(219,181)
	(1,206,407)	(628,534)
Accretion of:		
Lease liabilities (see Note 29)	**(798,538)**	(990,539)
Customer deposits (see Note 16)	**(390)**	(439)
	(798,928)	(990,978)
	(₱2,005,335)	(₱1,619,512)

	June 2021 (Unaudited)	June 2020 (Unaudited)
Other income (expense)		
Write-off of liabilities	**₱567,538**	₱585,195
Unrealized gain from financial assets at FVTPL - net (see Note 10)	**293,944**	–
Pre-termination of lease agreements (see Note 29)	**245,436**	103,110
Bank charges	**(205,908)**	(200,985)
Rebates, suppliers' incentives and government subsidies	**200,131**	173,002
Foreign exchange gain (loss) - net	**64,671**	(18,339)
Penalties and charges	**27,635**	20,535
Other rentals	**5,694**	6,497
Charges to franchisees	**2,123**	4,475
Provisions (see Note 17)	–	(6,235,585)
Insurance claims and others	**87,266**	204,884
	₱1,288,530	(₱5,357,211)

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

24. Income Taxes

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

	June 2021 (Unaudited)	June 2020 (Unaudited)
Final tax withheld on:		
Royalty income	**₱619,736**	₱534,896
Interest income	**1,188**	4,744
RCIT:		
With itemized deduction	**119,229**	74,361
With Optional Standard Deduction (OSD)	**2,042**	2,810
MCIT	**23,386**	102,127
	₱765,581	₱718,938

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

For the period ended June 30, 2021, Grandworth, a wholly-owned subsidiary, elected to use OSD in computing for its taxable income. The net tax benefit from the availment of OSD amounted to ₱0.8 million for the period ended June 30, 2021.

For the period ended June 30, 2020, Grandworth and RRBH, wholly-owned subsidiaries, elected to use OSD in computing for their taxable income. The net tax benefit from the availment of OSD amounted to ₱0.4 million for the period ended June 30, 2020.

The components of the JFC Group's recognized net deferred tax assets as at June 30, 2021 and December 31, 2020 follow:

	June 2021 (Unaudited)	December 2020 (Audited)
Deferred tax assets:		
Lease liabilities	**₱4,869,967**	₱6,079,643
NOLCO:		
USA-based entities	**1,352,320**	1,284,699
Philippine-based entities	**718,499**	1,067,152
PRC-based entities	**352,365**	288,725
Europe-based entities	**2,034**	1,955
Accrued expenses of USA-based entities	**1,050,886**	949,995
Pension liability and other benefits	**675,186**	751,806
Excess of MCIT over RCIT	**430,204**	411,332

(Forward)

	June 2021 (Unaudited)	December 2020 (Audited)
Accumulated impairment loss in value of receivables, inventories, property, plant and equipment and other nonfinancial assets	**₱296,132**	₱422,318
Unrealized foreign exchange loss	**43,431**	121,092
Unaccreted discount on security deposits and employee car plan receivables	**28,930**	35,621
MSOP and ELTIP	**10,703**	64,867
Unamortized past service costs	**4,410**	5,672
Others	**87,839**	85,453
	9,922,906	11,570,330
Deferred tax liabilities:		
Right-of-use assets	**4,010,974**	5,009,602
Excess of fair value over book value of identifiable assets of acquired businesses	**260,265**	256,016
Unrealized foreign exchange gain	**59,189**	85,578
Unrealized gain on change in fair value of financial assets at FVTPL	**24,613**	26,666
Unaccreted discount on employee car plan receivables and security deposits	**18,588**	26,733
Deferred rent expense	**15,569**	14,403
Operating lease receivables	**15,284**	20,046
Prepaid rent	**14,026**	16,902
	4,418,508	5,455,946
Deferred tax assets - net	**₱5,504,398**	₱6,114,384

The components of the JFC Group's recognized net deferred tax liabilities as at June 30, 2021 and December 31, 2020 follow:

	June 2021 (Unaudited)	December 2020 (Audited)
Deferred tax assets:		
Lease liabilities	**₱3,403,504**	₱3,531,281
Allowance for impairment loss on receivables, inventories and property, plant and equipment	**121,155**	144,021
NOLCO:		
Hungary-based entity	**102,197**	100,564
Asia-based entities	**39,029**	28,185
Pension liability and other benefits	**34,041**	42,332
Capital allowance	**18,175**	17,884
Operating lease receivable	**12,849**	13,800
Accrued expenses of USA-based entities	**12,213**	12,213
MSOP and ELTIP	**1,789**	2,146
Unaccreted discount on security deposits and employee car plan receivables	**433**	806

(Forward)

	June 2021 (Unaudited)	December 2020 (Audited)
Unamortized past service costs	**₱247**	₱324
Unrealized foreign exchange loss	–	5
	3,745,632	3,893,561
Deferred tax liabilities:		
Excess of fair value over book value of identifiable assets of acquired businesses	**4,362,294**	4,362,947
Right-of-use assets	**3,209,298**	3,355,089
Finance lease receivables	**25,158**	30,189
Unaccreted discount on employee car plan receivables, security and product security deposits	**759**	915
Unrealized foreign exchange gain	**34**	–
	7,597,543	7,749,140
Deferred tax liabilities - net	**₱3,851,911**	₱3,855,579

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

	June 2021 (Unaudited)	Decembe 2020 (Audited)
Balance at beginning of period	**₱2,258,805**	₱276,629
Income tax effect to profit or loss	**(658,690)**	2,205,626
Tax effect of MSOP and ELTIP	**(4,855)**	(340,449)
Income tax effect of remeasurements of net defined benefit plan	**–**	165,324
Translation adjustments	**57,227**	(48,325)
Balance at end of period	**₱1,652,487**	₱2,258,805

OSD

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

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

	June 2021 (Unaudited)	December 2020 (Audited)
Deferred tax assets:		
Lease liabilities	**₱6,257**	₱7,930
Allowance for impairment loss on receivables and nonfinancial assets	**4,244**	4,550
Unaccredited discount on financial instruments and others	**40**	218
	10,541	12,698
Deferred tax liabilities:		
Operating lease receivables	**8,656**	8,029
Right-of-use assets	**–**	109
Others	**123**	117
	8,779	8,255
Deferred tax assets - net	**₱1,762**	₱4,443

As at June 30, 2021, NOLCO and excess of MCIT over RCIT of the Philippine-based entities that can be claimed as deductions from taxable income and income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefit up to	NOLCO	Excess of MCIT over RCIT
2021	December 31, 2026	₱–	₱59,500
2020	December 31, 2025	3,037,977	202,311
2019	December 31, 2022	519,198	218,970
		3,557,175	480,781
Utilized during the period		(684,208)	–
Adjustments due to the CREATE Act		1,029	(50,577)
		₱2,873,996	₱430,204

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation on April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the JFC Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

- For investments prior to effectivity of CREATE:

  - Registered business enterprises granted only an income tax holiday (ITH) – can continue with the availment of the ITH for the remaining period of the ITH.

Applying the provisions of the CREATE Act, the JFC Group have been subjected to the lower RCIT rate of 25% of taxable income or the reduced MCIT rate of 1% of gross income, effective July 1, 2020. Likewise, the impact on the December 31, 2020 consolidated balances had the CREATE Act been substantially enacted as of then, that were adjusted in 2021, are as follows:

Unaudited Consolidated Statement of Financial Position

Amount in millions	Increase (Decrease)
Prepaid taxes	₱59.9
Deferred tax assets	(1,096.6)
Income tax payable	(8.8)
Deferred tax liabilities	(535.5)

Unaudited Consolidated Statement of Comprehensive Income

Amount in millions	Increase (Decrease)
Provision for current income tax	(₱68.7)
Provision for deferred income tax	561.1
Net income attributable to equity holders of the Parent Company	(433.3)
Net income attributable to non-controlling interests	(59.1)

Deferred tax assets on temporary differences and carryforward benefits of NOLCO and excess of MCIT over RCIT of the Philippine-based subsidiaries, which were not recognized as it is not probable that taxable income will be sufficient against which they can be utilized, amounted to ₱2,699.2 million and ₱382.2 million, respectively, as at June 30, 2021 and ₱2,899.0 million and ₱409.5, respectively, as at December 31, 2020.

The PRC enterprise income tax law provides that income tax rates are unified at 25%. As at June 30, 2021, NOLCO of the PRC-based entities that can be claimed as deductions from taxable income are as follows:

Year Incurred	Carryforward Benefit Up to	Tax Losses	Deferred Tax at 25%
2021	December 31, 2026	₱229,420	₱57,355
2020	December 31, 2028	919,420	229,855
2019	December 31, 2024	55,240	13,810
2018	December 31, 2023	41,096	10,274
2017	December 31, 2022	36,168	9,042
2016	December 31, 2021	102,976	25,744
		1,384,320	346,080
Translation adjustments		25,140	6,285
		₱1,409,460	₱352,365

As provided in Article 4 of the Announcement of the Ministry of Finance and the State Administration of Taxation No. 8 of 2020, the maximum carry forward period for losses incurred by enterprises in difficult industries greatly affected by the epidemic in 2020 is extended from five (5) years to eight (8) years.

As at June 30, 2021, NOLCO of the USA-based entities that can be claimed as deductions from taxable income are as follows:

Year Incurred	Tax Losses	Deferred Tax at 21%
2021	₱575,338	₱120,821
2019	3,359,400	705,474
2018	2,718,152	570,812
2017	40,062	8,413
	6,692,952	1,405,520
Utilized during the period	(352,700)	(74,067)
Translation adjustments	99,367	20,867
	₱6,439,619	₱1,352,320

NOLCO of USA-based entities has no prescription effective taxable year 2018. The 2017 NOLCO will expire in 2037.

As at June 30, 2021, NOLCO of the Europe-based entities that can be claimed as deductions from taxable income are as follows:

Year Incurred	Tax Losses	Deferred Tax at 19%
2018	₱10,289	₱1,955
Translation adjustments	416	79
	₱10,705	₱2,034

NOLCO of Europe-based entities has no prescription.

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

	June 2021 (Unaudited)	December 2020 (Audited)
Balance at beginning of period	**₱2,771,280**	₱875,622
Additions	**178,176**	1,986,398
Utilization during the period	**(245,119)**	(60,726)
Change in tax rate due to the CREATE Act	**(177,859)**	–
Translation adjustments	**39,966**	(30,014)
	₱2,566,444	₱2,771,280

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

	June 2021 (Unaudited)	December 2020 (Audited)
Balance at beginning of period	**₱411,332**	₱654,418
Additions	**69,449**	192,362
Change in tax rate due to the CREATE Act	**(50,577)**	–
Write-offs and expirations	**–**	(435,448)
	₱430,204	₱411,332

The net change in deferred tax liabilities recognized in equity amounted to ₱165.3 million in 2020.

Provision for current income tax of foreign entities operating in the United States, PRC, Vietnam and Singapore amounted to ₱35.1 million, ₱18.2 million, ₱12.2 million and ₱6.0 million, respectively, for the period ended June 30, 2021 and ₱14.4 million, nil, ₱20.7 million and ₱7.8 million, respectively, for the period ended June 30, 2020.

25. Pension Liability

Defined Benefit Plan

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

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

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

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

Changes in pension liability of the JFC Group in 2020 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At January 1, 2020	₱4,734,016	₱2,512,696	₱2,221,320
Opening balance adjustment	26	–	26
Pension expense:			
Current service cost	388,495	–	388,495
Net interest	219,328	111,727	107,601
Past service cost	–	–	–
Settlement loss	(400,521)	–	(400,521)
	207,302	111,727	95,575
Benefits paid	(264,916)	(264,916)	–
Settlement paid	(607,695)	(607,695)	–
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	41,690	(41,690)
Actuarial changes arising from changes in financial assumptions	703,881	–	703,881
Actuarial changes due to experience adjustment	(61,145)	–	(61,145)
Actuarial changes due to demographic adjustment	–	–	–
	642,736	41,690	601,046
Transferred out - net	(467)	–	(467)
At December 31, 2020	₱4,711,002	₱1,793,502	₱2,917,500

Changes in pension liability of the JFC Group in 2019 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At January 1, 2019	₱3,484,946	₱2,164,300	₱1,320,646
Pension expense:			
Current service cost	270,535	–	270,535
Net interest	251,452	151,420	100,032
Settlement loss	23,600	–	23,600
	545,587	151,420	394,167

(Forward)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
Benefits paid	(₱198,182)	(₱198,182)	₱–
Settlement paid	(133,226)	(133,226)	–
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	126,830	(126,830)
Actuarial changes arising from changes in financial assumptions	444,835	–	444,835
Actuarial changes due to experience adjustment	528,344	–	528,344
Actuarial changes due to demographic adjustment	63,920	–	63,920
	1,037,099	126,830	910,269
Contributions	–	401,554	(401,554)
Transferred out - net	(2,208)	–	(2,208)
At December 31, 2019	₱4,734,016	₱2,512,696	₱2,221,320

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

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

	June 2021 (Unaudited)	December 2020 (Audited)
Cash and cash equivalents	**₱94,848**	₱30,787
Investments in government and corporate debt securities	**1,971,822**	1,878,841
Investments in quoted equity securities:		
Holding firms	**254,939**	277,686
Property	**171,853**	175,618
Banks	**137,859**	126,185
Food and beverage	**74,423**	57,071
Telecommunications	**48,729**	39,578
Electricity, energy, power and water	**43,987**	24,005
Others	**53,085**	48,122
Interest and dividends receivable	**19,432**	25,188
Fund liabilities (see Notes 7 and 27)	**(788,788)**	(889,579)
	₱2,082,189	₱1,793,502

The plan assets consist of the following:

- Investments in government securities which consist of retail treasury bonds that bear interest ranging from 2.63%-8.75% and have maturities from February 2022 to October 2037 and fixed-rate treasury notes that bear interest ranging from 2.38%-8.75% and have maturities from January 2022 to November 2032.

- Investments in debt securities consist of long-term corporate bonds in the property sector, which bear interest ranging from 5.13%-6.30% maturing from March 2024 to October 2026.

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

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

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

	December 31, 2020	December 31, 2019
Discount rate	3.6% – 4.3%	4.9% – 5.5%
Salary increase rate	6.00%	6.00%

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

	Increase	Philippine Plan	
	(Decrease)	2020	2019
Discount rates	+0.50%	(₱1,028,752)	(₱636,924)
	-0.50%	1,160,221	777,116
Future salary increases	+0.50%	1,153,401	773,398
	-0.50%	(1,026,755)	(636,797)

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

	2020	2019
Less than 1 year	₱774,144	₱822,626
More than 1 year to 5 years	1,244,033	1,357,711
More than 5 years to 10 years	2,141,595	2,599,074
More than 10 years to 15 years	2,571,487	3,135,585
More than 15 years to 20 years	3,065,269	3,418,491
More than 20 years	8,982,778	11,479,469

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

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

The Parent Company and certain Philippine-based subsidiaries contributed ₱385.6 million to the defined benefit pension plans in 2021.

The average duration of the defined benefit obligation is 10 years as at December 31, 2020 and 2019.

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

Pension expense under the defined contribution plan amounted to ₱228.3 million and ₱175.4 million for the periods ended June 30, 2021 and 2020, respectively.

26. Stock Options Plan

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

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

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

Each MSOP cycle refers to the period commencing on the MSOP grant date and ending on the last day of the MSOP exercise period. Vesting is conditional on the employment of the employee-participants in the JFC 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 JFC Group with reference to the prevailing market prices over the three months immediately preceding the date of grant for the 1st up to the 7th MSOP cycle. Starting with the 8th MSOP cycle, the exercise price of the option is determined by the JFC Group with reference to the market closing price at date of grant.

The options will vest at the rate of one-third of the total options granted from the start of the grant date on each anniversary date which will start after a year from the grant date. For instance, under the 1st MSOP cycle, the Compensation Committee of the JFC Group granted 2,385,000 options to eligible participants on July 1, 2004. One-third of the options granted, or 795,000 options, vested and may be exercised starting July 1, 2005. The exercise period for the 1st MSOP cycle was until June 30, 2012. From July 1, 2005 to September 25, 2019, the Compensation Committee granted series of MSOP grants under the 2nd to 16th MSOP cycle to eligible participants.
Under the most recent grant on September 25, 2020, the 17th MSOP cycle, the Compensation Committee granted 4,207,060 options. These options vest similar to the 1st MSOP cycle.

The options under MSOP expire eight years after grant date. The 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th and 9th MSOP cycles expired on 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020, respectively.

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

The movements in the number of stock options outstanding under MSOP and related weighted average exercise prices (WAEP) for the period ended June 30, 2021 and years ended December 31, 2020 and 2019 follow:

	June 2021 (Unaudited)		December 2020 (Audited)		December 2019 (Audited)	
	Number of Options	**WAEP**	Number of Options	WAEP	Number of Options	WAEP
Total options granted at beginning of period	**56,922,204**	**₱118.03**	52,715,144	₱116.43	50,492,844	₱111.92
Options granted during the period	–	–	4,207,060	138.00	2,222,300	219.00
Total options granted at end of period	**56,922,204**	**₱118.03**	56,922,204	₱118.03	52,715,144	₱116.43
Outstanding at beginning of period	**19,415,930**	**₱191.22**	17,905,148	₱200.38	17,613,253	₱193.07
Options granted during the period	–	–	4,207,060	138.00	2,222,300	219.00
Options exercised during the period	**(1,605,665)**	**146.70**	(1,223,364)	112.70	(1,696,402)	139.16
Options forfeited during the period	–	–	(1,472,914)	215.80	(234,003)	270.75
Outstanding at end of period	**17,810,265**	**195.23**	19,415,930	₱191.22	17,905,148	₱200.38
Exercisable at end of period	**11,018,988**	**₱208.91**	12,624,653	₱201.00	12,077,981	₱188.14

The weighted average share price of the Parent Company's common shares is ₱186.19, ₱147.16 and ₱264.79 in 2021, 2020 and 2019, respectively. The weighted average remaining contractual life for the stock options outstanding is 4.70 years, 4.62 years and 4.48 years as at December 31, 2020, 2019 and 2018, respectively.

The weighted average fair value of stock options granted in 2020, 2019 and 2018 is ₱33.84, ₱48.07 and ₱58.42, respectively. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because the option plan allows exercise before the expiry date.

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

MSOP Cycle	Year of Grant	Dividend Yield	Expected Volatility	Risk-free Interest Rate	Expected Life of the Option	Stock Price on Grant Date	Exercise Price
1st	2004	1.72%	36.91%	6.20%	5-7 years	₱24.00	₱20.00
2nd	2005	1.72%	36.91%	6.20%	5-7 years	29.00	27.50
3rd	2006	1.72%	36.91%	6.20%	5-7 years	35.00	32.32
4th	2007	1.70%	28.06%	6.41%	3-4 years	52.50	50.77
5th	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
6th	2009	2.00%	30.37%	5.28%	3-4 years	48.00	45.45
7th	2010	2.00%	29.72%	5.25%	3-4 years	70.00	57.77
8th	2011	2.00%	34.53%	4.18%	3-4 years	89.90	89.90
9th	2012	2.00%	28.72%	3.50%	3-4 years	107.90	107.90
10th	2013	2.00%	29.38%	2.68%	3-4 years	145.00	145.00
11th	2014	2.00%	24.87%	2.64%	3-4 years	179.80	179.80
12th	2015	2.00%	18.94%	2.98%	3-4 years	180.00	180.00
13th	2016	2.00%	17.76%	2.63%	3-4 years	236.00	236.00
14th	2017	2.00%	16.70%	3.92%	3-4 years	206.20	206.20
15th	2018	2.00%	28.98%	4.95%	3-4 years	245.00	245.00
16th	2019	2.00%	27.65%	4.18%	3-4 years	219.00	219.00
17th	2020	2.00%	35.17%	2.40%	3-4 years	138.00	138.00

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

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

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

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

The options will vest at the rate of one-third of the total options granted on each anniversary date which will start after the goals are achieved. For instance, on July 1, 2004, the Compensation Committee gave an entitlement of 22,750,000 options under the 1st ELTIP cycle to eligible participants. One-third of the options granted, or 7,583,333 options, vested and were exercised starting July 1, 2007 until June 30, 2012. On July 1, 2008, October 19, 2012, August 25, 2015 and

January 3, 2018, entitlement to 20,399,999, 24,350,000, 11,470,000 and 9,290,000 options were given to eligible participants under the 2nd, 3rd, 4th and 5th ELTIP cycles, respectively. The 1st, 2nd and 3rd ELTIP cycles expired on June 30, 2012, April 30, 2017 and April 30, 2020, respectively. The stock options granted under the 4th ELTIP cycle will expire in 2023.

The JFC Group does not pay cash as a form of settlement.
The movements in the number of stock options outstanding for the 3rd to 4th ELTIP cycles and related WAEP for the period ended June 30, 2021 and years ended December 31, 2020 and 2019 follow:

	June 2021 (Unaudited)		December 2020 (Audited)		December 2019 (Audited)	
	Number of Options	**WAEP**	Number of Options	WAEP	Number of Options	WAEP
Total options granted at beginning and end of period	**78,969,999**	**₱74.58**	78,969,999	₱74.58	78,969,999	₱74.58
Outstanding at beginning of period	**4,073,368**	**₱180.00**	15,368,368	₱123.22	18,630,000	₱120.55
Options exercised during the period	–	–	(10,885,000)	105.00	(3,238,299)	107.47
Options forfeited during the period	–	–	(410,000)	110.56	(23,333)	180.00
Outstanding at end of year	**4,073,368**	**₱180.00**	4,073,368	₱180.00	15,368,368	₱123.22
Exercisable at end of year	**4,073,368**	**₱180.00**	4,073,368	₱180.00	13,895,035	₱117.2

The weighted average remaining contractual life for the stock options outstanding is 2.33 years, 1.06 years and 2.07 years as at December 31, 2020, 2019 and 2018, respectively.

The fair value of stock options granted is ₱26.13 in 2015. There were no additional stock option grants under ELTIP in 2020, 2019 and 2018. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date.

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

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

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

The cost of the stock options expense charged to operations for both MSOP and ELTIP in the “General and administrative expenses” account amounted to ₱78.4 million and ₱136.6 million for the periods ended June 30, 2021 and 2020, respectively (see Notes 19 and 22). Correspondingly, a credit was made to additional paid-in-capital (see Note 19).

27. **Related Party Transactions**

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

Compensation of Key Management Personnel of the JFC Group
The aggregate compensation and benefits to key management personnel of the JFC Group are as follows:

	June 2021 (Unaudited)	June 2020 (Unaudited)
Salaries and short-term benefits	**₱469,486**	₱557,904
Stock options expense (see Notes 22 and 26)	**78,366**	135,626
Net pension expense	**39,872**	52,674
Employee car plan and other long-term benefits	**25,530**	21,664
	₱613,254	₱767,868

Transactions with the Retirement Plans
As at June 30, 2021 and December 31, 2020, certain retirement funds of the JFC Group include investment in equity securities of the Parent Company with details as follows:

	June 2021 (Unaudited)	December 2020 (Audited)
Number of shares	**103,860**	105,560
Market value	**₱22,185**	₱20,605
Cost	**16,874**	16,765
Unrealized gain	**₱5,311**	₱3,840

The JFC Group's receivable from the retirement fund amounted to ₱777.8 million and ₱878.7 million as at June 30, 2021 and December 31, 2020, respectively (see Notes 7 and 25). The receivable arose from benefit payments made by the JFC Group for and in behalf of the retirement plans. The receivable is noninterest-bearing.

Terms and Conditions of Transactions with other Related Parties
Transactions with related parties are made at market prices and are normally settled in cash. The JFC Group has approval process and established limits when entering into material related party transactions. Other related party transactions between entities under the JFC Group are eliminated in the consolidation process.

28. **Earnings Per Share (EPS)**

Basic and diluted EPS are computed as follows:

	June 2021 (Unaudited)	June 2020 (Unaudited)
	(In Thousand pesos, except for shares data and EPS)	
(a) Net income (loss) attributable to the equity holders of the Parent Company	**₱1,128,354**	(₱11,963,440)
(b) Weighted average number of shares - basic	**1,102,309,646**	1,098,357,515
Weighted average number of shares outstanding under the stock options plan	**13,402,081**	8,164,904
Weighted average number of shares that would have been purchased at fair market value	**(12,220,452)**	(5,973,908)
(c) Adjusted weighted average shares - diluted	**1,103,491,275**	1,100,548,511
EPS		
Basic (a/b)	**₱1.024**	(₱10.892)
Diluted (a/c)	**1.023**	(10.870)

Potential common shares for stock options under the 13th to 16th MSOP cycles in 2021 and 10th to 16th MSOP cycles and 4th ELTIP cycle in 2020 were not included in the calculation of the diluted EPS in 2021 and 2020, respectively, because they are anti-dilutive.

29. **Leases**

<u>JFC Group as Lessee</u>
The JFC Group has lease contracts for QSR outlets, warehouses and office spaces. Leases of QSR outlets and warehouses generally have lease terms between three (3) to twenty (20) years. The JFC Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the JFC Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The JFC Group also has certain leases of QSR outlets with lease term of 12 months or less. The JFC Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	QSR Outlets	Warehouses	Office Spaces	Total
As at December 31, 2019, As restated	**₱41,736,396**	**₱609,018**	**₱121,548**	**₱42,466,962**
Additions	6,175,350	–	–	6,175,350
Pre-terminations	(5,278,846)	(1,338)	–	(5,280,184)
Depreciation expense (see Notes 21 and 22)	(7,579,375)	(102,854)	(112,354)	(7,794,583)
Impairment loss	(661,365)	–	–	(661,365)
Derecognition of unfavorable leases (see Note 22)	233,103	–	–	233,103
Cumulative translation adjustments	(914,860)	–	(280)	(915,140)
As at December 31, 2020 (Audited)	**33,710,403**	**504,826**	**8,914**	**34,224,143**
Additions	1,184,478	–	–	1,184,478
Pre-terminations	(950,287)	–	–	(950,287)
Depreciation expense (see Notes 21 and 22)	(3,252,900)	(45,383)	(13,580)	(3,311,863)
Reclassification (see Note 14)	(483)	–	79,108	78,625
Cumulative translation adjustments	425,645	–	1,125	426,770
As at June 30, 2021 (Unaudited)	**₱31,116,856**	**₱459,443**	**₱75,567**	**₱31,651,866**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	June 2021 (Unaudited)	December 2020 (Audited)
As at beginning of period	**₱39,083,725**	₱47,307,404
Additions	**1,181,796**	6,240,084
Payments	**(3,806,850)**	(7,803,114)
Pre-terminations	**(1,195,723)**	(6,236,224)
Accretion of interest (see Note 23)	**798,538**	1,938,530
Rent concessions	**(124,780)**	(1,411,781)
Cumulative translation adjustments	**436,327**	(951,174)
As at end of period	**₱36,373,033**	₱39,083,725
Current	**₱5,495,049**	₱6,479,140
Noncurrent	**30,877,984**	32,604,585

The maturity analysis of lease liabilities are disclosed in Note 31.

The following are the amounts recognized in profit or loss:

	June 2021 (Unaudited)	June 2020 (Unaudited)
Depreciation expense of right-of-use assets (see Notes 21 and 22)	**₱3,311,863**	₱3,785,540
Interest expense on lease liabilities (see Note 23)	**798,538**	990,539
Rent expense - short-term leases (see Notes 21 and 22)	**1,157,400**	968,619
Rent expense - variable lease payments (see Notes 21 and 22)	**578,181**	608,047
Gain on pre-termination of lease agreements (see Note 23)	**245,436**	103,110
	₱6,091,418	₱6,455,855

The JFC Group had total cash outflows for leases of ₱5,542.4 million and ₱6,081.5 million for the periods ended June 30, 2021 and 2020, respectively.

For the periods ended June 30, 2021 and 2020, the JFC Group received rent concessions from lessors amounting to ₱124.8 million and ₱80.7 million, respectively, accounted for as negative variable lease payments in the unaudited consolidated statement of comprehensive income.

JFC Group as Lessor

The JFC Group entered into commercial property leases for its investment property units. These leases have terms of between three (3) and twenty (20) years. Leases generally include a clause to enable upward revision of the rent charges on an annual basis based on prevailing market conditions.

Rent income recognized on a straight-line basis amounted to ₱8.3 million and ₱11.3 million for the periods ended June 30, 2021 and 2020, respectively (see Note 20). The difference of rent income recognized under the straight-line method and the rent amounts in accordance with the terms of the lease are included under “Operating lease receivables” which amounted to ₱77.4 million and ₱87.2 million as at June 30, 2021 and December 31, 2020, respectively.

The future minimum lease receivables under noncancelable operating leases as at December 31 are as follows:

	2020	2019
Within one year	₱28,367	₱61,612
After one year but not more than five years	117,305	236,607
More than five years	48,469	65,725
	₱194,141	₱363,944

JFC Group as an Intermediate Lessor
The JFC Group subleases certain parcels of land with lease terms between five (5) to twenty (20) years. The lease contracts contain renewal options under terms and conditions that are mutually agreed upon by the parties.

Set out below are the carrying amounts of finance lease receivables and the movements during the year:

	June 2021 (Unaudited)	December 2020 (Audited)
At January 1	**₱70,800**	₱161,934
Payments	**(10,736)**	(27,377)
Accretion of interest (see Note 23)	**7,350**	5,944
Pre-termination	**–**	(69,701)
As at December 31	**₱67,414**	₱70,800

Shown below is the maturity analysis of the undiscounted finance lease receivables:

	June 2021 (Unaudited)	December 2020 (Audited)
1 year	**₱17,537**	₱17,191
more than 1 year to 5 years	**57,813**	62,368
more than 5 years	**–**	–

30. Contingencies

The JFC Group is involved in litigations, claims and disputes, and regulatory assessments which are normal to its business. Management believes that the ultimate liability, if any, with respect to these litigations, claims and disputes will not materially affect the financial position and financial performance of the JFC Group. Thus, other than the provisions in Note 17, there were no other provisions made for contingencies.

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

31. Financial Risk Management Objectives and Policies

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

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

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

Interest Rate Risk

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

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

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

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

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the JFC Group's income before income tax as at December 31, 2020 and 2019. The impact on the JFC Group's income before income tax is due to changes in the fair value of floating interest rates.

Long-term Debt with Floating Interest Rates

	Increase/ Decrease in Basis Points	Effect in Profit or Loss Before Income Tax		
		2020	2019	2018
PHP	+100	(135,017)	(161,228)	(188,907)
	-100	135,017	161,228	188,907
USD	+100	(46,863)	(55,802)	(67,688)
	-100	46,863	55,802	67,688
VND	+100	(10,702)	(8,928)	(6,068)
	-100	10,702	8,928	6,068

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

Foreign Currency Risk

The JFC Group's exposure to foreign currency risk arises from the Parent Company's investments outside the Philippines, which are mainly in PRC and USA. The net assets of foreign businesses account for 38.1% and 41.3% of the consolidated net assets of the JFC Group as at June 30, 2021 and December 31, 2020, respectively.

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

The following table shows the JFC Group's Philippine operations' foreign currency-denominated monetary assets and liabilities and their peso equivalents as at June 30, 2021 and December 31, 2020:

	June 2021 (Unaudited)		December 2020 (Audited)	
	USD	**PHP Equivalent**	USD	PHP Equivalent
Foreign currency denominated assets:				
Cash and cash equivalents	**18,137**	**885,086**	30,381	1,458,896
Financial assets at FVTPL	**35,000**	**1,708,000**	35,000	1,680,700
Receivables	**11,542**	**563,250**	12,171	584,451
	64,679	**3,156,336**	77,552	3,724,047
Foreign currency denominated liability - Accounts payable – trade	**(3,519)**	**(171,728)**	(2,341)	(112,415)
Foreign currency denominated assets – net	**61,160**	**2,984,608**	75,211	3,611,632

Foreign Currency Risk Sensitivity Analysis
The JFC Group has recognized in profit or loss, a net foreign exchange gain of ₱64.7 million and net foreign exchange loss of ₱18.3 million for the perids ended June 30, 2021 and 2020, respectively (see Note 23), included under "Other income" account. This resulted from the movements of the Philippine peso against the USD as shown in the following table:

June 30, 2021	**48.80**
December 31, 2020	48.02

The following table demonstrates the sensitivity to a reasonably possible change in USD to Philippine peso exchange rate, with all other variables held constant, of the JFC Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as at June 30, 2021 and December 31, 2020:

		June 2021 (Unaudited)		December 2020 (Audited)	
Appreciation (Depreciation) of ₱ against Foreign Currency		**Effect on Income before Income Tax**	**Effect on Equity before Income Tax**	Effect on Income before Income Tax	Effect on Equity before Income Tax
USD	1.50	**(₱91,740)**	**(₱91,740)**	(₱112,817)	(₱112,817)
	(1.50)	**91,740**	**91,740**	112,817	112,817
	1.00	**(61,160)**	**(61,160)**	(75,211)	(75,211)
	(1.00)	**61,160**	**61,160**	75,211	75,211

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

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

The JFC Group has no significant concentration of credit risk with counterparty. The JFC Group's franchisee profile is such that no single franchisee accounts for more than 5% of the total system wide sales of the JFC Group.

The aging analysis of financial assets as at June 30, 2021 and December 31, 2020 are as follows:

	June 2021 (Unaudited)						
		Neither Past Due nor	Past Due but not Impaired (Age in Days)				
	Total	**Impaired**	**1-30**	**31-60**	**61-120**	**Over 120**	**Impaired**
Financial Assets at Amortized Cost				*(In Millions)*			
Cash and cash equivalents*	**₱23,122.5**	**₱23,122.5**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Short-term investments	**165.2**	**165.2**	–	–	–	–	–
Receivables:							
Trade	**4,830.2**	**1,263.2**	**420.5**	**156.7**	**1,715.4**	**624.9**	**649.5**
Receivable from retirement fund	**777.8**	**21.2**	**12.7**	**23.1**	**12.5**	**708.3**	–
Advances to employees	**216.1**	**216.1**	–	–	–	–	–
Employee car plan receivables**	**147.9**	**147.9**	–	–	–	–	–
Other receivables***	**7.0**	**7.0**	–	–	–	–	–
Operating lease receivables	**77.4**	**77.4**	–	–	–	–	–
Finance lease receivables	**67.4**	**67.4**	–	–	–	–	–
Other noncurrent assets -							
Security and other deposits**	**2,986.4**	**2,986.4**	–	–	–	–	–
	32,397.9	**28,074.3**	**433.2**	**179.8**	**1,727.9**	**1,333.2**	**649.5**
Financial Assets at FVTPL**	**30,665.6**	**30,665.6**	–	–	–	–	–
	₱63,063.5	**₱58,739.9**	**₱433.2**	**₱179.8**	**₱1,727.9**	**₱1,333.2**	**₱649.5**

**Excluding cash on hand amounting to ₱333.7 million*
***Including noncurrent portion*
****Including interest receivable and excluding receivables from government agencies amounting to ₱84.4 million*

	December 2020 (Audited)						
		Neither Past Due nor	Past Due but not Impaired (Age in Days)				
	Total	Impaired	1-30	31-60	61-120	Over 120	Impaired
Financial Assets at Amortized Cost				*(In Millions)*			
Cash and cash equivalents*	₱21,036.7	₱21,036.7	₱–	₱–	₱–	₱–	₱–
Short-term investments	441.0	441.0	–	–	–	–	–
Receivables:							
Trade	5,466.8	1,423.1	1,243.1	459.1	614.7	1,068.2	658.6
Receivable from retirement fund	878.7	58.9	30.3	25.7	543.1	220.7	–
Advances to employees	221.0	221.0	–	–	–	–	–
Employee car plan receivables**	138.9	138.9	–	–	–	–	–
Other receivables***	11.4	11.4	–	–	–	–	–
Operating lease receivables	87.2	87.2	–	–	–	–	–
Finance lease receivables	70.8	70.8	–	–	–	–	–
Other noncurrent assets -							
Security and other deposits**	2,913.3	2,913.3	–	–	–	–	–
	31,265.8	26,402.3	1,273.4	484.8	1,157.8	1,288.9	658.6
Financial Assets at FVTPL**	35,692.4	35,692.4	–	–	–	–	–
	₱66,958.2	₱62,094.7	₱1,273.4	₱484.8	₱1,157.8	₱1,288.9	₱658.6

**Excluding cash on hand amounting to ₱324.8 million*
***Including noncurrent portion*
****Including interest receivable and excluding receivables from government agencies amounting to ₱83.0 million*

Credit Risk Exposure. The tables below show the maximum exposure to credit risk of the JFC Group as at December 31, 2020 and 2019 without considering the effects of collaterals and other credit risk mitigation techniques:

	2020		
	Gross Maximum Exposure (a)	Fair Value and Financial Effect of Collateral or Credit Enhancement (b)	Net Exposure © = (–) - (b)
		(In Millions)	
Financial Assets at Amortized Cost			
Cash and cash equivalents*	₱21,036.7	₱185.2	₱20,851.5**
Short-term investments	441.0	–	441.0
Receivables:			
Trade	5,466.8	1,234.3	4,232.5***
Receivable from retirement fund	878.7	–	878.7
Employee car plan receivables	138.9	–	138.9
Advances to employees	221.0	–	221.0
Other receivables****	11.4	–	11.4
Operating lease receivables	87.2	–	87.2
Finance lease receivables	70.8	–	70.8
Other noncurrent assets -			
Security and other deposits	2,913.3	–	2,913.3
Financial assets at FVTPL	35,692.4	–	35,692.4
	₱66,958.2	₱1,419.5	₱65,538.7

* *Excluding cash on hand amounting to ₱324.8 million.*
** *Gross financial assets after taking into account insurance bank deposits for cash and cash equivalents.*
*** *Gross financial assets after taking into account payables to the same counterparty.*
**** *Including interest receivable and excluding receivables from government agencies amounting to ₱83.0 million.*

	2019		
	Gross Maximum Exposure (a)	Fair Value and Financial Effect of Collateral or Credit Enhancement (b)	Net Exposu©(c) – (a) - (b)
		(In Millions)	
Financial Assets at Amortized Cost			
Cash and cash equivalents*	₱20,515.1	₱122.8	₱20,392.3**
Short-term investments	2,130.0	–	2,130.0
Receivables:			
Trade	5,348.9	564.6	4,784.3***
Receivable from retirement fund	193.6	–	193.6
Employee car plan receivables	216.7	23.4	193.3
Advances to employees	175.4	–	175.4
Other receivables****	21.6	–	21.6
Operating lease receivables	98.7	–	98.7
Finance lease receivables	161.9	–	161.9
Other noncurrent assets -			
Security and other deposits	3,210.8	30.6	3,180.2
Financial assets at FVTPL	38.2	–	38.2
	₱32,110.9	₱741.4	₱31,369.5

* *Excluding cash on hand amounting to ₱376.9 million.*
** *Gross financial assets after taking into account insurance bank deposits for cash and cash equivalents.*
*** *Gross financial assets after taking into account payables to the same counterparty.*
**** *Including interest receivable and excluding receivables from government agencies amounting to ₱62.7 million.*

With respect to credit risk arising from financial assets of the JFC Group, the JFC Group's exposure to credit risk arises from default of the counterparty, with a gross maximum exposure equal to the carrying amount of these instruments.

Credit Quality. The financial assets of the JFC Group are grouped according to stage of which description is explained as follows:

Stage 1 - Those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as at reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as at reporting date.

The tables below show determination of ECL stage of the JFC Group's financial assets:

	June 2021 (Unaudited)			
		Stage 1	**Stage 2**	**Stage 3**
	Total	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**
Financial Assets at Amortized Cost		*(in Millions)*		
Receivables:				
Trade	**₱4,830.2**	**₱1,683.7**	**₱2,497.0**	**₱649.5**
Receivable from retirement fund	**777.8**	**33.9**	**743.9**	**–**
Advances to employees	**216.1**	**216.1**	**–**	**–**
Employee car plan receivables*	**147.9**	**147.9**	**–**	**–**
Other receivables**	**7.0**	**7.0**	**–**	**–**
Financial Assets at FVTPL*	**30,665.6**	**30,665.6**	**–**	**–**
	₱36,644.6	**₱32,754.2**	**₱3,240.9**	**₱649.5**

**Including noncurrent portion*
***Including interest receivable and excluding receivables from government agencies amounting to ₱84.4 million*

	December 2020 (Audited)			
		Stage 1	Stage 2	Stage 3
	Total	12-month ECL	Lifetime ECL	Lifetime ECL
Financial Assets at Amortized Cost		*(in Millions)*		
Receivables:				
Trade	₱5,466.8	₱2,666.2	₱2,142.0	₱658.6
Receivable from retirement fund	878.7	89.2	789.5	–
Advances to employees	221.0	221.0	–	–
Employee car plan receivables*	138.9	138.9	–	–
Other receivables**	11.4	11.4	–	–
Financial Assets at FVTPL*	35,692.4	35,692.4	–	–
	₱42,409.2	₱38,819.1	₱2,931.5	₱658.6

**Including noncurrent portion*
***Including interest receivable and excluding receivables from government agencies amounting to ₱83.0 million*

Liquidity Risk

The JFC 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 JFC 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 JFC 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 JFC Group has short-term cash deposits and portfolio investments and has available credit lines with accredited banking institutions, in case there is a sudden deficiency. The JFC Group maintains a level of cash and cash equivalents deemed sufficient to finance the operations. No changes were made in the objectives, policies or processes of the JFC Group for the periods ended June 30, 2021 and December 31, 2020.

The JFC Group's financial assets, which have maturity of less than 12 months and are used to meet its short-term liquidity needs, are cash and cash equivalents, short-term investments, financial assets at FVTPL and trade receivables and contract assets amounting to ₱23,456.2 million, ₱165.2 million, ₱30,631.8 million and ₱5,101.7 million, respectively, as at June 30, 2021 and ₱21,361.5 million, ₱441.0 million, ₱35,658.6 million and ₱5,796.5 million , respectively, as at December 31, 2020.

The tables below summarize the maturity profile of the JFC Group's other financial liabilities based on the contractual undiscounted cash flows as at June 30, 2021 and December 31, 2020:

	June 2021 (Unaudited)				
	Due and Demandable	**Less than 1 Year**	**1 to 5 Years**	**Over 5 Years**	**Total**
			(in Millions)		
Financial Liabilities					
Trade payables and other current liabilities*	**₱6,858.3**	**₱21,975.2**	**₱–**	**₱–**	**₱28,833.5**
Short term debt	**–**	**15,027.2**	**–**	**–**	**15,027.2**
Long-term debt (including current portion)	**–**	**4,951.7**	**12,330.3**	**–**	**17,282.0**
Senior debt securities	**–**	**–**	**14,640.0**	**14,640.0**	**29,280.0**
Lease liabilities	**–**	**7,100.8**	**20,049.2**	**20,094.9**	**47,244.9**
Total Financial Liabilities	**₱6,858.3**	**₱49,054.9**	**₱47,019.5**	**₱34,734.9**	**₱137,667.6**

**Excluding statutory obligations such as local and other taxes payable, PHIC, SSS, HDMF and NHMFC payables and unearned revenue from gift certificates amounting to ₱2,016.0 million as at June 30, 2021.*

	December 2020 (Audited)				
	Due and Demandable	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
			(in Millions)		
Financial Liabilities					
Trade payables and other current liabilities*	₱5,974.0	₱23,386.5	₱–	₱–	₱29,360.5
Short term debt	–	15,875.5	–	–	15,875.5
Long-term debt (including current portion)	–	4,720.1	14,438.5	99.6	19,258.2
Senior debt securities	–	–	14,314.5	14,314.5	28,629.0
Lease liabilities	–	7,717.9	23,171.1	21,183.8	52,072.8
Total Financial Liabilities	₱5,974.0	₱51,700.0	₱51,924.1	₱35,597.9	₱145,196.0

**Excluding statutory obligations such as local and other taxes payable, PHIC, SSS, HDMF and NHMFC payables and unearned revenue from gift certificates amounting to ₱2,005.5 million as at December 31, 2020.*

<u>Price Risk</u>

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or contract, or by factors affecting all similar contracts or financial instruments traded in the market.

The JFC Group's price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices.

The JFC Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments.

The JFC Group's has no significant concentration of price risk.

The JFC Group is not exposed to significant equity price risk on its investment in quoted equity securities consisting of investment in golf and club shares.

At the reporting date, the JFC Group's exposure to other price risk arises from the changes in fair value of bond funds. The JFC Group has determined that an increase/(decrease) ranging from 1% to

5% on the market prices could have an impact of approximately ₱1,035.7 million on the profit or loss and equity before income tax.

This analysis was performed for reasonably possible movements in the market index with all other variables held constant. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

Capital Management Policy

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

The primary objective of the JFC 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 JFC Group has sufficient capitalization.

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

As at June 30, 2021 and December 31, 2020, the JFC Group's debt ratio and net debt ratio are as follows:

Debt Ratio

	June 2021 (Unaudited)	December 2020 (Audited)
Total debt (a)	**₱136,735,221**	₱142,778,265
Total equity attributable to equity holders of the Parent Company	**38,986,044**	38,539,260
Total debt and equity attributable to equity holders of the Parent Company (b)	**₱175,721,265**	₱181,317,525
Debt ratio (a/b)	**78%**	79%

Net Debt Ratio

	June 2021 (Unaudited)	December 2020 (Audited)
Total debt	**₱136,735,221**	₱142,778,265
Less cash and cash equivalents, short-term investments and current portion of financial assets at FVTPL	**54,253,254**	57,461,051
Net debt (a)	**82,481,967**	85,317,214
Total equity attributable to equity holders of the Parent Company	**38,986,044**	38,539,260
Net debt and equity attributable to equity holders of the Parent Company (b)	**₱121,468,011**	₱123,856,474
Net debt ratio (a/b)	**68%**	69%

32. **Fair Value of Financial Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

Financial Instruments Which Carrying Amounts Approximate Fair Value. Management has determined that the carrying amounts of cash and cash equivalents, short-term investments, receivables, operating lease receivables, trade payables and other current liabilities, based on their notional amounts, reasonably approximate their fair values because of their short-term nature or due to the immaterial effect of discounting when the present value of future cash flows from these instruments are calculated.

Financial Assets at FVTPL. The fair value of bond funds and quoted shares of stock in golf and leisure clubs are based on quoted prices. The JFC Group does not have the intention to dispose its quoted shares of stock in the near term.

Investment Properties. The fair value of the investment properties are determined by independent appraisers using the market data and cost approach, which considers the local market conditions, the extent, character and utility of the property, sales and holding prices of similar parcels of land and the highest and best use of the investment properties.

Finance Lease Receivables, Security and Other Deposits, Employee Car Plan Receivables, Long-term Debt and Lease Liabilities. Management has determined that the estimated fair value of security and other deposits, noncurrent portion of employee car plan receivables, long-term debt and derivative asset or liability are based on the discounted value of future cash flows using applicable rates as follows:

	2020	2019
Finance lease receivables	3.90%-5.36%	3.46%-3.98%
Security and other deposits	0.99%-15.43%	0.55%-15.43%
Employee car plan receivables	0.93%-8.62%	2.80%-8.26%
Long-term debt	0.17%-3.00%	1.27%-6.89%
Lease liabilities	0.64%–22.48%	0.64%–22.48%

The following tables provide the fair value measurement hierarchy of the JFC Group's recurring financial assets and liabilities.

Quantitative disclosure fair value measurement hierarchy for assets as at December 31, 2020:

		Fair Value Measurement Using			
	Carrying Value	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value -					
Financial assets at FVTPL	₱35,692,357	₱35,692,357	₱-	₱35,692,357	₱-
Assets for which fair values are disclosed:					
Investment properties:					
Land	572,722	1,461,244	-	-	1,461,244
Buildings	-	76,027	-	-	76,027
Finance lease receivables	70,800	70,800	-	-	70,800
Other noncurrent assets:					
Security and other deposits	2,913,340	2,333,851	-	-	2,333,851
Employee car plan receivables	138,935	127,969	-	-	127,969

Quantitative fair value measurement hierarchy for assets as at December 31, 2019:

	Carrying Value	Fair Value Measurement Using Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVTPL	₱38,202	₱38,202	₱-	₱38,202	₱-
Assets for which fair values are disclosed:					
Investment properties:					
Land	572,722	2,083,920	-	-	2,083,920
Buildings	-	954,427	-	-	954,427
Finance lease receivables	161,934	162,947	-	-	162,947
Other noncurrent assets:					
Security and other deposits	3,210,835	2,338,288	-	-	2,338,288
Employee car plan receivables	216,713	194,172	-	-	194,172

Quantitative fair value measurement hierarchy for liabilities as at December 31, 2020:

	Date of Valuation	Fair Value Measurement Using Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities measured at fair value - Derivative liab–lity - interest rate swap	December 31, 2020	₱141,480	₱–	₱141,480	₱–
Liabilities disclosed at fair value:					
Tenants' deposit	December 31, 2020	6,849	–	–	6,849
Long-term debt	December 31, 2020	19,990,261	–	–	19,990,261

Quantitative disclosure fair value measurement hierarchy for liabilities as at December 31, 2019:

	Date of Valuation	Fair Value Measurement Using Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities measured at fair value - Derivative liab–lity - interest rate swap	December 31, 2019	₱58,241	₱–	₱58,241	₱–
Liabilities measured at fair value:					
Tenants' deposit	December 31, 2019	7,442	–	–	7,442
Long-term debt	December 31, 2019	22,768,094	–	–	22,768,094

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. Notes to the Statements of Cash Flows

For the periods ended June 30, 2021 and December 31, 2020, movements in the JFC Group's liabilities and equity arising from financing activities follow:

	June 2021 (Unaudited)														
	January 1, 2021	**Cash Flows**	**Dividends Declared** (Note 19)	**Coupon Accrual** (Note 19)	**Granted Stock Options to Employees and Subsidiaries** (Note 22)	**Interest Expense** (Note 23)	**Deferred Tax Assets** (Note 24)	**Amortization of Debt Issue Cost** (Note 18)	**Cumulative Translation Adjustments**	**Share in Net Losses of Non-controlling Interest** (Note 11)	**Share in Cumulative Translation Adjustments of Non-controlling Interest** (Note 11)	**Additions** (Note 29)	**Rent Concessions** (Note 29)	**Pre-termination of Lease** (Note 29)	**June 30, 2021**
	(in Millions)														
Dividends and coupons payable (see Note 16)	**₱579.1**	**(₱1,425.0)**	**₱861.1**	**₱565.1**	**₱–**	**₱–**	**₱–**	**₱–**	**₱5.0**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱585.3**
Short-term debt (Note 18)	**15,875.5**	**(976.0)**	–	–	–	–	–	–	**127.7**	–	–	–	–	–	**15,027.2**
Long-term debt (Note 18)	**19,258.3**	**(2,135.4)**	–	–	–	–	–	**9.4**	**90.7**	–	–	–	–	–	**17,223.0**
Senior debt securities (Note 18)	**28,629.0**	–	–	–	–	–	–	**9.7**	**465.1**	–	–	–	–	–	**29,103.8**
Interest payable (Note 16)	**543.8**	**(1,158.9)**	–	–	–	**1,206.4**	–	–	–	–	–	–	–	–	**591.3**
Lease liabilities (Note 29)	**39,083.7**	**(3,806.9)**	–	–	–	**798.5**	–	–	**436.4**	–	–	**1,181.8**	**(124.8)**	**(1,195.7)**	**36,373.0**
Capital stock (Note 19)	**1,122.2**	**1.6**	–	–	–	–	–	–	–	–	–	–	–	–	**1,123.8**
Additional paid-in capital (Note 19)	**9,913.9**	**233.9**	–	–	**78.4**	–	**(4.9)**	–	–	–	–	–	–	–	**10,221.3**
Senior perpetual securities (Note 19)	**30,588.0**	–	–	–	–	–	–	–	–	–	–	–	–	–	**30,588.0**
Non-controlling interest (Note 11)	**(1,095.4)**	–	–	–	–	–	–	–	–	**(234.1)**	**(68.1)**	–	–	–	**(1,397.6)**
Total liabilities and equity on financing activities	**₱144,498.1**	**(₱9,266.7)**	**₱861.1**	**₱565.1**	**₱78.4**	**₱2,004.9**	**(₱4.9)**	**₱19.1**	**₱1,124.9**	**(₱234.1)**	**(₱68.1)**	**₱1,181.8**	**(₱124.8)**	**(₱1,195.7)**	**₱139,439.1**

	December 2020 (Audited)															
	January 1, 2020	Cash Flows	Acquisition of a Subsidiary (Note 11)	Dividends Declared (Note 19)	Coupon Paid (Note 19)	Granted Stock Options to Employees and Subsidiaries	Interest Expense (Note 23)	Deferred Tax Assets (Note 24)	Amortization of Debt Issue Cost (Note 18)	Cumulative Translation Adjustments	Share in Net Losses of Non-controlling Interest (Note 11)	Share in Cumulative Translation Adjustments of Non-controlling Interest (Note 11)	Additions (Note 29)	Rent Concessions (Note 29)	Pre-termination of Lease (Note 29)	December 31, 2020
	(in Millions)															
Dividends and coupons payable (see Note 16)	₱87.9	(₱1,430.0)	₱–	₱1,431.1	₱490.1	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱579.1
Short-term debt (Note 18)	22,180.3	(5,944.8)	–	–	–	–	–	–	–	(360.0)	–	–	–	–	–	15,875.5
Long-term debt (Note 18)	22,595.7	(3,030.0)	–	–	–	–	–	–	19.0	(326.4)	–	–	–	–	–	19,258.3
Senior debt securities (Note 18)	–	29,499.0	–	–	–	–	–	–	10.4	(880.4)	–	–	–	–	–	28,629.0
Interest payable (Note 16)	167.3	(1,471.8)	–	–	–	–	1,848.3	–	–	–	–	–	–	–	–	543.8
Lease liabilities (Note 29)	47,307.4	(7,803.1)	–	–	–	–	1,938.5	–	–	(951.1)	–	–	6,240.0	(1,411.8)	(6,236.2)	39,083.7
Capital stock (Note 19)	1,110.1	12.1	–	–	–	–	–	–	–	–	–	–	–	–	–	1,122.2
Additional paid-in capital (Note 19)	8,797.4	1,268.7	–	–	–	188.3	–	(340.5)	–	–	–	–	–	–	–	9,913.9
Senior perpetual securities (Note 19)	–	30,010.3	–	–	577.7	–	–	–	–	–	–	–	–	–	–	30,588.0
Non-controlling interest (Note 11)	(318.2)	9.1	293.0	–	–	–	–	–	–	–	(1,122.9)	43.6	–	–	–	(1,095.4)
Total liabilities and equity on financing activities	₱101,927.9	₱41,119.5	₱293.0	₱1,431.1	₱1,067.8	₱188.3	₱3,786.8	(₱340.5)	₱29.4	(₱2,517.9)	(₱1,122.9)	₱43.6	₱6,240.0	(₱1,411.8)	(₱6,236.2)	₱144,498.1

34. **Events after the Reporting Period**

Investment of Land Properties to a Planned Real Estate Investment Trust (REIT) Company
On July 7, 2021, the BOD approved a plan to use certain parcels of the JFC Group's land properties of about ₱2,000.0 million and ₱1,900.0 million in cash as investments in CentralHub Industrial Centers, Inc. (CentralHub), a company in the industrial real estate business. CentralHub intends to eventually register and operate as a REIT, with a planned initial public offering in 2022.

The completion of this transaction is subject to the necessary regulatory approvals.

Jollibee to Enter in West Malaysia
On July 29, 2021, the JFC Group, through GPPL, entered into a JV agreement with Beeworks Investment Pte. Ltd. (BIPL) to own and operate Jollibee stores in West Malaysia which covers the country's capital, Kuala Lumpur. The JV entity will be established in Malaysia and will be owned 30% by GPPL and 70% by BIPL. GPPL and BIPL have committed to initially invest USD8.0 million to the JV, of which up to USD2.4 million will be contributed by GPPL in proportion to its ownership interest. The JV entity will have the exclusive license rights to develop the Jollibee brand in West Malaysia and aims to open at least 120 stores within 10 years, starting in 2022.