PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

a.	**Consolidated Statements of Financial Position as at March 31, 2022 (Unaudited) and December 31, 2021 (Audited)**
b.	**Unaudited Consolidated Statements of Comprehensive Income for the Quarters Ended March 31, 2022 and 2021**
c.	**Unaudited Consolidated Statements of Changes in Equity for the Quarters Ended March 31, 2022 and 2021**
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JOLLIBEE FOODS CORPORATION
Doing business under the name and style of Jollibee
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousand Pesos)

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	**Change** Amount	Pct
ASSETS				
Current Assets				
Cash and cash equivalents (Notes 6, 31 and 32)	**23,069,976**	24,692,675	(1,622,699)	(6.6)
Short-term investments (Notes 6, 31 and 32)	**54,842**	79,700	(24,858)	(31.2)
Financial assets at fair value through profit or loss (Notes 10, 31 and 32)	**10,540,166**	14,412,902	(3,872,736)	(26.9)
Receivables and contract assets (Notes 7, 31 and 32)	**6,436,332**	7,245,986	(809,654)	(11.2)
Inventories (Note 8)	**10,001,902**	9,355,329	646,573	6.9
Other current assets (Note 9)	**10,511,982**	9,595,475	916,507	9.6
Total Current Assets	**60,615,200**	65,382,067	(4,766,867)	(7.3)
Noncurrent Assets				
Financial assets at fair value through profit or loss (Notes 10, 31 and 32)	**40,232**	40,232	-	-
Interests in and advances to joint ventures, co-venturers and associates (Note 11)	**17,564,105**	15,426,603	2,137,502	13.9
Property, plant and equipment (Note 12)	**30,578,295**	30,608,819	(30,524)	(0.1)
Right-of-use assets (Note 29)	**36,492,149**	38,168,366	(1,676,217)	(4.4)
Investment properties (Notes 13 and 32)	**-**	-	-	-
Trademarks, goodwill and other intangible assets (Notes 14)	**51,240,991**	50,610,888	630,103	1.2
Operating lease receivables (Notes 29, 31 and 32)	**47,921**	55,532	(7,611)	(13.7)
Finance lease receivables (Notes 29, 31 and 32)	**56,674**	56,674	-	-
Deferred tax assets - net (Note 24)	**6,983,731**	6,874,855	108,876	1.6
Other noncurrent assets (Notes 15, 31 and 32)	**4,044,977**	3,614,191	430,786	11.9
Total Noncurrent Assets	**147,049,075**	145,456,160	1,592,915	1.1
	207,664,275	210,838,227	(3,173,952)	(1.5)
LIABILITIES AND EQUITY				
Current Liabilities				
Trade payables and other current liabilities and contract liabilities (Notes 16, 31 and 32)	**31,523,920**	32,952,755	(1,428,835)	(4.3)
Income tax payable	**203,224**	148,617	54,607	36.7
Short-term debt (Notes 18 and 31)	**538,568**	510,000	28,568	5.6
Current portion of:				
Lease liabilites (Notes 29, 31 and 32)	**6,388,141**	7,284,154	(896,013)	(12.3)
Long-term debt (Notes 18, 31 and 32)	**4,105,114**	4,950,565	(845,451)	(17.1)
Total Current Liabilities	**42,758,967**	45,846,091	(3,087,124)	(6.7)
Noncurrent Liabilities				
Senior debt securities (Notes 18 and 31)	**30,872,827**	30,426,149	446,678	1.5
Noncurrent portion of:				
Lease liabilities (Notes 29, 31 and 32)	**35,407,841**	35,899,523	(491,682)	(1.4)
Long-term debt (Notes 18, 31 and 32)	**14,843,227**	17,409,612	(2,566,385)	(14.7)
Interest in an associate (Note 11)	**186,559**	179,088	7,471	4.2
Pension liability (Note 25)	**2,490,391**	2,416,465	73,926	3.1
Derivative liability (Notes 18, 31 and 32)	**-**	12,795	(12,795)	(100.0)
Provisions (Note 17)	**1,035,636**	1,035,636	-	-
Deferred tax liabilities - net (Note 24)	**3,373,010**	3,428,713	(55,703)	(1.6)
Total Noncurrent Liabilities	**88,209,491**	90,807,981	(2,598,490)	(2.9)
Total Liabilities *(Carried Forward)*	**130,968,458**	136,654,072	(5,685,614)	(4.2)

(Forward)

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	Change Amount	Change Pct
Total Liabilities *(Brought Forward)*	**130,968,458**	136,654,072	(5,685,614)	(4.2)
Equity Attributable to Equity Holders of the Parent Company (Note 31)				
Capital stock:				
Preferred (Note 19)	**12,000,000**	12,000,000	-	-
Common (Note 19)	**1,122,842**	1,107,164	15,678	1.4
Additional paid-in capital (Note 19)	**10,451,043**	10,331,342	119,701	1.2
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)	**1,387,378**	1,082,109	305,269	28.2
Remeasurement loss on net defined benefit plan - net of tax (Note 25)	**(1,140,807)**	(1,140,807)	-	-
Comprehensive loss on derivative liability (Note 18)	**-**	(12,795)	12,795	100.0
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	**18,700,000**	18,700,000	-	-
Unappropriated	**15,854,105**	13,863,987	1,990,118	14.4
	58,225,621	55,782,060	2,443,561	4.4
Less cost of common stock held in treasury (Note 19)	**180,511**	180,511	-	-
	58,045,110	55,601,549	2,443,561	4.4
Senior perpetual securities (Notes 10 and 19)	**20,264,804**	20,264,804	-	-
Non-controlling interests (Note 11)	**(1,614,097)**	(1,682,198)	68,101	4.0
Total Equity	**76,695,817**	74,184,155	2,511,662	3.4
	207,664,275	210,838,227	(3,173,952)	(1.5)

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 March 31				Change	
	2022		2021		Amount	Pct
	Pesos	**Pct**	Pesos	Pct		
REVENUES						
Gross sales	**40,795,840**	**95.2%**	33,217,333	95.8%	7,578,507	22.8%
Sales discount	**(993,802)**	**-2.3%**	(916,625)	-2.6%	(77,177)	-8.4%
Net sales	**39,802,038**	**92.9%**	32,300,708	93.1%	7,501,330	23.2%
Royalty, set-up fees and others (Note 20)	**2,398,010**	**5.6%**	1,871,840	5.4%	526,170	28.1%
	42,200,048	**98.5%**	34,172,548	98.5%	8,027,500	23.5%
PFRS 15 impact on system-wide advertising fees	**656,835**	**1.5%**	508,081	1.5%	148,754	29.3%
	42,856,883	**100.0%**	34,680,629	100.0%	8,176,254	23.6%
DIRECT COSTS (Note 21)						
Cost of inventories	**19,522,606**	**45.6%**	14,953,146	43.1%	4,569,460	30.6%
Store and manufacturing costs	**16,423,511**	**38.3%**	13,799,617	39.8%	2,623,894	19.0%
	35,946,117	**83.9%**	28,752,763	82.9%	7,193,354	25.0%
GROSS PROFIT	**6,910,766**	**16.1%**	5,927,866	17.1%	982,900	16.6%
EXPENSES						
General and administrative expenses - net (Note 22)	**4,491,523**	**10.5%**	3,822,470	11.0%	669,053	17.5%
Advertising and promotions	**431,148**	**1.0%**	619,774	1.8%	(188,626)	-30.4%
	4,922,671	**11.5%**	4,442,244	12.8%	480,427	10.8%
OPERATING INCOME	**1,988,095**	**4.6%**	1,485,622	4.3%	502,473	33.8%
INTEREST INCOME (EXPENSE) (Note 23)						
Interest income	**36,709**	**0.1%**	26,679	0.1%	10,030	37.6%
Interest expense:						
Financing	**(652,337)**	**-1.5%**	(594,386)	-1.7%	(57,951)	-9.7%
PFRS-16 Leases and others	**(430,384)**	**-1.0%**	(392,506)	-1.1%	(37,878)	-9.7%
	(1,046,012)	**-2.4%**	(960,213)	-2.8%	(85,799)	-8.9%
EQUITY IN NET EARNINGS OF JOINT VENTURES AND ASSOCIATES - Net (Note 11)	**1,327**	**0.0%**	31,394	0.1%	(30,067)	-95.8%
OTHER INCOME - Net (Note 23)	**1,708,819**	**4.0%**	442,259	1.3%	1,266,560	286.4%
INCOME BEFORE INCOME TAX	**2,652,229**	**6.2%**	999,062	2.9%	1,653,167	165.5%
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)						
Current	**512,986**	**1.2%**	352,503	1.0%	160,483	45.5%
Deferred	**(124,473)**	**-0.3%**	597,399	1.7%	(721,872)	-120.8%
	388,513	**0.9%**	949,902	2.7%	(561,389)	-59.1%
NET INCOME	**2,263,716**	**5.3%**	49,160	0.1%	2,214,556	4504.8%
OTHER COMPREHENSIVE INCOME (LOSS)						
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:						
Translation adjustments of foreign subsidiaries	**317,340**	**0.7%**	(75,083)	-0.2%	392,423	522.7%
Comprehensive income on derivative liability (Note 18)	**12,795**	**0.0%**	29,381	0.1%	(16,586)	-56.5%
Translation adjustments of foreign joint ventures and associates (Note 11)	**(54,609)**	**-0.1%**	103,743	0.3%	(158,352)	-152.6%
	275,526	**0.6%**	58,041	0.2%	217,485	374.7%
TOTAL COMPREHENSIVE INCOME	**2,539,242**	**5.9%**	107,201	0.3%	2,432,041	2268.7%
Net Income (Loss) Attributable to:						
Equity holders of the Parent Company (Note 28)	**2,308,525**	**5.4%**	152,648	0.4%	2,155,877	1412.3%
Non-controlling interests	**(44,809)**	**-0.1%**	(103,488)	-0.3%	58,679	56.7%
	2,263,716	**5.3%**	49,160	0.1%	2,214,556	4504.8%
Total Comprehensive Income (Loss) Attributable to:						
Equity holders of the Parent Company	**2,626,589**	**6.1%**	254,936	0.7%	2,371,653	930.3%
Non-controlling interests	**(87,347)**	**-0.2%**	(147,735)	-0.4%	60,388	40.9%
	2,539,242	**5.9%**	107,201	0.3%	2,432,041	2268.7%
Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company (Note 28)						
Basic	**1.982**		0.139		1.843	1325.9%
Diluted	**1.975**		0.138		1.837	1331.2%

See accompanying Notes to Unaudited Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION
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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2022 and 2021
(Amounts in Thousand Pesos)

	Preferred Stock (Note 19)	Common Stock (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)		Cost of Common Stock Held in Treasury (Note 19)	Total	Senior Perpetual Securites (Notes 10 and 19)	Non-controlling Interests (Note 11)	Total Equity
									Appropriated for Future Expansion	Unappropriated					
Balance at January 1, 2022	**12,000,000**	**1,107,164**	**10,331,342**	**1,877,400**	**1,082,109**	**(1,140,807)**	**(12,795)**	**(2,026,340)**	**18,700,000**	**13,863,987**	**(180,511)**	**55,601,549**	**20,264,804**	**(1,682,198)**	**74,184,155**
Net income (loss)	-	-	-	-	-	-	-	-	-	**2,308,525**	-	**2,308,525**	-	**(44,809)**	**2,263,716**
Other comprehensive income (loss)	-	-	-	-	**305,269**	-	**12,795**	-	-	-	-	**318,064**	-	**(42,538)**	**275,526**
Total comprehensive income (loss)	-	-	-	-	**305,269**	-	**12,795**	-	-	**2,308,525**	-	**2,626,589**	-	**(87,347)**	**2,539,242**
Movements in other equity accounts:															
Issuances and subscription of common stock (Note 19)	-	**509**	**93,382**	-	-	-	-	-	-	-	-	**93,891**	-	-	**93,891**
Cost of stock options granted (Note 19 and 26)	-	-	**41,488**	-	-	-	-	-	-	-	-	**41,488**	-	-	**41,488**
Reversal of subscription receivable	-	**15,169**	**(15,169)**	-	-	-	-	-	-	-	-	-	-	-	-
Dividend accrual for preferred shares (Note 19)	-	-	-	-	-	-	-	-	-	**(120,027)**	-	**(120,027)**	-	-	**(120,027)**
Acqusition of a sibsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	**155,448**	**155,448**
Distribution on senior perpetual securities (Note 19)	-	-	-	-	-	-	-	-	-	**(198,380)**	-	**(198,380)**	-	-	**(198,380)**
	-	**15,678**	**119,701**	-	-	-	-	-	-	**(318,407)**	-	**(183,028)**	-	**155,448**	**(27,580)**
Balance at March 31, 2022	**12,000,000**	**1,122,842**	**10,451,043**	**1,877,400**	**1,387,378**	**(1,140,807)**	-	**(2,026,340)**	**18,700,000**	**15,854,105**	**(180,511)**	**58,045,110**	**20,264,804**	**(1,614,097)**	**76,695,817**
Balance at January 1, 2021		1,105,079	9,913,890	1,877,400	(477,554)	(1,401,112)	(141,480)	(2,026,340)	20,000,000	9,869,889	(180,511)	38,539,261	30,588,000	(1,095,397)	68,031,864
Net income (loss)	-	-	-	-	-	-	-	-	-	152,648	-	152,648	-	(103,490)	49,158
Other comprehensive income (loss)	-	-	-	-	72,906	(1)	29,381	-	-	-	-	102,286	-	(44,244)	58,042
Total comprehensive income (loss)	-	-	-	-	72,906	(1)	29,381	-	-	152,648	-	254,934	-	(147,734)	107,200
Movements in other equity accounts:															
Issuances of common stock (Note 19)	-	105	16,753	-	-	-	-	-	-	-	-	16,858	-	-	16,858
Cost of stock options granted (Note 26)	-	-	34,328	-	-	-	-	-	-	-	-	34,328	-	-	34,328
Distribution on senior perpetual securities (Note 19)	-	-	-	-	-	-	-	-	-	(283,139)	-	(283,139)	-	-	(283,139)
	-	105	51,081	-	-	-	-	-	-	(283,139)	-	(231,953)	-	-	(231,953)
Balance at March 31, 2021	-	1,105,184	9,964,971	1,877,400	(404,648)	(1,401,113)	(112,099)	(2,026,340)	20,000,000	9,739,398	(180,511)	38,562,242	30,588,000	(1,243,131)	67,907,111

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)

	Quarters Ended March 31		Change	
	2022	2021	Amount	Pct
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**2,652,229**	999,062	1,653,167	165.5
Adjustments for:				
Depreciation and amortization (Notes 12, 14, 15, 21, 22 and 29)	**3,371,813**	3,206,983	164,830	5.1
Gain from disposal of land (Note 23)	**(1,830,866)**	-	(1,830,866)	100.0
Interest expense (Note 23)	**1,082,721**	986,891	95,830	9.7
Unrealized loss from financial assets at fair value through profit or loss (Notes 10 and 23)	**484,979**	178,631	306,348	171.5
Net unrealized foreign exchange gain	**(144,690)**	(22,190)	122,500	552.1
Loss on retirements and disposals of Property, plant and equipment (Notes 12, and 22)	**102,237**	21,713	80,524	370.9
Movement in pension liability (Notes 21 and 22)	**73,926**	70,891	3,035	4.3
Stock options expense (Notes 19, 22 and 26)	**41,488**	39,183	2,305	5.9
Interest income (Note 23)	**(36,709)**	(26,679)	10,030	37.6
Reversals of provision for impairment on:				
Inventories (Notes 8 and 22)	**(34,596)**	(97,639)	(63,043)	(64.6)
Property, plant and equipment (Notes 12 and 22)	**(7,982)**	(37,700)	(29,718)	(78.8)
Receivables (Notes 7 and 22)	**(248)**	(6,735)	(6,487)	(96.3)
Rent concessions (Note 29)	**(20,084)**	(56,603)	(36,519)	(64.5)
Amortization of debt issue cost	**12,376**	9,595	2,781	29.0
Impairment losses on:				
Receivables (Notes 7 and 22)	**10,653**	20,827	(10,174)	(48.9)
Inventories (Notes 8 and 22)	**-**	98,878	(98,878)	(100.0)
Pre-termination of leases (Note 23)	**5,290**	-	5,290	100.0
Equity in net earnings of joint ventures and associates (Note 11)	**(1,328)**	(31,393)	(30,065)	(95.8)
Income before working capital changes	**5,761,209**	5,353,715	407,494	7.6
Decreases (increases) in:				
Receivables	**940,792**	1,062,429	(121,637)	(11.4)
Inventories	**(566,416)**	439,198	(1,005,614)	(229.0)
Other current assets	**(856,105)**	(252,374)	603,731	239.2
Decrease in trade payables and other current liabilities	**(1,897,840)**	(3,099,370)	(1,201,530)	(38.8)
Net cash generated from operations	**3,381,640**	3,503,598	(121,958)	(3.5)
Income taxes paid	**(458,379)**	(396,784)	61,595	15.5
Interest received	**(6,445)**	18,990	(25,435)	(133.9)
Net cash provided by operating activities	**2,916,816**	3,125,804	(208,988)	(6.7)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Redemptions of financial assets at fair value through profit or loss (Note 10)	**5,074,195**	41,101,261	(36,027,066)	(87.7)
Disposals of property, plant and equipment	**472,746**	87,043	385,703	443.1
Acquisitions of:				
Property, plant and equipment (Note 12)	**(1,647,695)**	(1,599,945)	47,750	3.0
A business - net of cash received (Note 11)	**(416,055)**	-	(416,055)	100.0
Decreases (increases) in:				
Other noncurrent assets	**(192,585)**	(445,971)	(253,386)	56.8
Short-term investments	**24,858**	116,720	(91,862)	(78.7)
Financial assets at fair value through profit or loss (Note 10)	**(1,531,200)**	(37,857,050)	(36,325,850)	(96.0)
Net cash provided by investing activities	**1,784,264**	1,402,058	382,206	27.3

	Quarters Ended March 31		Change	
	2022	2021	Amount	Pct
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Long-term debt (Note 18)	**(3,568,190)**	(1,179,060)	2,389,130	202.6
Lease liabilities (Note 29)	**(1,974,688)**	(1,890,881)	83,807	4.4
Interest	**(571,753)**	(627,506)	(55,753)	(8.9)
Coupons for senior perpetual securities	**(400,006)**	(562,302)	(162,296)	(28.9)
Cash dividends (Note 19)	**(4,168)**	(5,634)	(1,466)	(26.0)
Proceeds from:				
Issuance of common stock	**93,892**	16,858	77,034	457.0
Long-term debt (Note 18)	**67,798**	117,015	(49,217)	(42.1)
Short-term debt (Note 18)	**21,168**	-	21,168	100.0
Net cash used in financing activities	**(6,335,947)**	(4,131,510)	(2,204,437)	(53.4)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,634,867)**	396,352	(2,031,219)	(512.5)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**12,168**	6,782	5,386	79.4
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**24,692,675**	21,361,486	3,331,189	15.6
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	**23,069,976**	21,764,620	1,305,356	6.0

See accompanying Notes to Unaudited Consolidated Financial Statements.

Jollibee Foods Corporation - Number of Stores

	Dec-21	January - March			Ownership	Adjustment/	Mar-22
	Stores	Open	Close	Net	Change	Acquisition	Stores
Jollibee							
Co-owned	435	-	3	(3)	(1)	-	431
Franchised	749	3	2	1	1	-	751
Total	**1,184**	**3**	**5**	**(2)**	**-**	**-**	**1,182**
Chowking							
Co-owned	186	2	1	1	-	-	187
Franchised	370	3	1	2	-		372
Total	**556**	**5**	**2**	**3**	**-**	**-**	**559**
Greenwich							
Co-owned	145	1	1	-	-	-	145
Franchised	124	3	1	2	-	-	126
Total	**269**	**4**	**2**	**2**	**-**	**-**	**271**
Red Ribbon							
Co-owned	181	-	1	(1)	-	-	180
Franchised	338	2	2	-	-	-	338
Total	**519**	**2**	**3**	**(1)**	**-**	**-**	**518**
Mang Inasal							
Co-owned	15	-	-	-	-	-	15
Franchised	563	1	2	(1)	-	-	562
Total	**578**	**1**	**2**	**(1)**	**-**	**-**	**577**
Burger King	**103**	**2**	**-**	**2**	**-**	**-**	**105**
PHO24	**4**	**-**	**-**	**-**	**-**	**-**	**4**
Panda Express	**4**	**2**	**-**	**2**	**-**	**-**	**6**
Yoshinoya	**3**	**-**	**-**	**-**	**-**		**3**
Total Philippines	**3,220**	**19**	**14**	**5**	**-**	**-**	**3,225**
Yonghe King							
Co-owned	287	13	7	6	-	-	293
Franchised	107	3	3	-	-	-	107
Total	**394**	**16**	**10**	**6**	**-**	**-**	**400**
Hongzhuangyuan							
Co-owned	48	2	-	2	-	-	50
Franchised	**3**	1	1	-	-	-	3
Total	**51**	**3**	**1**	**2**	**-**	**-**	**53**
Dunkin' Donuts	**7**	**-**	**-**	**-**	**-**	**-**	**7**
Tim Ho Wan	**8**	**-**	**-**	**-**	**-**	**-**	**8**
Total - China	**460**	**19**	**11**	**8**	**-**	**-**	**468**
North America							
Jollibee US	54	2	-	2	-	-	56
Jollibee Canada	21	2	-	2	-	-	23
Red Ribbon	34	2	-	2	-	-	36
Chowking	16	-	-	-	-	-	16
Total NA PH brands	**125**	**6**	**-**	**6**	**-**	**-**	**131**
Smashburger							
Co-owned	128	3	-	3			131
Franchised	117	-	-	-			117
Total	**245**	**3**	**-**	**3**	**-**	**-**	**248**
Total - North America	**370**	**9**	**-**	**9**	**-**	**-**	**379**
Other Asia							
Jollibee:							
Vietnam	150	2	-	2	-	-	152
Hongkong	16	2	-	2	-	-	18
Brunei	18	-	-	-	-	-	18
Singapore	17	1	-	1	-	-	18
*Co-owned**	*11*	*1*	-	*1*	-	-	*12*
Franchised	*6*	-	-	-	-	-	*6*
Macau	2	1	-	1	-	-	3
Malaysia	1	-	-	-	-	-	1
West Malaysia	**-**	1	-	1	-	-	1
Total - Other Asia	**204**	**7**	**-**	**7**	**-**	**-**	**211**

Jollibee Foods Corporation - Number of Stores

	Dec-21 Stores	January - March Open	Close	Net	Ownership Change	Adjustment/ Acquisition	Mar-22 Stores
Middle East							
Jollibee							
Saudi Arabia	12	1	-	1	-	-	13
Qatar	11	-	-	-	-	-	11
Kuwait*	8	-	-	-	-	-	8
UAE*	19	-	2	(2)	-	-	17
Bahrain	1	-	-	-	-	-	1
Oman	1	-	-	-	-	-	1
Chowking:							
UAE	19	2	2	-	-	-	19
Qatar	4	1	1	-	-	-	4
Oman	2	-	-	-	-	-	2
Kuwait*	5	-	-	-	-	-	5
Saudi Arabia	3	-	-	-	-	-	3
Total - Middle East	**85**	**4**	**5**	**(1)**	**-**	**-**	**84**
Europe (Jollibee)							
Italy (Milan)	2	-	-	-	-	-	2
United Kingdom	9	2	-	2	-	-	11
Spain	1	-	-	-	-	-	1
Total - Europe	**12**	**2**	**-**	**2**	**-**	**-**	**14**
Oceania							
Jollibee Guam	1	-	-	-	-	-	1
Total - EMEAA PH Brands	**302**	**13**	**5**	**8**	**-**	**-**	**310**
Coffee Bean							
Co-owned	292	6	3	3	-	-	295
Franchised	756	22	11	11	-	-	767
Total	**1,048**	**28**	**14**	**14**	**-**	**-**	**1,062**
SuperFoods							
Highlands Coffee							
Co-owned	411	12	2	10	-	-	421
Franchised	72	7	-	7	-	-	79
Total	**483**	**19**	**2**	**17**	**-**	**-**	**500**
PHO24							
Co-owned	34	-	12	(12)	-	-	22
Franchised	16	-	-	-	-	-	16
Total	**50**	**-**	**12**	**(12)**	**-**	**-**	**38**
Total - SuperFoods	**533**	**19**	**14**	**5**	**-**	**-**	**538**
Milksha							
Co-owned	-	-	-	-	-	18	18
Franchised	-	-	-	-	-	246	246
Total	**-**	**-**	**-**	**-**	**-**	**264**	**264**
Total International Stores	**2,713**	**88**	**44**	**44**	**-**	**264**	**3,021**
Grand Total	**5,933**	**107**	**58**	**49**	**-**	**264**	**6,246**

System Wide Sales (*Amounts in PhP Millions*)	31-Mar-21	**31-Mar-22**	**% Growth**
Quarter 1	47,782	**59,976**	25.5%

**Adjusted the December 2021 total store count to include Cloud Kitchens*

JOLLIBEE FOODS CORPORATION
Doing business under the name and style of Jollibee
AND SUBSIDIARIES
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", "Dunkin' Donuts", "Smashburger", "Tortazo", "Tim Ho Wan", "The Coffee Bean & Tea Leaf", "Panda Express", "Yoshinoya" and "Milksha". The Parent Company is also primarily organized to 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 in the foregoing, pursuant to its business objectives. 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).

On June 1, 2021, the Board of Directors (BOD) of the Parent Company approved the amendment to the Second Article of the Articles of Incorporation (AOI) to clarify and ensure, for avoidance of doubt of the Parent Company, 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 amendment of the AOI 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 by the Philippine SEC on August 11, 2021.

The common and preferred shares of the Parent Company are listed and traded in the Philippine Stock Exchange (PSE) beginning July 14, 1993 and October 14, 2021, respectively.

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

2021
The impact of the pandemic on the JFC Group's business around the world in 2021 was mixed. Sales in the United States continued to be healthy with sales per store already reaching well above pre-pandemic levels. In the People's Republic of China, sales growth slowed in some regions in the third and fourth quarters due to the reimposition of government restrictions while sales in the northern region continued to grow above pre-pandemic levels. JFC Group's businesses in Vietnam, Brunei and Singapore grew above pre-pandemic levels in some quarters, but the sales growth reversed due to resurgence of Covid-19 in these countries. The Philippines, though still faced significant challenges due to restrictions related to the pandemic, showed sequential improvement in the sales performance of its various brands.

The global pandemic brought about several changes in customer's habits both locally and internationally, such as an increased awareness for safety and a strong usage of digital commerce and technology. The JFC Group adapted by further strengthening in-store safety protocols, as well as accelerating delivery and takeout channels – developing messenger bots, better websites and apps, and increasing its presence in food aggregators so that customers can order easily through these channels without leaving their homes.

The JFC Group continued to expand its brands across different markets, local and international, opening 398 stores in 2021. It was also investing in new store models. The Cloud Kitchens or food production and delivery hubs with no dine-in, in Singapore, Middle East and the US have been performing well. In the Philippines, JFC Group's Greenwich brand opened its first Delivery and Take Out Only Store. Through these models, the JFC Group is able to expand more quickly and cost-efficiently, especially in central but lower-rent areas – serving the increasing demand while maintaining the same safety and quality standards of its various brands' food products.

<u>2022</u>
The Covid-19 pandemic is still ongoing and has been affecting the JFC Group's global operations in varying degrees.

In the Philippines, store operations and sales were affected by the Omicron variant in the first month of 2022 but were able to gradually recover starting February. Restrictions have started to ease and business establishments including restaurants have started to return to normal operations, while ensuring that safety protocols are being strictly followed. At the end of March, all the JFC Group's stores in the country that were temporarily closed have reopened.

In China, some key cities struggled with a Covid-19 resurgence and heightened government restrictions that created challenging operating conditions during the quarter. Based on reports, the Covid-19 situation worsened in March 2022 with the surge of the Omicron variant, case counts surpassed 2020 and 2021 combined. Key cities in China have been fully or partially locked down for weeks, even months. The enforcement of the zero Covid-19 policy slowed down consumer spending due to reductions of social activities, travel and consumption. At the end of March 2022, 17% of the China business' stores were closed temporarily and decline in same store sales widened compared to January and February.

In North America, the impact of the Omicron variant was felt in January as reflected in the business' same store sales performance for the month which turned to single-digit positive compared to its double-digit performance in previous months. The Omicron surge also posed labor challenges as employees infected or exposed to the virus had to quarantine or call out sick. February and March sales results indicated that consumers have regained confidence as number of cases dropped and restrictions started to ease.

In Vietnam, the Omicron surge was felt in February, and government restrictions were imposed on key cities in the Northern region thus affecting consumer mobility. Consumers in the southern region were more relaxed due to minimal government restrictions.

At the end of March, only 3% of the JFC Group's stores worldwide are closed temporarily due to Covid-19. The number of customers visiting the stores to dine in is increasing while off premise sales continue to show sustained growth. Despite the pandemic, the JFC Group performed well in the first quarter as evidenced by the double digit growth in sales and profit.

The JFC Group has assessed the following impact of Covid-19 on its assets and liabilities in 2022 and 2021:

- 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 March 31, 2022 and December 31, 2021 and for the three months ended March 31, 2022 and 2021 were reviewed and approved by the Audit Committee as well as approved and authorized for issuance by the BOD on May 11, 2022.

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.

- Amendment to PFRS 16, *Covid-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of Covid-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the Covid-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

  The JFC Group adopted the amendment beginning January 1, 2021. The JFC Group applied the practical expedient to all the rent concessions that meet the criteria above. The waiver of lease payments was recognized in profit or loss in the year when the event or condition that triggers those changes in lease payments occur.

  In 2021, the JFC Group received rent concessions from lessors amounting to ₱478.7 million accounted for as negative variable lease payments charged against rent expense.

- 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.

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 amendment is 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 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 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 amendment is not expected to have a material impact to the JFC Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

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

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact to the JFC Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact to the JFC Group.

Effective beginning on or after January 1, 2024

- 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. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The JFC Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- 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

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting years beginning on or after January 1, 2025, 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 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 March 31, 2022 and December 31, 2021 and for the periods ended March 31, 2022 and 2021.

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. 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. These include acquisitions of non-controlling interests of Greenwich, Yong He King, Adgraphix, Mang Inasal, Happy Bee Foods Processing Pte. Ltd. and Smashburger.

The consolidated financial statements include the accounts of the Parent Company and the following wholly-owned and majority-owned subsidiaries as at March 31, 2022 and December 31, 2021:

			March 2022 (Unaudited)		December 2021 (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

	Country of Incorporation	Principal Activities	March 2022 (Unaudited) Direct Ownership	March 2022 (Unaudited) Indirect Ownership	December 2021 (Audited) Direct Ownership	December 2021 (Audited) Indirect Ownership
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
▪ 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)	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	Singapore	Food Service	**–**	**100**	**–**	–
Milkshop International Inc. (Milksha)[(a)]	Taiwan	Food Service	**–**	**51**	–	–
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)[(b)]	Philippines	Dormant	**100**	**–**	100	–
Ice Cream Copenhagen Phils., Inc. (ICCP)[(b)]	Philippines	Dormant	**100**	**–**	100	–
Mary's Foods Corporation (Mary's)[(b)]	Philippines	Dormant	**100**	**–**	100	–
QSR Builders, Inc.	Philippines	Dormant	**100**	**–**	100	–

(a) On February 22, 2022, the Parent company, through its wholly owned subsidiary, JWPL, completed the acquisition of 51% ownership in Milkshop International Inc.

(b) 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 March 31, 2022.

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.

<u>Cash and Cash Equivalents</u>
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.

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

<u>Financial Instruments</u>
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 marketplace (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 March 31, 2022 and December 31, 2021.

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 March 31, 2022 and December 31, 2021.

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 statements of financial position at fair value with net changes in fair value recognized in the consolidated statements of comprehensive income.

The JFC Group's investments in golf, leisure club shares and bond funds are classified under this category as at March 31, 2022 and December 31, 2021.

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 is 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 March 31, 2022 and December 31, 2021.

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 March 31, 2022 and December 31, 2021.

- *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.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is 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 a cash flow hedge. The JFC Group has no fair value hedge and hedge of a net investment in a foreign operation as at March 31, 2022 and December 31, 2021.

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.

<u>Other Current Assets</u>
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.

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

<u>Investment Properties</u>
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, and from, investment property are made only when there is a change in use, evidenced by:

- Commencement of owner-occupation, for a transfer of investment property to owner-occupied property;
- Commencement of development with a view to sell, for a transfer from investment property to real properties held-for-sale and development;

- End of owner occupation, for a transfer from owner-occupied property to investment property; or,
- Commencement of an operating lease to another party, for a transfer from real properties held-for-sale and development to investment property.

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 cost of disposal if measurable, its value in use if determinable and zero.

<u>Intangible Assets</u>
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.

<u>Land Assets Held for Sale</u>

Land assets held for sale are carried at the lower of its carrying amount and fair value less costs to sell. At reporting date, the JFC Group classifies assets as held for sale (disposal group) when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The JFC Group measures land asset held for sale at the lower of its carrying amount and fair value less cost to sell.

<u>Impairment of Nonfinancial Assets</u>

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 and other intangible assets with definite useful life, and other noncurrent 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.

<u>Other Revenues</u>
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.

<u>Cost and Expenses</u>
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.

<u>Pension Benefits</u>
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.

<u>Employee Leave Entitlement</u>
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.

<u>Share-based Payments</u>
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.

<u>Leases</u>
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 scope 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; or,
    - 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 payment affects only payments originally due on or before June 30, 2022; 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 payment 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), Vietnam dong (VND), Singapore dollar (SGD), Malaysian ringgit (MYR), Canadian dollar (CND), Euro, Pound (GBP), Hong Kong dollar (HKD), Indonesia rupiah (IDR), Macau pataca (MOP) and New Taiwan dollar (TWD). 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 recognized in profit or loss.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to off-set 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.

<u>Earnings per Share (EPS) Attributable to Equity Holders of the Parent Company</u>
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.

<u>Provisions</u>
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.

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.

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.

<u>Estimates and Assumptions</u>
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 are 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. 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 ₱51,241.0 million and ₱50,610.9 million as at March 31, 2022 and December 31, 2021, 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 March 31, 2022 and December 31, 2021 are as follows (see Note 11):

	March 2022 (Unaudited)	December 2021 (Audited)
Interests in joint ventures	**₱11,012,162**	₱10,989,369
Interests in associates	**4,728,696**	2,653,323
Advances to co-venturers	**1,823,247**	1,783,911

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 ₱16,953.9 million and ₱17,086.6 million as at March 31, 2022 and December 31, 2021, respectively. Unrecognized deferred tax assets amounted to ₱2,804.2 million and ₱2,689.6 million as at March 31, 2022 and December 31, 2021, 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. In 2022 and 2021, 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 March 31, 2022 and 2021. Reversal of previously recognized impairment loss amounted to ₱8.0 million and ₱37.7 million for the periods ended March 31, 2022 and 2021, respectively (see Notes 12 and 22).

The aggregate carrying values of property, plant and equipment and right-of-use assets as at March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Property, plant and equipment (see Note 12)	**₱ 30,578,295**	₱30,608,819
Right-of-use assets (see Note 29)	**36,492,149**	38,168,366

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 ₱10.7 million and ₱20.8 million for the periods ended March 31, 2022 and 2021, respectively (see Note 22). Reversal of previously recognized impairment loss amounted to ₱0.2 million and ₱6.7 million for the periods ended March 31, 2022 and 2021, respectively (see Note 22). The carrying amount of receivables and contract assets amounted to ₱6,436.3 million and ₱7,246.0 million as at March 31, 2022 and December 31, 2021, 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 nil and ₱98.9 million for the periods ended March 31, 2022 and 2021, respectively (see Note 22). Reversal of previously recognized impairment loss amounted to ₱34.6 million and ₱97.6 million for the periods ended March 31, 2022 and 2021, respectively (see Note 22). The carrying amount of inventories amounted to ₱10,001.9 million and ₱9,355.3 million as at March 31, 2022 and December 31, 2021, 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 ₱2,490.4 million and ₱2,416.5 million as at March 31, 2022 and December 31, 2021, 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 ₱41.5 million and ₱39.2 million for the periods ended March 31, 2022 and 2021, respectively (see Notes 19, 22, 26 and 27).

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 ₱1,035.6 million as at March 31, 2022 and December 31, 2021 (see Notes 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.

<u>Business Segments</u>
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 March 31, 2022 and 2021:

	March 2022 (Unaudited)				
	Food Service	**Franchising**	**Leasing**	**Eliminations**	**Consolidated**
Revenues from external customers	**₱40,017,074**	**₱2,760,930**	**₱78,879**	**₱–**	**₱42,856,883**
Inter-segment revenues	**6,103,772**	**859,568**	**1,572,582**	**(8,535,922)**	**–**
Segment revenues	**46,120,846**	**3,620,498**	**1,651,461**	**(8,535,922)**	**42,856,883**
Segment expenses	**(46,324,656)**	**(1,516,403)**	**(1,595,824)**	**8,535,922**	**(40,900,961)**
Reversals of impairment loss on receivables, inventories and property, plant and equipment - net of provisions	**32,173**	**–**	**–**	**–**	**32,173**
Equity in net earnings of joint ventures and associates - net	**1,327**	**–**	**–**	**–**	**1,327**
Other segment income	**1,473,210**	**–**	**235,609**	**–**	**1,708,819**
Segment result	**₱1,302,900**	**₱2,104,095**	**₱291,246**	**₱–**	**3,698,241**
Interest income					**36,709**
Interest expense					**(1,082,721)**
Income before income tax					**2,652,229**
Provision for income tax					**388,513**
Net income					**₱2,263,716**

	March 2021 (Unaudited)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
Revenues from external customers	₱32,504,855	₱2,107,993	₱67,781	₱–	₱34,680,629
Inter-segment revenues	5,315,393	800,792	1,305,684	(7,421,869)	–
Segment revenues	37,820,248	2,908,785	1,373,465	(7,421,869)	34,680,629
Segment expenses	(38,001,195)	(1,308,873)	(1,329,177)	7,421,869	(33,217,376)
Reversals of provision for impairment losses on receivables, inventories, property, plant and equipment - net of provisions	22,369	–	–	–	22,369
Equity in net earnings of joint ventures and associates - net	31,394	–	–	–	31,394
Other segment income	442,259	–	–	–	442,259
Segment result	₱315,075	₱1,599,912	₱44,288	₱–	1,959,275
Interest income					26,679
Interest expense					(986,892)
Income before income tax					999,062
Provision for income tax					949,902
Net loss					₱49,160

The following tables present certain information on assets and liabilities and other segment information of the different business segments as at March 31, 2022 and December 31, 2021:

	March 2022 (Unaudited)				
	Food Service	**Franchising**	**Leasing**	**Eliminations**	**Consolidated**
Assets and Liabilities					
Segment assets	**₱199,884,705**	**₱–**	**₱795,839**	₱–	**₱200,680,544**
Deferred tax assets - net	**6,976,637**	**–**	**7,094**	–	**6,983,731**
Consolidated assets	**₱206,861,342**	**₱–**	**₱802,933**	₱–	**₱207,664,275**
Segment liabilities	**₱108,401,011**	**₱–**	**₱42,872**	₱–	**₱108,443,883**
Deferred tax liabilities - net	**3,373,010**	**–**	**–**	–	**3,373,010**
Long-term debt - including current portion	**18,948,341**	**–**	**–**	–	**18,948,341**
Income tax payable	**203,224**	**–**	**–**	–	**203,224**
Consolidated liabilities	**₱130,925,586**	**₱–**	**₱42,872**	₱–	**₱130,968,458**
Other Segment Information					
Capital expenditures	**₱1,647,695**	**₱–**	**₱–**	₱–	**₱1,647,695**
Depreciation and amortization	**3,371,268**	**–**	**545**	–	**3,371,813**

	December 2021 (Audited)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
Assets and Liabilities					
Segment assets	₱203,313,667	₱–	₱649,705	₱–	₱203,963,372
Deferred tax assets - net	6,869,561	–	5,294	–	6,874,855
Consolidated assets	₱210,183,228	₱–	₱654,999	₱–	₱210,838,227
Segment liabilities	₱110,544,308	₱–	₱172,257	₱–	₱110,716,565
Deferred tax liabilities - net	3,428,713	–	–	–	3,428,713
Long-term debt - including current portion	22,360,177	–	–	–	22,360,177
Income tax payable	125,612	–	23,005	–	148,617
Consolidated liabilities	₱136,458,810	₱–	₱195,262	₱–	₱136,654,072
Other Segment Information					
Capital expenditures	₱7,874,955	₱–	₱–	₱–	₱7,874,955
Depreciation and amortization	13,479,108	–	3,157	–	13,482,265

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, UK, Taiwan and Australia. 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 Period Ended March 31, 2022 (Unaudited)			
	Philippines	**International**	**Eliminations**	**Consolidated**
Segment revenues	**₱25,664,566**	**₱17,728,754**	**(₱536,437)**	**₱42,856,883**
Segment assets	**60,616,797**	**140,063,747**	**–**	**200,680,544**
Capital expenditures	**455,026**	**1,192,669**	**–**	**1,647,695**

	As at and Period Ended March 31, 2021 (Unaudited)			
	Philippines	International	Eliminations	Consolidated
Segment revenues	₱21,170,730	₱13,782,802	(₱272,903)	₱34,680,629
Segment assets	59,353,275	140,063,747	–	199,417,022
Capital expenditures	364,416	1,235,529	–	1,599,945

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

	March 2022 (Unaudited)		
Revenue Source	**Food Service**	**Franchising**	**Total**
Sale of goods	**₱39,802,038**	**₱–**	**₱39,802,038**
Royalty fees	**–**	**2,032,633**	**2,032,633**
Set-up fees	**–**	**71,462**	**71,462**
System-wide advertising fees	**–**	**656,835**	**656,835**
Other revenues	**215,036**	**–**	**215,036**
Total revenue from contracts with customers	**₱40,017,074**	**₱2,760,930**	**₱42,778,004**

Timing of recognition:	
Goods transferred at a point in time	**₱40,017,074**
Services transferred over time	**2,760,930**
	₱42,778,004

	March 2021 (Unaudited)		
Revenue Source	Food Service	Franchising	Total
Sale of goods	₱32,300,708	₱–	₱32,300,708
Royalty fees	–	1,552,092	1,552,092
Set-up fees	–	47,820	47,820
System-wide advertising fees	–	508,081	508,081
Other revenues	204,147	–	204,147
Total revenue from contracts with customers	₱32,504,855	₱2,107,993	₱34,612,848

Timing of recognition:	
Goods transferred at a point in time	₱32,504,855
Services transferred over time	2,107,993
	₱34,612,848

6. Cash and Cash Equivalents and Short-term Investments

Cash and Cash Equivalents
This account consists of:

	March 2022 (Unaudited)	December 2021 (Audited)	March 2021 (Unaudited)
Cash on hand	**₱358,302**	₱302,159	₱347,784
Cash in banks	**11,258,387**	15,309,537	14,399,741
Short-term deposits	**11,453,287**	9,080,979	7,017,095
	₱23,069,976	₱24,692,675	₱21,764,620

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 ₱54.8 million and ₱79.7 million as at March 31, 2022 and December 31, 2021, 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 ₱18.3 million and ₱9.0 million for the periods ended March 31, 2022 and 2021, respectively (see Note 23).

7. Receivables and Contract Assets

This account consists of:

	March 2022 (Unaudited)	December 2021 (Audited)
Trade	**₱4,739,920**	₱5,357,872
Less allowance for impairment loss	**516,290**	503,462
	4,223,630	4,854,410
Receivable from retirement fund (see Notes 25 and 27)	**618,277**	694,401
Advances to employees	**368,585**	326,081
Current portion of employee car plan receivables (see Note 15)	**51,087**	54,492
Interest receivable	**43,169**	4,579
Others	**97,948**	93,815
	5,402,696	6,027,778
Contract assets	**1,033,636**	1,218,208
	₱6,436,332	₱7,245,986

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 on 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 March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Balance at beginning of period	**₱503,462**	₱658,633
Provisions (see Note 22)	**10,653**	210,870
Reversals (see Note 22)	**(248)**	(54,215)
Write-offs	**–**	(299,138)
Translation adjustments	**2,423**	(12,688)
Balance at end of period	**₱516,290**	₱503,462

8. **Inventories**

This account consists of:

	March 2022 (Unaudited)	December 2021 (Audited)
At net realizable value:		
Food supplies and processed inventories	**₱9,259,970**	**₱8,588,435**
Novelty items	**20,981**	**62,560**
	9,280,951	**8,650,995**
At cost -		
Packaging, store and other supplies	**720,951**	**704,334**
Total inventories at lower of cost and net realizable value	**₱10,001,902**	**₱9,355,329**

The cost of food supplies and processed inventories, and novelty items carried at net realizable value amounted to ₱9,364.2 million and ₱122.6 million, respectively, as at March 31, 2022 and ₱8,676.9 million and ₱217.5 million, respectively, as at December 31, 2021.

The movements in the allowance for inventory obsolescence as at March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Balance at beginning of period	**₱243,420**	₱268,564
Reversals (see Note 22)	**(34,596)**	(9,475)
Write-offs	**(3,172)**	(42,294)
Provisions (see Note 22)	**–**	23,721
Translation adjustments	**241**	2,904
Balance at end of period	**₱205,893**	₱243,420

9. Other Current Assets

This account consists of:

	March 2022 (Unaudited)	December 2021 (Audited)
Prepaid expenses:		
Taxes	**₱4,943,931**	₱4,232,101
Rent	**967,180**	973,877
Supplies	**108,984**	100,689
Insurance and others	**863,978**	599,013
Deposits to suppliers and other third parties	**2,710,505**	2,655,819
Land assets held for sale (see Notes 12 and 13)	**899,044**	1,015,616
Current portion of security and other deposits (see Note 15)	**18,360**	18,360
	₱10,511,982	₱9,595,475

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.

- In 2021, the JFC Group engaged property agents to start marketing all its land assets, including improvements attached thereto. Based on market conditions, a sale within 12 months is highly probable, except for certain parcels of land assets to be exchanged for shares of common stock of CentralHub (see Note 11) and units in the Project (see Note 13) which related transactions are expected to be completed in 2022. Five (5) and three (3) of the parcels of land were sold in 2022 and 2021, respectively (see Note 13). The lower of the carrying amount and fair value less costs to sell of all its land assets were reclassified as held for sale as at March 31, 2022 and December 31, 2021.

  Land assets held for sale are categorized under Level 3 fair value measurement (see Note 32).

10. Financial Assets at FVTPL

This account consists of:

	March 2022 (Unaudited)	December 2021 (Audited)
Investment in bond funds	**₱10,540,166**	₱14,412,902
Investment in club shares	**40,232**	40,232
	10,580,398	14,453,134
Less current portion	**10,540,166**	14,412,902
Noncurrent portion	**₱40,232**	₱40,232

In July 2020, unused proceeds from the issuance of senior perpetual securities and senior debt securities in January 2020 and June 2020, respectively, totaling to USD759.8 million (₱37,857.1 million) were invested by the JFC Group in bond funds (see Notes 18 and 19).

Investment in club shares includes investment in shares of stocks of Manila Polo Club, Tagaytay Highlands and other golf and leisure clubs.

The movements in financial assets at FVTPL are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Balance at beginning of period	**₱14,453,134**	₱35,692,357
Additions	**1,531,200**	86,478
Redemptions	**(5,074,195)**	(23,022,553)
Marked-to-market gain (loss) on financial assets at FVTPL (see Note 23)	**(484,979)**	196,986
Interest income (see Note 23)	**–**	72
Translation adjustment	**155,238**	1,499,794
Balance at end of period	**₱10,580,398**	₱14,453,134

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. <u>Business Combinations</u>

Acquisition of Milksha. On November 3, 2021, the JFC Group announced that it will purchase, through its wholly owned subsidiary, JWPL a majority stake in the company that owns Milksha. The JFC Group will purchase shares equivalent to 51% ownership in Milkshop International Inc. ("Milksha") for approximately USD12.8 million. One of the co- founders of Milksha will continue to retain the 49% ownership. Completion of this transaction is subject to certain closing conditions, and the final purchase price will be confirmed after closing.

On February 22, 2022, JWPL completed the acquisition of 51% ownership in Milksha under the same terms as disclosed on November 3, 2021. JWPL paid in cash amounting to USD12.2 million (₱624.8 million).

The JFC Group included Milksha in its financial consolidation starting February 22, 2022 (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	₱208,780
Receivables	86,637
Inventories	45,560
Other current assets	55,482
Property, plant and equipment (see Note 12)	30,095
Other noncurrent assets	65,948
Total identifiable assets acquired	492,502
Less:	
Trade payables and other current liabilities	156,765
Other noncurrent liabilities	18,499
Total identifiable liabilities assumed	175,264
Net identifiable assets acquired	₱317,238

The amount of provisional goodwill at acquisition date amounted to ₱463.0 million determined as follows:

Fair value of consideration transferred:	
Cash consideration	₱624,835
Non-controlling interest's share in the net assets acquired	155,446
Aggregate amount	780,281
Less acquisition date - fair value of net assets acquired	317,238
Provisional goodwill (see Note 14)	₱463,043

The net cash outflow from the acquisition is as follows:

Cash paid on acquisition	₱624,835
Less cash acquired from subsidiary	208,780
	₱416,055

The provisional goodwill of ₱463.0 million is attributable to synergies and other benefits from the acquisition of Milksha.

From the acquisition date, Milksha contributed ₱18.4 million net income to the JFC Group. If the business combination had taken place at the beginning of 2022, contribution to consolidated revenues and net income for the period would have been ₱467.9 million and ₱30.7 million, respectively.

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

Bee World Pty. Ltd. (Bee World Australia). On May 11, 2021, the JFC Group, through its wholly owned subsidiary, JWPL, incorporated Bee World Australia to own and operate Jollibee stores in Australia. As at March 31, 2022, 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 March 31, 2022 and December 31, 2021, no capital investment has been made other than the investment to incorporate the new entity. MCT took over the operations of a roasting plant from an affiliate on April 1, 2021.

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 2022 and 2021:

	Country of incorporation and operation	
GCPL	Singapore	40%
SuperFoods Group	Vietnam	40%
SMCC-SG	Singapore	20%

The summarized financial information of GCPL, SuperFoods Group and SMCC-SG in 2022 and 2021 are provided below. These information are based on amounts before intercompany eliminations.

Summarized Unaudited Statements of Comprehensive Income for the period ended March 31

	GCPL	
	2022	2021
Revenues	**₱22,183**	₱12,508
Net loss	**(13,335)**	(22,144)
Other comprehensive income (loss)	**(46,263)**	12,462
Total comprehensive loss	**(59,598)**	(9,682)
Total comprehensive loss attributable to non-controlling interests	**(23,839)**	(3,873)

	SuperFoods Group	
	2022	2021
Revenues	**₱1,529,502**	₱1,359,211
Net income (loss)	**20,130**	(83,788)
Other comprehensive income (loss)	**(7,507)**	6,839
Total comprehensive income (loss)	**12,623**	(76,949)
Total comprehensive income (loss) attributable to non-controlling interests	**5,049**	(30,780)

	SMCC - SG	
	2022	2021
Revenues	**₱3,699,462**	₱2,702,251
Net loss	**(234,647)**	(321,696)
Total comprehensive loss	**(234,647)**	(321,696)
Total comprehensive loss attributable to non-controlling interests	**(46,929)**	(64,339)

Summarized Statements of Financial Position as at March 31, 2022 (Unaudited) and December 31, 2021 (Audited)

	GCPL	
	2022	2021
Current assets	**₱802,951**	₱796,305
Noncurrent assets	**117,818**	129,950
Current liabilities	**704,080**	680,669
Total equity	**216,689**	245,586
Equity attributable to non-controlling interests	**86,676**	98,234

	SuperFoods Group	
	2022	2021
Current assets	**₱767,775**	₱717,144
Noncurrent assets	**5,057,663**	5,326,259
Current liabilities	**3,844,670**	3,730,530
Noncurrent liabilities	**2,110,579**	2,310,255
Total equity (capital deficiency)	**(129,811)**	2,618
Equity attributable to non-controlling interests	**(51,924)**	1,047

	SMCC - SG	
	2022	2021
Current assets	**₱3,022,844**	₱2,983,314
Noncurrent assets	**30,572,112**	31,271,103
Current liabilities	**19,480,178**	19,602,479
Noncurrent liabilities	**9,287,840**	9,415,844
Total equity	**4,826,938**	5,236,094
Equity attributable to non-controlling interests	**(82,333)**	(1,577)

Summarized Unaudited Cash Flow Information for the period ended March 31

	GCPL	
	2022	2021
Net cash provided by (used in) operating activities	**₱17,329**	(₱7,711)
Net cash provided by (used in) investing activities	**(8,872)**	8,528
Net increase in cash and cash equivalents	**8,457**	817

	SuperFoods Group	
	2022	2021
Net cash provided by operating activities	**₱147,425**	₱91,614
Net cash used in investing activities	**(62,140)**	(146,429)
Net cash provided by (used in) financing activities	**(27,185)**	27,152
Net increase (decrease) in cash and cash equivalents	**58,100**	(27,663)

	SMCC-SG	
	2022	2021
Net cash provided by operating activities	**₱21,794**	₱598,714
Net cash used in investing activities	**(132,112)**	(103,387)
Net cash used in financing activities	**(357,047)**	(335,661)
Net increase (decrease) in cash and cash equivalents	**(467,365)**	159,666

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

	March 2021 (Unaudited)	December 2021 (Audited)
Interests in joint ventures:		
Titan Dining LP	**₱10,502,934**	₱10,502,251
Golden Bee Foods Restaurant LLC	**337,003**	310,851
JBPX Foods Inc.	**106,922**	109,978
Yoshinoya Jollibee Foods, Inc.	**65,303**	66,289
	11,012,162	10,989,369
Interests in associates:		
CentralHub Industrial Centers, Inc.	**4,001,489**	1,912,121
Tortas Frontera LLC	**568,588**	590,165
Entrek (B) SDN BHD	**134,142**	127,261
C-Joy Poultry Realty, Inc.	**15,178**	14,477
Beeworks Food SDN. BHD.	**9,299**	9,299
C-Joy Poultry Meats Production, Inc.	**–**	–
	4,728,696	2,653,323
Advances to co-venturer - VTI Group	**1,823,247**	1,783,911
	₱17,564,105	₱15,426,603

Interests in Joint Ventures

Titan Dining LP (Titan). On May 23, 2018, JWPL committed to invest 45% of the total maximum fund of SGD100.0 million (₱3,749.0 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.

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 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 August 11, 2021, JWPL acquired the 15% remaining interest of the other partners in Titan for a total cash consideration of SGD71.6 million (₱2,672.8 million). The acquisition increased JWPL’s interest in Titan from 85% to 100%.

On November 1, 2021, the Limited Partnership Agreement for Titan was amended. As part of the amendment, the fund size increased from SGD200.0 million (₱7,498.0 million) to SGD250.0 million (₱9,440.0 million) to fund working capital requirements of Tim Ho Wan and to facilitate completion of other projects. Titan will also have additional investors who will take up a 10% participating interest in Titan. With the increase in fund size and entry of additional investors, JWPL’s total commitment to the fund shall amount to SGD225.0 million (₱8,496.0 million) comprising 90% of the increased fund size and total commitments.

On November 5, 2021, JWPL made additional investment amounting to SGD86.5 million (₱3,235.0 million) proportionate to its ownership interest in Titan.

The details of the JFC Group's interest in Titan as at March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Interest in a joint venture - cost:		
Balance at beginning of period	**₱10,301,992**	₱4,394,180
Additions during the period	**–**	5,907,812
Balance at end of period	**10,301,992**	10,301,992
Cumulative equity in net earnings:		
Balance at beginning of period	**200,259**	223,827
Equity in net earnings (loss) during the period	**683**	(23,568)
Balance at end of period	**200,942**	200,259
	₱10,502,934	₱10,502,251

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:

	March 2022 (Unaudited)	December 2021 (Audited)
Current assets	**₱315,924**	₱308,770
Noncurrent assets	**9,382,811**	9,170,342
Total assets	**₱9,698,735**	₱9,479,112
Current liabilities	**₱42,348**	₱42,137

The amounts of assets and liabilities above include:

	March 2022 (Unaudited)	December 2021 (Audited)
Cash and cash equivalents	**₱315,209**	₱308,071

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

	March 2022 (Unaudited)	March 2021 (Unaudited)
Revenues	**₱–**	₱357,509
Depreciation and amortization	**–**	24,899
Net income	**759**	23,809
Total comprehensive income	**759**	23,809

	March 2022 (Unaudited)	December 2021 (Audited)
Net assets	**₱9,656,387**	₱9,436,975
Proportion of the JFC Group's ownership	**90%**	90%
	8,690,748	8,493,277
Provisional notional goodwill	**2,066,596**	2,066,596
Cumulative translation adjustments	**(254,410)**	(57,622)
	₱10,502,934	₱10,502,251

Golden Bee Foods Restaurant LLC (Golden Bee). The JFC Group, through GPPL, has 49% ownership in Golden Bee, a company that owns and operates the Jollibee brand in the United Arab Emirates.

The details of the JFC Group's interest in the Golden Bee as at March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Interest in a joint venture - cost	**₱33,926**	₱33,926
Cumulative equity in net earnings:		
Balance at beginning of period	**276,925**	199,136
Equity in net earnings during the period	**26,152**	77,789
Balance at end of period	**303,077**	276,925
	₱337,003	₱310,851

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:

	March 2022 (Unaudited)	December 2021 (Audited)
Current assets	**₱974,679**	₱952,067
Noncurrent assets	**148,960**	159,575
Total assets	**₱1,123,639**	₱1,111,642
Current liabilities	**₱488,314**	₱474,146

The amounts of assets and liabilities above include:

	March 2022 (Unaudited)	December 2021 (Audited)
Cash and cash equivalents	**₱475,690**	₱590,118

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

	March 2022 (Unaudited)	March 2021 (Unaudited)
Revenues	**₱445,462**	₱357,509
Depreciation and amortization	**20,924**	24,899
Net income	**53,372**	23,809
Total comprehensive income	**53,372**	23,809

	March 2022 (Unaudited)	December 2021 (Audited)
Net assets	**₱635,325**	₱637,496
Proportion of the JFC Group's ownership	**49%**	49%
	311,309	312,373
Cumulative translation adjustments	**25,694**	(1,522)
	₱337,003	₱310,851

JBPX Foods Inc. (Panda Express). The JFC Group, through the Parent Company, has 50% ownership in JBPX Foods Inc., a company that owns and operate the Panda Express brand in the Philippines.

On August 27, 2021, the Parent Company made additional investment amounting to ₱65.7 million proportionate to its ownership interest in Panda Express.

The details of JFC Group's interest in Panda Express as at March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Interest in a joint venture - cost		
Balance at beginning of period	**₱131,750**	₱66,023
Additions during the period	**–**	65,727
Balance at end of period	**131,750**	131,750
Cumulative equity in net losses:		
Balance at beginning of period	**(21,772)**	(12,709)
Equity in net loss during the period	**(3,056)**	(9,063)
Balance at end of period	**(24,828)**	(21,772)
	₱106,922	₱109,978

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:

	March 2022 (Unaudited)	December 2021 (Audited)
Current assets	**₱164,452**	₱189,592
Noncurrent assets	**354,063**	325,314
Total assets	**₱518,515**	₱514,906
Current liabilities	**₱101,446**	₱91,727
Noncurrent liabilities	**203,224**	203,224
Total liabilities	**₱304,670**	₱294,951

The amounts of assets and liabilities above include:

	March 2022 (Unaudited)	December 2021 (Audited)
Cash and cash equivalents	**₱146,424**	₱179,381
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	**17,669**	21,861
Noncurrent financial liabilities	**203,224**	203,224

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

	March 2022 (Unaudited)	March 2021 (Unaudited)
Revenues	**₱122,534**	₱46,157
Depreciation and amortization	**11,823**	3,666
Taxes and licenses	**575**	911
Interest income	**227**	52
Interest expense	**2,376**	443
Net loss	**(6,111)**	(394)
Total comprehensive loss	**(6,111)**	(394)

	March 2022 (Unaudited)	December 2021 (Audited)
Net assets	**₱213,845**	₱219,955
Proportion of the JFC Group's ownership	**50%**	50%
	₱106,922	₱109,978

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. On May 20, 2021, the Parent company made an initial investment amounting to ₱65.0 million.

On October 29, 2021, Yoshinoya executed a Franchise Agreement with YIPI with effective date on November 1, 2021. Subsequently, Yoshinoya acquired from YIPI and operated the existing Yoshinoya stores in the Philippines.

The details of JFC Group's interest in Yoshinoya as at March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Interest in a joint venture - cost	**₱65,000**	₱65,000
Cumulative equity in net earnings:		
Balance at beginning of period	**1,289**	–
Equity in net earnings (loss) during the period	**(986)**	1,289
Balance at end of period	**303**	1,289
	₱65,303	₱66,289

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

	March 2022 (Unaudited)	December 2021 (Audited)
Current assets	**₱133,825**	₱151,709
Noncurrent assets	**15,388**	5,350
Total assets	**₱149,213**	₱157,059
Current liabilities	**₱18,608**	₱24,482

	March 2022 (Unaudited)	December 2021 (Audited)
Cash and cash equivalents	**121,225**	₱143,141
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	**445,849**	841,693

The amounts of the income and expense accounts for the period ended March 31, 2022 include the following:

Revenues	₱31,311
Depreciation and amortization	503
Taxes and licenses	268
Interest income	91
Net loss	(1,972)
Total comprehensive loss	(1,972)

	March 2022 (Unaudited)	December 2021 (Audited)
Net assets	**₱130,605**	₱132,577
Proportion of the JFC Group's ownership	**50%**	50%
	₱65,303	₱66,289

Interests in Associates

CentralHub Industrial Centers, Inc. (CentralHub). On July 7, 2021, the BOD approved the plan to invest in CentralHub, a company in the industrial real estate business. CentralHub intends to register and operate as a Real Estate Investment Trust (REIT) company, with a planned initial public offering in 2022.

On August 19, 2021, the Parent Company, together with its wholly owned subsidiary, Zenith, CentralHub and other investors entered into a Shareholder's Agreement in connection with the investments by the JFC Group and other investors in CentralHub, through a combination of cash subscription and exchange of certain parcel of the JFC Group's land assets, subject to fulfillment of certain closing conditions, for shares of common stock of CentralHub. On the same date, JFC Group paid cash subscription of ₱1,922.9 million. Pending the application with and approval by the Philippine SEC of the increase in authorized capital stock of CentralHub, the cash subscription of the JFC Group was accounted for as deposits for future stock subscription (DFFS) by the latter.

On September 3, 2021, the Philippine SEC approved the increase in authorized capital stock of CentralHub and the conversion of DFFS to capital stock. Consequently, JFC Group owns 38.71% ownership interest in CentralHub. On February 24, 2022, the Philippine SEC issued the confirmation of valuation of such land assets. On March 24, 2022, the JFC Group made additional investments through exchange of its land assets for an additional 18.15% ownership interest in CentralHub upon fulfillment of all closing conditions as required by the Shareholders' Agreement (see Note 12).

The details of JFC Group's interest in CentralHub as at March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Interest in a joint venture – cost		
Balance at beginning of period	**₱1,922,882**	₱–
Additions during the period	**2,089,368**	1,922,882
Balance at end of period	**4,012,250**	1,922,882
Cumulative equity in net losses:		
Balance at beginning of period	**(10,761)**	–
Equity in net loss during the period	**–**	(10,761)
Balance at end of period	**(10,761)**	(10,761)
	₱4,001,489	₱1,912,121

Summarized financial information of CentralHub based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements as at December 31, 2021 are set out below:

Current assets	₱4,210,225
Noncurrent assets	1,655,056
Total assets	₱5,865,281
Current liabilities	₱773,999
Noncurrent liabilities	301,231
Total liabilities	₱1,075,230

As at December 31, 2021, the amounts of assets and liabilities above include:

Cash and cash equivalents	₱4,014,775
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	40,117
Noncurrent financial liabilities (excluding provisions)	301,232

The amounts of the income and expense accounts for the period ended December 31, 2021 include the following:

Revenues	₱17,000
Depreciation and amortization	–
Provision for income tax	40,913
Interest income	316
Interest expense	914
Net loss	(27,800)
Total comprehensive loss	(27,800)

	As at December 31, 2021
Net assets	₱4,786,844
Proportion of the JFC Group's ownership	38.71%
	1,852,987
Provisional notional goodwill	59,134
	₱1,912,121

Tortas Frontera LLC (Tortas). The JFC Group, through Jollibee Foods Corporation (USA), has 52.22% ownership in Tortas, a company that owns and operates the Tortazo business – a Mexican fast-casual restaurant business in the USA, founded by award-winning Chef Rick Bayless.

The details of the JFC Group's interest in Tortas as at March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Interest in an associate – cost	**₱668,679**	₱668,679
Cumulative equity in net losses:		
Balance at beginning of period	**(78,514)**	(8,004)
Equity in net loss during the period	**(21,577)**	(70,510)
Balance at end of period	**(100,091)**	(78,514)
	₱568,588	₱590,165

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:

	March 2022 (Unaudited)	December 2021 (Audited)
Current assets	**₱124,819**	₱159,223
Noncurrent assets	**322,399**	330,660
Total Assets	**₱447,218**	₱489,883
Current liabilities	**₱20,481**	₱28,362

The amounts of assets and liabilities above include:

	March 2022 (Unaudited)	December 2021 (Audited)
Cash and cash equivalents	**₱110,551**	₱151,298

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

	March 2022 (Unaudited)	March 2021 (Unaudited)
Revenues	**₱23,528**	₱4,391
Net income (loss)	**(41,320)**	1,626
Total comprehensive income (loss)	**(41,320)**	1,626

	March 2022 (Unaudited)	December 2021 (Audited)
Net assets	**₱426,737**	₱461,521
Proportion of the JFC Group's ownership	**52.22%**	52.22%
	222,842	241,006
Goodwill	**381,532**	381,532
Cumulative translation adjustments	**(35,786)**	(32,373)
	₱568,588	₱590,165

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 March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Interest in an associate - cost	**₱16,660**	₱16,660
Cumulative equity in net earnings:		
Balance at beginning of period	**110,601**	107,489
Equity in net earnings during the period	**6,881**	39,349
Dividends received during the period	**–**	(36,237)
Balance at end of period	**117,482**	110,601
	₱134,142	₱127,261

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:

	March 2022 (Unaudited)	December 2021 (Audited)
Current assets	**₱505,093**	₱487,197
Noncurrent assets	**323,937**	310,066
Total assets	**₱829,030**	₱797,263
Current liabilities	**₱389,990**	₱371,763
Noncurrent liabilities	–	13,492
Total liabilities	**₱389,990**	₱385,255

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

	March 2022 (Unaudited)	March 2021 (Unaudited)
Revenues	**₱251,370**	₱280,018
Depreciation	**20,439**	18,684
Net income	**20,643**	44,487
Total comprehensive income	**20,643**	44,487

	March 2022 (Unaudited)	December 2021 (Audited)
Net assets	**₱439,040**	₱412,008
Proportion of the JFC Group's ownership	**33.33%**	33.33%
	146,347	137,336
Cumulative translation adjustments	**(12,205)**	(10,075)
	₱134,142	₱127,261

C-Joy Poultry Realty, Inc. (C-Joy Realty). The Parent Company has 30% ownership interest in C-Joy Realty, a company 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 March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Interest in an associate - cost	**₱10,586**	₱10,586
Cumulative equity in net earnings:		
Balance at beginning of period	**3,891**	644
Equity in net earnings during the period	**701**	3,247
Balance at end of period	**4,592**	3,891
	₱15,178	₱14,477

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:

	March 2022 (Unaudited)	December 2021 (Audited)
Current assets	**9,724**	₱8,793
Noncurrent assets	**62,152**	62,152
Total assets	**₱71,876**	₱70,945
Current liabilities	**₱3,439**	₱2,769
Noncurrent liabilities	**17,843**	19,918
Total liabilities	**₱21,282**	₱22,687

The amounts of assets and liabilities above include the following:

	March 2022 (Unaudited)	December 2021 (Audited)
Cash and cash equivalents	**8,215**	₱8,083
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	**2,892**	2,079
Noncurrent financial liabilities	**17,843**	19,918

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

	March 2022 (Unaudited)	March 2021 (Unaudited)
Revenues	**₱3,544**	₱4,962
Taxes and licenses	**500**	1
Interest income	**2**	–
Interest expense	**154**	184
Net income	**2,337**	2,616
Total comprehensive income	**2,337**	2,616

	March 2022 (Unaudited)	December 2021 (Audited)
Net assets	**₱50,594**	₱48,258
Proportion of the JFC Group's ownership	**30%**	30%
	₱15,178	₱14,477

Beeworks Food SDN. BHD. (Beeworks - West Malaysia). On July 29, 2021, the JFC Group, through GPPL, entered into an agreement with Beeworks Investment Pte. Ltd. (BIPL) to own and operate Jollibee stores in West Malaysia which covers the country's capital, Kuala Lumpur. GPPL and BIPL have committed to invest an initial amount of USD8.0 million (₱402.5 million) to Beeworks - West Malaysia, of which up to USD2.4 million (₱120.7 million) will be contributed by GPPL in proportion to its ownership interest. Beeworks - West Malaysia, under the Exclusive License Agreement, will have the exclusive license rights to develop the Jollibee brand in West Malaysia. It aims to open at least 120 stores within the next 10 years. Its first store started commercial operations on February 8, 2022.

The agreement between GPPL and BIPL provides a mechanism wherein GPPL has the option, but not the obligation, to purchase all BIPL's shares in Beeworks - West Malaysia any time within one (1) year from the expiration or termination of the Exclusive License Agreement.

Beeworks Foods SDN. BHD., incorporated on August 12, 2021, is 30% owned by GPPL and 70% owned by BIPL. As at March 31, 2022, the capital contribution of GPPL amounted to USD0.2 million (₱9.3 million).

C-Joy Poultry Meats Production, Inc. (C-Joy Poultry). The Parent Company has 30% ownership interest in C-Joy Poultry, a company that operates a poultry processing plant in Sto. Tomas, Batangas, Philippines.

The details of JFC Group's interest in C-Joy Poultry as at March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Interest in an associate - cost	**₱1,470,126**	₱1,470,126
Cumulative equity in net losses:		
Balance at beginning of period	**(1,649,214)**	(1,598,020)
Equity in net loss during the period	**(7,471)**	(51,194)
Balance at end of period	**(1,656,685)**	(1,649,214)
	(₱186,559)	(₱179,088)

The loss in excess of interest in C-Joy Poultry of ₱186.6 million and ₱179.1 million as at March 31, 2022 and December 31, 2021, 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:

	March 2022 (Unaudited)	December 2021 (Audited)
Current assets	**₱1,429,192**	₱1,266,217
Noncurrent assets	**2,041,018**	2,057,098
Total Assets	**₱3,470,210**	₱3,323,315
Current liabilities	**₱4,028,986**	₱3,867,104
Noncurrent liabilities	**63,086**	53,172
Total liabilities	**₱4,092,072**	₱3,920,276

The amounts of assets and liabilities above include the following:

	March 2022 (Unaudited)	December 2021 (Audited)
Cash and cash equivalents	**₱164,162**	₱301,074
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	**689,865**	996,310
Noncurrent financial liabilities	**62,505**	52,622

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

	March 2022 (Unaudited)	March 2021 (Unaudited)
Revenues	**₱1,885,442**	₱1,403,870
Depreciation and amortization	**49,427**	49,264
Taxes and licenses	**8,364**	5,218
Interest income	**587**	32
Interest expense	**17,986**	22,425
Net income (loss)	**(24,902)**	11,538
Total comprehensive income (loss)	**(24,902)**	11,538

	March 2022 (Unaudited)	December 2021 (Audited)
Net liabilities	**(₱621,862)**	(₱596,961)
Proportion of the JFC Group's ownership	**30%**	30%
	(₱186,559)	(₱179,088)

Advances to Co-venturers

Advances to VTI Group. The details of the JFC Group's advances to VTI Group as at March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Balance at beginning of period	**₱1,783,911**	₱1,629,181
Accrual of interest (see Note 23)	**13,808**	51,949
Translation adjustments and others	**25,528**	102,781
Balance at end of period	**₱1,823,247**	₱1,783,911

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 USD0.3 million (₱13.8 million) and USD0.3 million (₱12.6 million) for the periods ended March 31, 2022 and 2021, respectively (see Note 23).

12. Property, Plant and Equipment

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

	March 2022 (Unaudited)							
	Land and Land Improvements	**Plant, Buildings, Commercial Condominium Units and Improvements**	**Leasehold Improvements**	**Office, Store and Food Processing Equipment**	**Furniture and Fixtures**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost								
Balance at beginning of period	₱561,436	₱8,764,708	₱28,497,759	₱26,670,549	₱2,924,922	₱648,062	₱4,381,183	₱72,448,619
Additions	–	6,732	414,396	365,956	60,429	9,764	790,418	1,647,695
Acquisition of a business (see Note 11)	–	–	–	29,295	–	800	–	30,095
Retirements and disposals	–	(38,415)	(372,589)	(168,603)	(12,900)	(9,408)	(6,094)	(608,009)
Land conveyance to CentralHub (see Note 11)	(494,042)	–	–	–	–	–	–	(494,042)
Reclassifications	–	26,610	688,052	284,728	12,929	–	(1,012,319)	–
Translation adjustments	977	32,878	314,845	276,250	34,000	1,144	43,408	703,502
Balance at end of period	68,371	8,792,513	29,542,463	27,458,175	3,019,380	650,362	4,196,596	73,727,860
Accumulated Depreciation and Amortization								
Balance at beginning of period	–	2,969,184	15,804,492	19,443,824	2,228,617	538,219	–	40,984,336
Depreciation and amortization (see Notes 21 and 22)	–	148,866	666,031	647,015	64,010	12,057	–	1,537,979
Retirements and disposals	–	(16,765)	(338,254)	(134,333)	(11,687)	(9,408)	–	(510,447)
Reclassifications	–	–	(108)	–	108	–	–	–
Translation adjustments	–	23,188	124,830	115,750	38,037	1,048	–	302,853
Balance at end of period	–	3,124,473	16,256,991	20,072,256	2,319,085	541,916	–	42,314,721
Accumulated Impairment Loss								
Balance at beginning of period	–	1,437	421,442	420,732	3,226	–	8,627	855,464
Reversals (see Note 22)	–	–	(7,750)	(232)	–	–	–	(7,982)
Write-off	–	–	–	(16,632)	–	–	–	(16,632)
Translation adjustments	–	–	–	3,994	–	–	–	3,994
Balance at end of period	–	1,437	413,692	407,862	3,226	–	8,627	834,844
Net Book Value	₱68,371	₱5,666,603	₱12,871,780	₱6,978,057	₱697,069	₱108,446	₱4,187,969	₱30,578,295

	December 2021 (Audited)							
	Land and Land Improvements	Plant, Buildings, Commercial Condominium Units and Improvements	Leasehold Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
Cost								
Balance at beginning 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
Additions	–	82,853	2,273,838	1,245,055	278,711	49,768	3,933,617	7,863,842
Retirements and disposals	–	(66,798)	(1,434,636)	(1,252,134)	(192,075)	(26,508)	(40,267)	(3,012,418)
Reclassifications (see Note 9)	(503,698)	655,450	1,794,112	886,827	32,460	–	(3,368,849)	(503,698)
Translation adjustments	24,330	130,007	830,627	478,952	104,736	3,357	105,322	1,677,331
Balance at end of year	561,436	8,764,708	28,497,759	26,670,549	2,924,922	648,062	4,381,183	72,448,619
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	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)	–	510,413	2,292,338	2,646,468	323,310	51,806	–	5,824,335
Retirements and disposals	–	(66,621)	(1,092,796)	(1,079,224)	(175,777)	(20,394)	–	(2,434,812)
Reclassifications	–	–	(108)	–	108	–	–	–
Translation adjustments	–	67,948	494,428	402,687	84,639	3,174	–	1,052,876
Balance at end of year	–	2,969,184	15,804,492	19,443,824	2,228,617	538,219	–	40,984,336
Accumulated Impairment Loss								
Balance at beginning of year	–	1,437	501,327	669,771	4,155	338	20,466	1,197,494
Additions (see Note 22)	–	–	11	44,344	37	–	–	44,392
Reversals (see Note 22)	–	–	(185,548)	(178,793)	(7,033)	(338)	(18,319)	(390,031)
Reclassifications	–	–	105,652	(118,199)	6,067	–	6,480	–
Translation adjustments	–	–	–	3,609	–	–	–	3,609
Balance at end of year	–	1,437	421,442	420,732	3,226	–	8,627	855,464
Net Book Value	₱561,436	₱5,794,087	₱12,271,825	₱6,805,993	₱693,079	₱109,843	₱4,372,556	₱30,608,819

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

In relation to JFC Group's business transformation initiative implemented, certain stores have been permanently closed resulting in a loss on retirements and disposals of property, plant and equipment amounting to ₱296.9 million in 2021.

The JFC Group also performed impairment assessments of fixed assets considering that there are observable indications that the assets' values have declined specially that certain stores were planned to be closed resulting to recognition of provision for impairment amounting to ₱44.4 million in 2021.

Management reassessed the recoverable amount of the JFC Group's office, store and food processing equipment and recognized reversal of provision amounting to ₱8.0 million and ₱37.7 for the periods ended March 31, 2022 and 2021, respectively (see Note 22). Consequently, allowance for impairment loss amounted to ₱834.8 million and ₱855.5 million as at March 31, 2022 and December 31, 2021, respectively.

On March 24, 2022, upon fulfillment of all closing conditions as required by the Shareholders' Agreement, the JFC Group conveyed its land properties with a total fair value of ₱2,089.3 million to CentralHub in exchange for an additional 18.15% ownership interest. Consequently, the exchange resulted to a gain amounting to ₱1,595.3 million (see Note 23).

No property, plant and equipment as at March 31, 2022 and December 31, 2021 have been pledged as security or collateral for the JFC Group's debts.

13. **Investment Properties**

The rollforward analysis of this account as at December 31, 2021 are as follows:

	Land	Buildings and Building Improvements	Total
Cost			
Balance at beginning of year	₱572,722	₱179,377	₱752,099
Retirements and disposals	(60,804)	(11,140)	(71,944)
Reclassifications (see Note 9)	(511,918)	12,679	(499,239)
Balance at end of year	–	180,916	180,916
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	179,377	179,377
Retirements and disposals	–	(11,140)	(11,140)
Reclassifications (see Note 9)	–	12,679	12,679
Balance at end of year	–	180,916	180,916
Net Book Value	₱–	₱–	₱–

Rent income derived from income-generating properties amounted to ₱2.3 million and ₱3.0 million for the periods ended March 31, 2022 and 2021, respectively (see Notes 20 and 29).

Direct operating costs relating to the investment properties which include maintenance expenses totaled to ₱9.9 million and ₱0.6 million in 2022 and 2021, 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 March 31, 2022 and December 31, 2021, the assigned units have not been accepted by and conveyed to the JFC Group. On April 29, 2022, the assigned units have been accepted by and conveyed to the JFC Group.

In 2021, the JFC Group engaged property agents to start marketing all its land assets, including improvements attached thereto, except for a parcel of its land assets exchanged for units in the Project completed in 2022. Based on market conditions, a sale within 12 months is highly probable. The lower of the carrying amount and fair values less costs to sell of its land assets were reclassified as held for sale as at December 31, 2021 (see Note 9).

For the period ended March 31, 2022 and year ended December 31, 2021, Grandworth, a wholly owned subsidiary, sold five (5) and three (3) parcels of land, including improvements attached thereto, for a total consideration of ₱398.4 million and ₱322.0 million, respectively. Net gain arising from the sale of these investment properties amounted to ₱235.5 million for the period ended March 31, 2022 (see Note 23).

No investment properties as at December 31, 2021 have been pledged as security or collateral for the JFC Group’s debts.

14. Trademarks, Goodwill and Other Intangible Assets

This account consists of:

	March 2022 (Unaudited)	December 2021 (Audited)
Trademarks	**₱35,047,990**	₱35,047,990
Goodwill (Note 11)	**15,580,396**	14,889,007
Computer software, net of accumulated amortization	**330,335**	355,754
Other intangible assets, net of accumulated amortization	**282,270**	318,137
	₱51,240,991	₱50,610,888

Trademarks and Goodwill
Trademarks and goodwill acquired through business combinations are attributable to the following group of CGUs as at March 31, 2022 and December 31, 2021:

	March 2022 (Unaudited)	December 2021 (Audited)
Trademarks:		
CBTL	**₱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	**₱5,311,616**	₱5,235,648
Hong Zhuang Yuan	**3,067,611**	2,988,858
SuperFoods Group	**2,526,183**	2,484,456
Mang Inasal	**1,781,267**	1,781,267
Red Ribbon Bakeshop:		
Philippine operations	**737,939**	737,939
US operations	**409,335**	403,480
Yong He King	**649,549**	632,873
Milksha (Note 11)	**463,043**	–
Chowking US operations	**458,358**	451,803
GSC	**170,250**	167,438
Burger King	**5,245**	5,245
	15,580,396	14,889,007
Trademarks and goodwill	**₱50,628,386**	₱49,936,997

The rollforward analysis of the JFC Group's goodwill as at March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Cost		
Balance at beginning of period	**₱14,395,717**	₱14,395,717
Additions	**463,043**	–
	14,858,760	14,395,717
Translation Adjustments		
Balance at beginning of period	**493,290**	(298,434)
Translation adjustments of foreign subsidiaries	**228,346**	791,724
Balance at end of period	**721,636**	493,290
Net Book Value	**₱15,580,396**	₱14,889,007

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 March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Cost		
Balance at beginning of period	**₱936,510**	₱1,006,084
Write-off (see Note 22)	**–**	(69,574)
Balance at end of period	**936,510**	936,510
Accumulated Amortization		
Balance at beginning of period	**575,330**	513,013
Amortizations (see Note 22)	**27,224**	113,035
Write-off (see Note 22)	**–**	(50,718)
Balance at end of period	**602,554**	575,330
Translation adjustment	**(3,621)**	(5,426)
Net Book Value	**₱330,335**	₱355,754

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 March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Cost		
Balance at beginning of period	**₱740,286**	₱809,198
Additions	**–**	11,113
Reclassification (see Note 29)	**–**	(80,025)
Balance at end of period	**740,286**	740,286
Accumulated Amortization		
Balance at beginning of period	**359,373**	214,141
Amortizations (see Note 22)	**45,091**	145,232
Balance at end of period	**404,464**	359,373
Translation adjustment	**(53,552)**	(62,776)
Net Book Value	**₱282,270**	₱318,137

Impairment Testing of Trademarks and Goodwill
Goodwill acquired through business combinations have been allocated to eleven (11) 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	7.8%	5.5%
Mang Inasal	Philippines	10.6%	7.4%
Red Ribbon Bakeshop:			
Philippine operations	Philippines	10.6%	7.4%
US operations	USA	6.1%	3.7%
Yong He King	PRC	7.8%	5.5%
Chowking US operations	USA	6.1%	3.7%
Burger King	Philippines	10.4%	7.4%
GSC	Vietnam	10.8%	7.8%
SuperFoods Group	Vietnam	10.8%	7.8%
Smashburger	USA	6.2%	3.7%
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, 2021 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 March 31, 2022 and year ended December 31, 2021.

15. **Other Noncurrent Assets**

This account consists of:

	March 2022 (Unaudited)	December 2021 (Audited)
Security and other deposits (see Notes 9, 31 and 32)	**₱3,251,902**	₱3,051,421
Noncurrent portion of employee car plan receivables (see Notes 7, 31 and 32)	**83,465**	83,369
Prepaid market entry fee - net of accumulated amortization of ₱32.6 million and ₱31.2 million in 2022 and 2021, respectively	**75,152**	75,416
Franchise rights - net of accumulated amortization of ₱86.4 million and ₱83.4 million in 2022 and 2021, respectively	**56,812**	55,986
Deferred compensation	**13,889**	13,889
Returnable containers and others	**2,972**	2,801
Tools and other assets	**560,785**	331,309
	₱4,044,977	₱3,614,191

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 1.28%-21.57% and 1.00%-15.43% in 2021 and 2020, 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 ₱1.5 million and ₱2.0 million for the periods ended March 31, 2022 and 2021, 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 (i.e., start of Dunkin’ Donuts operations).

The rollforward analysis of prepaid market entry fee as at March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Market Entry Fee		
Balance at beginning and end of period	**₱93,870**	₱93,870
Accumulated Amortization		
Balance at beginning of period	**31,212**	26,039
Amortizations (see Note 22)	**1,353**	5,173
Balance at end of period	**32,565**	31,212
Translation adjustment	**13,847**	12,758
	₱75,152	₱75,416

- 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 March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Franchise Rights		
Balance at beginning of period	**₱139,361**	₱136,481
Additions	**3,850**	2,880
Balance at end of period	**143,211**	139,361
Accumulated Amortization		
Balance at beginning of period	**83,375**	71,982
Amortizations (see Note 22)	**3,024**	11,393
Balance at end of period	**86,399**	83,375
	₱56,812	₱55,986

- Tools and other assets represent tools for repairs and maintenance of office and store equipment which are still unused as at March 31, 2022 and December 31, 2021.

16. Trade Payables and Other Current Liabilities and Contract Liabilities

This account consists of:

	March 2022 (Unaudited)	December 2021 (Audited)
Trade	**₱13,293,690**	₱13,256,806
Accruals for:		
Salaries, wages and employee benefits	**2,964,513**	4,144,889
Store operations	**2,030,621**	1,847,189
Rent	**1,538,582**	1,490,579
Advertising and promotions	**1,020,929**	1,173,896
Freight	**930,068**	985,890
Local taxes	**489,129**	871,473
Interest (see Note 18)	**626,147**	545,563
Utilities	**470,190**	479,493
Repairs and maintenance	**416,069**	394,068
Professional fees	**304,157**	358,683
Operating supplies	**225,923**	209,225
Security	**179,520**	172,195
Transportation and travel	**117,668**	104,056
Insurance	**102,315**	87,949
Communication	**74,999**	71,112
Trainings and seminars	**4,742**	9,792
Service fees and others	**1,918,789**	1,818,586
Customer deposits	**921,204**	1,050,421
Unearned revenue from gift certificates	**506,916**	529,781
Dividends and distributions payable (see Note 19)	**438,757**	636,008
Other current liabilities	**1,495,192**	1,290,302
	30,070,120	31,527,956
Contract liabilities	**1,453,800**	1,424,799
	₱31,523,920	₱32,952,755

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 and security deposits from operating leases with franchisees which are refundable at the end of the lease term.

  Accretion of interest on customer deposits amounted to ₱0.2 million for the periods ended March 31, 2022 and 2021 (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:

	March 2022 (Unaudited)	December 2021 (Audited)
Balance at beginning of period	**₱1,424,799**	₱1,318,924
Additions	**566,995**	2,278,305
Utilization and amortization	**(553,652)**	(2,233,327)
Translation adjustments	**15,658**	60,897
Balance at end of period	**₱1,453,800**	₱1,424,799

  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:

	March 2022 (Unaudited)	December 2021 (Audited)
Balance at beginning of period	**₱1,035,636**	₱1,326,746
Reversal	**–**	(291,110)
Balance at end of period	**₱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 of the subsidiaries consists of the following:

	Availment Date	Maturity Date	Interest Rate	Condition	**March 2022 (Unaudited)**	December 2021 (Audited)
USD-denominated						
Loan 1	October 27, 2020	September 24, 2021/ March 24, 2022/ March 24, 2023	LIBOR plus spread; quarterly	Unsecured	**₱517,400**	₱510,000
VND-denominated						
Loan 2	March 31, 2022	February 28, 2023	Non interest bearing	Unsecured	**21,168**	–
					₱538,568	₱510,000

USD-denominated loan of ICTL. Loan 1 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. On September 24, 2021, the credit agreement was extended up to March 24, 2022 and was further extended up to March 24, 2023. As at March 31, 2022 and December 31, 2021, the carrying value of the loan amounted to USD10.0 million (₱517.4 million) and USD10.0 million (₱510.0 million), respectively.

VND-denominated loan of SuperFoods Group. Loan 2 consists of a short-term loan availed on March 31, 2022 amounting to VND9.4 billion (₱21.2 million) payable on February 28, 2023, the maturity date. The loan is non-interest bearing granted by government policy bank to support the impact of Covid-19 pandemic.

Interest expense recognized on short-term debt amounted to ₱3.6 million and ₱62.4 million for the periods ended March 31, 2022 and 2021, respectively (see Note 23).

Long-term Debt

The long-term debt consists of the following:

	March 2022 (Unaudited)	December 2021 (Audited)
Principal	**₱19,045,104**	₱22,464,134
Unamortized debt issue cost	**(96,763)**	(103,957)
	₱18,948,341	₱22,360,177

The details of long-term debt follow:

	Availment Date	Maturity Date	Interest Rate	Condition	**March 2022 (Unaudited)**	December 2021 (Audited)
USD-denominated						
Subsidiaries						
Loan 1	October 21, 2015	October 21, 2025	LIBOR plus spread; quarterly	Unsecured	**₱–**	₱2,493,334
Loan 2	November 29, 2016	November 29, 2024	3.0% per annum; annually	Unsecured	**1,474,590**	1,453,500
Loan 3	November 29, 2016	November 29, 2022	ROP 2121 and ROP 2024 plus spread; annually	Unsecured	**393,224**	387,600
VND-denominated						
Subsidiaries						
Loan 4	April 3, 2017	April 1, 2022	VND COF plus spread; quarterly	Unsecured	**9,520**	28,088
Loan 5	February 13, 2018	March 20, 2023	VND COF plus spread; quarterly	Unsecured	**72,320**	106,688
Loan 6	November 15, 2018 - October 9, 2019	December 24, 2023	Bank’s three-month COF plus spread; quarterly	Unsecured	**241,733**	305,666
Loan 7	November 19 - December 31, 2020	August 30, 2024	Bank’s three-month COF plus spread; quarterly	Unsecured	**195,738**	242,330
Loan 8	August 27, 2020- July 30, 2021	July 26, 2026	Bank’s three-month COF plus spread; quarterly	Unsecured	**423,932**	416,929
Loan 9	Septemebr 27, 2021- September 26, 2022	September 26, 2026	Bank’s three-month COF plus spread; quarterly	Unsecured	**67,797**	–
Parent Company						
Loan 10	December 22, 2017	December 22, 2022	PDST-R2 plus spread; quarterly	Unsecured	**298,800**	398,400
Loan 11	December 22, 2017	December 22, 2022	PDST-R2 plus spread; quarterly	Unsecured	**392,175**	522,900
Loan 12	December 22, 2017	December 22, 2022	PDST-R2 plus spread; quarterly	Unsecured	**149,400**	199,200

(Forward)

	Availment Date	Maturity Date	Interest Rate	Condition	**March 2022 (Unaudited)**	December 2021 (Audited)
Loan 13	December 27, 2017	December 27, 2022	PDST-R2 plus spread; quarterly	Unsecured	**112,050**	149,400
Loan 14	March 27, 2018	March 27, 2025	PDST R2 plus spread; quarterly	Unsecured	**2,506,500**	2,715,375
Loan 15	May 11, 2018	May 11, 2025	PDST R2 plus spread; quarterly	Unsecured	**1,939,821**	2,089,018
Loan 16	August 15, 2018	August 15, 2025	PDST-R2 plus spread; quarterly	Unsecured	**1,880,116**	2,014,393
Loan 17	October 6, 2021	October 7, 2026	BVAL plus spread	Unsecured	**3,972,500**	3,971,000
Subsidiaries						
Loan 18	May 8, 2019	May 8, 2026	BVAL plus spread	Unsecured	**845,625**	895,356
Loan 19	October 6, 2021	October 7, 2026	BVAL plus spread	Unsecured	**2,979,375**	2,978,250
Loan 20	October 6, 2021	October 8, 2026	Fixed	Unsecured	**993,125**	992,750
					18,948,341	22,360,177
Less current portion - net of debt issue costs of ₱27.5 million and ₱16.8 million in 2022 and 2021, respectively					**4,105,114**	4,950,565
Noncurrent portion					**₱14,843,227**	₱17,409,612

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 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 VND133.5 billion (₱283.8 million) were availed in 2021. As at March 31, 2022 and December 31, 2021, the carrying value of the loan amounted to VND189.3 billion (₱423.9 million) and VND189.3 billion (₱416.9 million), respectively.

Loan 9 consists of a 5-year unsecured loan acquired from a local bank in Vietnam amounting to VND232.0 billion (₱519.7 million) available in tranches within twelve (12) months from September 27, 2021, 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 1.6%. The principal is payable in sixteen (16) quarterly installments commencing on the 15th month from the date of agreement. Initial drawdown amounting to VND9.4 billion (₱21.1 million) was availed on January 7, 2022. Subsequent tranches amounting to a total of VND20.9 billion (₱46.7 million) were availed in January to March 2022. As at March 31, 2022, the carrying value of the loan amounted to VND30.3 billion (₱67.8 million).

Loans 4 to 9 are guaranteed by the Ultimate Parent Company.

PHP-denominated Loans of the Parent Company. Loan 17 consists of a 5-year unsecured loan acquired from a local bank on October 6, 2021 amounting to ₱4,000.0 million split into two (2) tranches. The first tranche is subject to a floating rate based on PHP BVAL Reference Rate for three (3) months tenor plus spread of 0.75% or to an interest rate floor equal to the BSP Reverse Repurchase Rate. The second tranche is subject to a fixed rate of 3.9765% per annum. The Parent Company incurred debt issue cost of ₱30.0 million, representing documentary stamp tax, in relation to this loan. The principal is payable in equal quarterly installments commencing on the 6th quarter from the drawdown date and every quarter thereafter until maturity. The carrying amount of the loan amounted to ₱3,972.5 million, net of unamortized debt issue cost of ₱27.5 million, and ₱3,971.0 million, net of unamortized debt issue cost of ₱29.0 million, as at March 31, 2022 and December 31, 2021, respectively.

The Parent Company's PHP denominated long-term debt (Loans 10 to 17) amounted to ₱11,251.4 million, net of unamortized debt issue cost of ₱64.9 million, and ₱12,059.7 million, net of unamortized debt issue cost of ₱70.3 million, as at March 31, 2022 and December 31, 2021, respectively. The current portion amounted to ₱2,880.8 million and ₱3,239.3 million, net of debt issue cost of ₱20.4 million and ₱15.7 million as at March 31, 2022 and December 31, 2021, respectively.

PHP-denominated Loan of Zenith. Loan 19 consists of a 5-year unsecured loan acquired from a local bank on October 6, 2021 amounting to ₱3,000.0 million split into two (2) tranches. The first tranche is subject to a floating rate based on PHP BVAL Reference Rate for three (3) months tenor plus spread of 0.75% or to an interest rate floor equal to the BSP Reverse Repurchase Rate. The second tranche is subject to a fixed rate of 3.9765% per annum. Zenith incurred debt issue cost of ₱22.5 million, representing documentary stamp tax, in relation to this loan. The principal is payable in equal quarterly installments commencing on the 6th quarter from the drawdown date and every quarter thereafter until maturity. The carrying amount of the loan amounted to ₱2,979.4 million, net of unamortized debt issue cost of ₱20.6 million, and ₱2,978.2 million, net of unamortized debt issue cost of ₱21.8 million, as at March 31, 2022 and December 31, 2021, respectively.

Loan 20 consists of a 5-year unsecured loan acquired from a local bank on October 6, 2021 amounting to ₱1,000.0 million. The loan is subject to a fixed rate of 3.395% per annum. 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 6th quarter from the drawdown date and every quarter thereafter until maturity. The carrying amount of the loan amounted to ₱993.1 million, net of unamortized debt issue cost of ₱6.9 million, and ₱992.8 million, net of unamortized debt issue cost of ₱7.2 million, as at March 31, 2022 and December 31, 2021, 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. The Parent Company is in compliance with the applicable debt covenants as at March 31, 2022 and December 31, 2021.

Interest expense recognized on long-term debt amounted to ₱305.6 million and ₱210.5 million for the periods ended March 31, 2022 and 2021, respectively (see Note 23).

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

	March 2022 (Unaudited)	December 2021 (Audited)
2022	**₱3,302,612**	₱4,966,155
2023	**4,657,133**	5,190,642
2024	**5,836,188**	6,435,397
2025	**3,149,171**	3,771,940
2026	**2,100,000**	2,100,000
	19,045,104	22,464,134
Less debt issue costs	**(96,763)**	(103,957)
	₱18,948,341	₱22,360,177

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 March 31, 2022 and December 31, 2021.

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 nil and ₱12.8 million as at March 31, 2022 and December 31, 2021, 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.

The IRS was terminated when Loan 1 was prepaid on January 20, 2022.

Unrealized gain of ₱128.7 million was recognized in other comprehensive income in 2021.

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 March 31, 2022 and December 31, 2021, the carrying value of the Notes amounted to USD596.7 million (₱30,872.8 million) and USD596.5 million (₱30,426.1 million), net of unamortized debt issue cost of USD3.3 million (₱171.2 million) and USD3.4 million (₱173.9 million), respectively.

Interest expense recognized on senior debt securities amounted to ₱343.1 million and ₱321.5 million for the periods ended March 31, 2022 and 2021, respectively (see Note 23).

19. **Equity**

a. Preferred Stock

On May 11, 2021, the BOD of the Parent Company approved the amendment to the Seventh Article of the AOI of the Parent Company to reclassify 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 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-denominated preferred shares within 2021. The amount of the planned preferred shares issuance is estimated at ₱8,000.0 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.

On September 24, 2021, the Philippine SEC approved the shelf registration in the Philippines of 20,000,000 cumulative, non-voting, non-participating, non-convertible, redeemable, peso-denominated perpetual preferred shares to be offered within a period of three (3) years from the date of effectivity of the registration statement and granted the Parent Company the permit to sell 8,000,000 preferred shares and an over subscription option of up to 4,000,000 preferred shares, at an offer price of ₱1,000 per share in two (2) series: Preferred Shares-Series A and Series B with a dividend rate of 3.2821% and 4.2405% per annum, respectively.

On October 14, 2021, the Parent Company issued Preferred Shares-Series A and Series B totaling to 3,000,000 shares and 9,000,000 shares, respectively. The preferred shares were listed in the Philippine Stock Exchange on the same day.

The total number of shareholders of the Parent Company for Preferred Shares-Series A and Series B is 3 and 4, respectively, as at March 31, 2022 and December 31, 2021.

b. Common Stock

The movements in the account are as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Authorized - ₱1 par value		
Balance at beginning of period	**₱1,430,000**	₱1,450,000
Reclassification to preferred shares	**–**	(20,000)
Balance at end of period	**₱1,430,000**	₱1,430,000
Issued and subscribed:		
Balance at beginning of period	**₱1,124,342**	₱1,122,257
Issuances during the period	**509**	2,085
Balance at end of period	**1,124,851**	1,124,342
Subscriptions receivable	**(2,009)**	(17,178)
	₱1,122,842	₱1,107,164

Upon ratification of the January 26, 2005 resolution by the BOD on March 22, 2022, the Parent Company cancelled the subscriptions receivable totalling to ₱17.2 million; ₱2.0 million pertaining to common stock and ₱15.2 million to additional paid-in capital.

The total number of shareholders of the Parent Company is 2,974 and 2,981 as at March 31, 2022 and December 31, 2021, respectively.

c. 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 ended March 31, 2022 and year ended December 31, 2021, stock options totaling 509,607 shares and 2,085,295 shares, respectively, were exercised (see Note 26). These resulted to an additional paid-in capital amounting to ₱93.4 million and ₱321.7 million for the period ended March 31, 2022 and year ended December 31, 2021, respectively.

Issuance cost for the preferred shares incurred by the Parent Company charged to additional paid in capital amounted to ₱80.3 million in 2021.

Stock options expense, amounting to ₱41.5 million and ₱39.2 million for the periods ended March 31, 2022 and 2021, 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 in additional paid-in capital resulting to an increase of ₱20.5 million in 2021.

As at March 31, 2022 and December 31, 2021, total additional paid-in capital amounted to ₱10,451.0 million and ₱10,331.3 million , respectively.

d. 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 March 31, 2022 and December 31, 2021.

e. 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 (SGX-ST) 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 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). Accrued distribution due in July 2022 and January 2022 amounted to USD3.9 million (₱198.4 million) and USD11.7 million (₱590.0 million) as at March 31, 2022 and December 31, 2021, respectively (see Note 16).

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.

On October 4, 2021, JWPL announced the Tender Offer to the holders of the Securities to purchase for cash up to USD250.0 million of the outstanding Securities on the official list of SGX-ST. The Tender Offer to buy back up to USD250.0 million of the Securities will be funded partly from the proceeds of the Parent Company's issuance of 12,000,000 preferred shares under its 20,000,000 preferred shares shelf registration.

On October 19, 2021, in relation to the announced Tender Offer, JWPL disclosed the following:

- That, as at 4:00 PM, London time, on October 18, 2021 (the Early Tender Time), holders of Securities had validly tendered and not validly withdrawn USD203.1 million in aggregate principal amount of Securities;

- The Tender Offer cap of USD250.0 million has not been reached and all Securities tendered at or prior to the Early Tender Time will be accepted for purchase; and,

- As JWPL expects that the financing condition and all other conditions to the Tender Offer will be fully satisfied prior to October 21, 2021 (the Early Settlement Date), JWPL plans to make payment for Securities validly tendered at or prior to the Early Tender Time and accepted for purchase on the Early Settlement Date at a price equal to (a) the amount of USD1,000 per USD1,000 principal amount of Securities plus accrued distribution (as defined in the Tender Offer Memorandum), plus (b) an amount equal to USD16.25 per USD1,000 principal amount of Securities which constitutes the Early Tender Premium. JWPL expects to cancel such Securities on the same date.

On October 21, 2021, the settlement of the Securities that have been validly tendered by holders of Securities at the Early Tender Time, not validly withdrawn and accepted for payment pursuant to the Tender Offer, has been completed. As at Early Settlement Date, USD203.1 million (₱10,303.0 million) in aggregate principal amount of Securities has been repurchased and cancelled. Immediately following the Early Settlement Date, USD396.9 million in principal amount of Securities remain outstanding.

Early Tender Premium paid by JWPL amounted to USD3.3 million (₱167.4 million).

On November 5, 2021, JWPL further disclosed that:

- It has been advised that, after the Early Tender Time but at or prior to the Expiration Deadline, holders of Securities had validly tendered and not validly withdrawn USD0.4 million in aggregate principal amount of Securities;

- The Tender Offer cap has not been reached and accordingly all Securities validly tendered after the Early Tender Time but at or prior to the Expiration Deadline will be accepted for purchase; and,
- As the financing condition and all other conditions to the Tender Offer have been satisfied, JWPL plans to make payment for Securities validly tendered after the Early Tender Time but at or prior to the Expiration Deadline and accepted for purchase on November 8, 2021 at a price equal to the amount of the USD1,000 per USD1,000 principal amount of Securities plus accrued distribution. JWPL also expects to cancel such Securities on the same date.

On November 8, 2021, JWPL accepted the purchase of USD0.4 million (₱20.2 million) and cancelled the Securities on the same date.

f. 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 March 31, 2022 and December 31, 2021, 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

g. 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 payable to all common stockholders. 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 31.5%, 12.4% and 38.6% in 2021, 2020 and 2019, respectively.

Preferred Shares-Series A and Series B shareholders, subject to the discretion of the BOD to the extent permitted by law, are entitled to dividends. If cash dividends are declared, cash dividends shall be as follows:

- Preferred Shares-Series A shall be at the fixed rate of 3.2821% per annum; and,
- Preferred Shares-Series B shall be at the fixed rate of 4.2405% per annum.

Cash dividends on Preferred Shares-Series A and Series B will be payable quarterly.

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)	
2022				
Preferred Shares-Series A				
March 14	March 29	April 18, 2022	₱8.21	₱24,616
Preferred Shares-Series B				
March 14	March 29	April 18, 2022	₱10.60	₱95,411
2021				
Common Shares				
April 8	April 26	May 12	₱0.78	₱861,054
November 8	November 23	December 14	0.89	984,025
			₱1.67	₱1,845,079
Preferred Shares-Series A				
December 7	December 23	January 14, 2022	₱8.21	₱24,616
Preferred Shares-Series B				
December 7	December 23	January 14, 2022	₱10.60	₱95,411
2020				
Common Shares				
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				
Common Shares				
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, the remaining 30% minority share in Smashburger Long Island (₱95.8 million) in 2020 and acquisition of the 51% of Milksha (₱624.8 million) in 2022.

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.

On December 7, 2021, the BOD approved the release of previously approved appropriated retained earnings in 2018 amounting to ₱20,000.0 million. On the same day, the BOD approved the appropriation of ₱18,700.0 million from the Parent Company's unappropriated retained earnings for capital expenditures in 2022. Consequently, appropriated retained earnings for capital expenditures amounted to ₱18,700.0 million as at March 31, 2022 and December 31, 2021.

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 March 31, 2022 and December 31, 2021. The unappropriated retained earnings of the JFC Group includes accumulated losses from its subsidiaries.

The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in SEC Memorandum Circular No. 11, amounted to ₱18,543.2 million and ₱15,728.1 million as at March 31, 2022 and December 31, 2021, respectively.

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

				Number of Holders of Securities	
	Number of Shares Registered	Initial Issue/ Offer Price	Listing date	**March 2022 (Unaudited)**	December 2021 (Audited)
Common shares	75,000,000	₱9	July 14, 1993	**2,974**	2,981
Preferred shares-Series A	3,000,000	1,000	October 14, 2021	**3**	3
Preferred shares-Series B	9,000,000	1,000	October 14, 2021	**4**	4

20. Royalty, Set-up Fees and Others

This account consists of:

	March 2022 (Unaudited)	March 2021 (Unaudited)
Royalty fees	**₱2,032,633**	₱1,552,092
Service fees	**72,508**	58,346
Set-up fees	**71,462**	47,820
Scrap sales	**20,043**	19,632
Rent income (see Notes 13 and 29)	**2,840**	6,425
Delivery fees and others	**198,524**	187,525
	₱2,398,010	₱1,871,840

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", "The Coffee Bean & Tea Leaf" and "Milksha" 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.

21. **Direct Costs**

This account consists of:

	March 2022 (Unaudited)	March 2021 (Unaudited)
Cost of Sales		
Cost of inventories	**₱19,522,606**	₱14,953,146
Personnel costs:		
Salaries, wages and other employee benefits	**5,250,921**	4,331,821
Pension expense	**33,394**	34,249
Depreciation and amortization (see Notes 12 and 29)	**3,198,770**	3,054,755
Contracted services	**1,743,830**	1,490,893
Rent (see Note 29)	**1,288,492**	838,687
Electricity and other utilities	**1,102,353**	978,872
Supplies	**709,215**	560,383
Repairs and maintenance	**490,912**	406,554
Security and janitorial	**232,326**	222,641
Communication	**82,595**	83,446
Representation and entertainment	**22,436**	11,984
Professional fees	**13,019**	18,824
Delivery costs, insurance and others	**1,598,413**	1,258,427
	35,289,282	28,244,682
Cost of Services		
Advertising expense	**656,835**	508,081
	₱35,946,117	₱28,752,763

22. General and Administrative Expenses

This account consists of:

	March 2022 (Unaudited)	March 2021 (Unaudited)
Personnel costs:		
Salaries, wages and other employee benefits	**₱2,623,513**	₱2,042,994
Stock options expense (see Notes 19 and 26)	**41,488**	39,183
Pension expense	**40,533**	36,642
Taxes and licenses	**466,149**	365,821
Professional fees	**216,773**	298,677
Depreciation and amortization (see Notes 12, 14, 15 and 29)	**173,043**	152,227
Contracted services	**168,164**	117,524
Membership and subscriptions	**120,199**	80,764
Rent (see Note 29)	**118,322**	100,726
Loss on retirements and disposals of property, plant and equipment, investment properties and intangibles (see Notes 12, 13 and 14)	**102,237**	21,713
Transportation and travel	**81,813**	122,385
Communication	**75,813**	54,681
Repairs and maintenance	**62,330**	105,517
Reversals of provision for impairment on:		
Inventories (see Note 8)	**(34,596)**	(97,639)
Property, plant and equipment (see Note 12)	**(7,982)**	(37,700)
Receivables (see Note 7)	**(248)**	(6,735)
Insurance	**30,047**	29,268
Corporate events	**29,168**	15,095
Supplies	**28,817**	22,549
Association dues	**12,629**	10,108
Representation and entertainment	**11,288**	9,545
Impairment in value of:		
Receivables (see Note 7)	**10,653**	20,827
Inventories (see Note 8)	**–**	98,878
Electricity and other utilities	**7,359**	10,013
Training	**6,047**	23,221
Donations	**5,507**	623
Security and janitorial	**878**	3,058
Research and development and others	**101,579**	182,505
	₱4,491,523	₱3,822,470

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

	March 2022 (Unaudited)	March 2021 (Unaudited)
Interest income		
Cash and cash equivalents and short-term investments (see Note 6)	**₱18,338**	₱8,981
Loans and advances (see Note 11)	**13,808**	12,557
Accretion of:		
Interest on security and other deposits and employee car plan receivables (see Note 15)	**1,506**	2,022
Lease receivables (see Note 29)	**3,057**	3,119
	₱36,709	₱26,679

	March 2022 (Unaudited)	March 2021 (Unaudited)
Interest expense		
Financing:		
Senior debt securities (see Note 18)	**(₱343,063)**	(₱321,497)
Long-term debt (see Note 18)	**(305,627)**	(210,526)
Short-term debt (see Note 18)	**(3,647)**	(62,363)
	(652,337)	(594,386)
Accretion of:		
Lease liabilities (see Note 29)	**(430,146)**	(392,275)
Customer deposits (see Note 16)	**(238)**	(231)
	(430,384)	(392,506)
	(₱1,082,721)	(₱986,892)

	March 2022 (Unaudited)	March 2021 (Unaudited)
Other income (expense)		
Gain on land conveyance and disposals (see Notes 12 and 13)	**₱1,830,866**	₱–
Marked-to-market loss on financial assets at FVTPL (see Note 10)	**(484,979)**	(178,631)
Foreign exchange gain - net	**202,001**	6,215
Write-off of liabilities	**128,445**	545,897
Bank charges	**(140,122)**	(99,865)
Rebates, suppliers' incentives and government subsidies	**128,090**	114,340
Loss on pre-termination of lease agreements (see Note 29)	**(5,291)**	–
Penalties and charges	**4,923**	9,654
Other rentals	**6,551**	2,025
Charges to franchisees	**847**	1,256
Insurance claims and others	**37,488**	41,368
	₱1,708,819	₱442,259

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:

	March 2022 (Unaudited)	March 2021 (Unaudited)
Final tax withheld on:		
Royalty income	**₱384,118**	₱301,621
Interest income	**1,544**	616
RCIT:		
With itemized deduction	**36,250**	67,300
With Optional Standard Deduction (OSD)	**30,222**	8
MCIT	**60,852**	(17,042)
	₱512,986	₱352,503

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

For the periods ended March 31, 2022 and 2021, 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 ₱16.9 million and nil for the periods ended March 31, 2022 and 2021, respectively.

The components of the JFC Group's recognized net deferred tax assets as at March 31, 2022 and December 31, 2021 follow:

	March 2022 (Unaudited)	December 2021 (Audited)
Deferred tax assets:		
Lease liabilities	**₱5,772,587**	₱5,930,795
NOLCO:		
USA-based entities	**2,728,540**	2,530,684
Philippine-based entities	**463,371**	534,907
PRC-based entities	**342,233**	314,151
Europe-based entities	**36,143**	36,280
Accrued expenses of USA-based entities	**1,312,184**	1,293,241
Pension liability and other benefits	**586,813**	585,158
Excess of MCIT over RCIT	**511,095**	462,557
Accumulated impairment loss in value of receivables, inventories, property, plant and equipment and other nonfinancial assets	**261,973**	272,010

(Forward)

	March 2022 (Unaudited)	December 2021 (Audited)
Accrued bonus	**₱100,639**	₱248,817
MSOP and ELTIP	**126,771**	126,771
Unrealized foreign exchange loss	**28,100**	28,714
Unaccreted discount on security deposits and employee car plan receivables	**26,165**	27,068
Unamortized past service costs	**4,099**	4,273
Others	**112,717**	107,888
	12,413,430	12,503,314
Deferred tax liabilities:		
Right-of-use assets	**4,802,290**	4,970,541
Excess of fair value over book value of identifiable assets of acquired businesses	**435,337**	493,028
Unrealized foreign exchange gain	**70,760**	93,184
Operating lease receivables	**12,935**	22,365
Unaccreted discount on employee car plan receivables and security deposits	**18,627**	18,891
Deferred rent expense	**77,568**	13,748
Prepaid rent	**9,434**	13,954
Unrealized gain on change in fair value of financial assets at FVTPL	**2,748**	2,748
	5,429,699	5,628,459
Deferred tax assets - net	**₱6,983,731**	₱6,874,855

The components of the JFC Group's recognized net deferred tax liabilities as at March 31, 2022 and December 31, 2021 follow:

	March 2022 (Unaudited)	December 2021 (Audited)
Deferred tax assets:		
Lease liabilities	**₱3,739,630**	₱3,816,017
NOLCO:		
Hungary-based entity	**606,886**	571,472
Asia-based entities	**8,592**	8,453
Capital allowance	**70,424**	69,416
Allowance for impairment loss on receivables, inventories and property, plant and equipment	**61,493**	60,862
Pension liability and other benefits	**28,902**	31,105
Accrued expenses	**19,739**	19,620
MSOP and ELTIP	**4,297**	4,297
Unaccreted discount on security deposits and employee car plan receivables	**270**	284
Unamortized past service costs	**214**	225
Accrued bonus	**–**	1,521
	4,540,447	4,583,272

(Forward)

	March 2022 (Unaudited)	December 2021 (Audited)
Deferred tax liabilities:		
Excess of fair value over book value of identifiable assets of acquired businesses	**₱4,349,776**	₱4,353,549
Right-of-use assets	**3,555,365**	3,658,010
Unaccreted discount on employee car plan receivables, security and product security deposits	**492**	409
Unrealized foreign exchange gain	**2**	17
Finance lease receivables	**7,822**	–
	7,913,457	8,011,985
Deferred tax liabilities - net	**₱3,373,010**	₱3,428,713

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

	March 2022 (Unaudited)	December 2021 (Audited)
Balance at beginning of period	**₱3,446,142**	₱2,258,805
Income tax effect to profit or loss	**124,473**	1,387,929
Income tax effect of remeasurements of net defined benefit plan	**–**	(168,037)
Tax effect of MSOP and ELTIP	**–**	20,488
Translation adjustments	**40,106**	(53,043)
Balance at end of period	**₱3,610,721**	₱3,446,142

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:

	March 2022 (Unaudited)	December 2021 (Audited)
Deferred tax assets:		
Lease liabilities	**₱4,739**	₱6,257
Allowance for impairment loss on receivables and nonfinancial assets	**4,346**	4,244
Customer deposits	**–**	6,257
Unaccreted discount on financial instruments and others	**33**	40
	9,118	16,798
Deferred tax liabilities:		
Operating lease receivables	**5,214**	8,656
Others	**137**	123
	5,351	8,779
Deferred tax assets - net	**₱3,767**	₱8,019

As at March 31, 2022, 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
2022	December 31, 2025	₱–	₱49,074
2021	December 31, 2026	–	72,657
2020	December 31, 2025	2,203,561	170,394
2019	December 31, 2022	–	218,970
		2,203,561	511,095
Utilized during the period		(350,078)	–
		₱1,853,483	₱511,095

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 has 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:

Consolidated Statement of Financial Position

Amount in millions	Increase (Decrease)
Prepaid taxes	₱59.9
Deferred tax assets	(1,089.6)
Income tax payable	(8.8)
Deferred tax liabilities	(530.6)
Remeasurement loss on net defined benefit plan	59.4
Additional paid-in capital	0.4

Consolidated Statement of Comprehensive Income

Amount in millions	Increase (Decrease)
Provision for current income tax	(₱68.7)
Provision for deferred income tax	499.1
Other comprehensive income	59.4
Net income attributable to equity holders of the Parent Company	(423.1)
Net income attributable to non-controlling interests	(7.3)

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 ₱2,570.9 million and ₱233.3 million, respectively, as at March 31, 2022 and ₱2,468.6 million and ₱221.0 million, respectively, as at December 31, 2021.

The PRC enterprise income tax law provides that income tax rates are unified at 25%. As at March 31, 2022, 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%
2022	December 31, 2027	₱79,220	₱19,805
2021	December 31, 2026	156,844	39,211
2020	December 31, 2028	956,072	239,018
2019	December 31, 2024	59,900	14,975
2018	December 31, 2023	44,564	11,141
2017	December 31, 2022	39,216	9,804
		1,335,816	333,954
Translation adjustments		33,116	8,279
		₱1,368,932	₱342,233

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 pandemic in 2020 is extended from five (5) years to eight (8) years.

As at March 31, 2022, 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%
2022	₱767,319	₱161,137
2021	1,494,586	313,863
2020	4,112,176	863,557
2019	3,611,838	758,486
2018	2,717,028	570,576
2017	115,248	24,202
	12,818,195	2,691,821
Translation adjustments	174,852	36,719
	₱12,993,047	₱2,728,540

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

As at March 31, 2022, 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%
2020	₱180,035	₱34,207
2018	10,292	1,955
Translation adjustments	(100)	(19)
	₱190,227	₱36,143

NOLCO of Europe-based entities has no prescription.

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

	March 2022 (Unaudited)	December 2021 (Audited)
Balance at beginning of period	**₱3,995,947**	₱2,771,280
Additions	**223,942**	1,792,330
Utilization during the period	**(87,519)**	(484,870)
Change in tax rate due to the CREATE Act	**–**	(177,601)
Write-off and expirations	**–**	(23,267)
Translation adjustments	**53,395**	118,075
	₱4,185,765	₱3,995,947

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

	March 2022 (Unaudited)	December 2021 (Audited)
Balance at beginning of period	**₱462,557**	₱411,332
Additions	**48,538**	91,853
Change in tax rate due to the CREATE Act	**–**	(40,628)
	₱511,095	₱462,557

The net change in deferred tax liabilities recognized in equity amounted to (₱168.0 million), ₱165.3 million and ₱252.9 million in 2021, 2020 and 2019, respectively.

Provision for current income tax of foreign entities operating in the US, PRC, Vietnam and Singapore amounted to ₱3.8 million, ₱1.4 million, ₱0.7 million and ₱3.5 million, respectively, for the period ended March 31, 2022 and ₱24.4 million , ₱10.3 million, ₱8.1 million and nil , respectively, for the period ended March 31, 2021.

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 2021 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At January 1, 2021	₱4,711,002	₱1,793,502	₱2,917,500
Opening balance adjustment	(5,381)	–	(5,381)
Pension expense:			
Current service cost	375,120	–	375,120
Net interest	165,211	65,625	99,586
Past service cost	(50,574)	–	(50,574)
Settlement gain	(105,824)	–	(105,824)
	383,933	65,625	318,308
Benefits paid	(138,167)	(143,122)	4,955
Settlement paid	(50,873)	(45,918)	(4,955)
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	(50,580)	50,580
Actuarial changes arising from changes in financial assumptions	(577,221)	–	(577,221)
Actuarial changes due to experience adjustment	130,600	–	130,600
Actuarial changes due to demographic adjustment	(32,302)	–	(32,302)
	(478,923)	(50,580)	(428,343)
Contributions	–	385,619	(385,619)
At December 31, 2021	₱4,421,591	₱2,005,126	₱2,416,465

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 gain	(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

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:

	March 2021 (Unaudited)	December 2020 (Audited)
Cash and cash equivalents	**₱7,480**	₱30,507
Investments in government and corporate debt securities	**1,741,131**	1,843,471
Investments in quoted equity securities:		
Holding firms	**242,661**	238,751
Property	**164,783**	174,253
Banks	**157,274**	144,834
Telecommunications	**63,026**	74,348
Food and beverage	**52,846**	61,452

(Forward)

	March 2021 (Unaudited)	December 2020 (Audited)
Electricity, energy, power and water	**₱50,906**	₱52,377
Transportation	**50,713**	45,118
Others	**18,069**	19,912
Interest and dividends receivable	**43,247**	18,339
Fund liabilities (see Notes 7 and 27)	**(621,573)**	(698,236)
	₱1,970,563	₱2,005,126

The plan assets consist of the following:

- Investments in government securities which consist of retail treasury bonds that bear interest ranging from 2.38%-6.25% and have maturities from December 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 August 2037.

- Investments in debt securities consist of long-term corporate bonds in the property sector, which bear interest ranging from 4.34%-6.30% maturing from February 2022 to November 2028.

- 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, 2021	December 31, 2020
Discount rate	3.7% – 5.2%	3.6% – 4.3%
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 (Decrease)	Philippine Plan 2021	Philippine Plan 2020
Discount rates	+0.50%	(₱693,183)	(₱1,028,752)
	-0.50%	801,562	1,160,221
Future salary increases	+0.50%	798,337	1,153,401
	-0.50%	(715,557)	(1,026,755)

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

	2021	2020
Less than 1 year	₱765,404	₱774,144
More than 1 year to 5 years	1,451,480	1,244,033
More than 5 years to 10 years	2,176,459	2,141,595
More than 10 years to 15 years	2,867,018	2,571,487
More than 15 years to 20 years	3,367,326	3,065,269
More than 20 years	8,514,005	8,982,778

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, 2021 and 2020.

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 ₱122.9 million and ₱70.9 million for the periods ended March 31, 2022 and 2021, 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, 2020, the Compensation Committee granted series of MSOP grants under the 2nd to 17th MSOP cycle to eligible participants. Under the most recent grant on August 5, 2021, the 18th MSOP cycle, the Compensation Committee granted 4,219,250 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, 9th and 10th MSOP cycles expired in 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021, 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 March 31, 2022 and years ended December 31, 2021 and 2020 follow:

	March 2022 (Unaudited)		December 2021 (Audited)		December 2020 (Audited)	
	Number of Options	**WAEP**	Number of Options	WAEP	Number of Options	WAEP
Total options granted at beginning of period	**61,141,454**	**₱122.96**	56,922,204	₱118.03	52,715,144	₱116.43
Options granted during the period	–	–	4,219,250	189.60	4,207,060	138.00
Total options granted at end of period	**61,141,454**	**₱122.96**	61,141,454	₱122.96	56,922,204	₱118.03
Outstanding at beginning of period	**20,984,985**	**₱194.51**	19,415,930	₱191.22	17,905,148	₱200.38
Options granted during the period	–	–	4,219,250	189.60	4,207,060	138.00
Options exercised during the period	**(509,607)**	**188.04**	(2,031,961)	154.66	(1,223,364)	112.70
Options forfeited during the period	–	–	(618,234)	188.72	(1,472,914)	215.80
Outstanding at end of period	**20,475,378**	**₱194.67**	20,984,985	₱194.51	19,415,930	₱191.22
Exercisable at end of period	**12,710,655**	**₱207.44**	13,220,262	₱206.69	12,624,653	₱201.00

The weighted average share price of the Parent Company's common shares is ₱229.77, ₱200.38 and ₱147.16 in 2022, 2021 and 2020, respectively. The weighted average remaining contractual life for the stock options outstanding is 4.73 years, 4.70 years, and 4.62 years as at December 31, 2021, 2020 and 2019, respectively.

The weighted average fair value of stock options granted in 2021, 2020 and 2019 is ₱48.71, ₱33.84 and ₱48.07, 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
18th	2021	1.70%	36.19%	2.29%	3-4 years	189.60	189.60

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 5th ELTIP cycle was not granted to ELTIP participants as the JFC Group did not achieve the minimum hurdle rate of 10% of annual growth of the EPS due to the impact of the COVID-19 pandemic to JFC Group's business performance in 2020.

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 March 31, 2022 and years ended December 31, 2021 and 2020 follow:

	March 2022 (Unaudited)		December 2021 (Audited)		December 2020 (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	**3,680,034**	**₱180.00**	4,073,368	₱180.00	15,368,368	₱123.22
Options exercised during the period	–	–	(53,334)	180.00	(10,885,000)	105.00
Options forfeited during the period	–	–	(340,000)	180.00	(410,000)	110.56
Outstanding at end of period	**3,680,034**	**₱180.00**	3,680,034	₱180.00	4,073,368	₱180.00
Exercisable at end of period	**3,680,034**	**₱180.00**	3,680,034	₱180.00	4,073,368	₱180.00

The weighted average remaining contractual life for the stock options outstanding is 1.33 years, 2.33 years and 1.06 years as at December 31, 2021, 2020 and 2019, respectively.

The fair value of stock options granted is ₱26.13 in 2015. There were no additional stock option grants under ELTIP in 2021, 2020 and 2019. 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 ₱41.5 million and ₱39.2 million for the periods ended March 31, 2022 and 2021, respectively (see Notes 19, 22 and 27). 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:

	March 2022 (Unaudited)	March 2021 (Unaudited)
Salaries and short-term benefits	**₱631,875**	₱233,089
Stock options expense (see Notes 19, 22 and 26)	**41,488**	39,183
Net pension expense	**21,883**	22,962
Employee car plan and other long-term benefits	**12,499**	12,881
	₱707,745	₱308,115

Transactions with the Retirement Plans

As at March 31, 2022 and December 31, 2021, certain retirement funds of the JFC Group include investment in equity securities of the Parent Company with details as follows:

	March 2022 (Unaudited)	December 2021 (Audited)
Number of shares	**86,790**	95,250
Market value	**₱19,528**	₱20,612
Cost	**17,857**	19,387
Unrealized gain	**₱1,671**	₱1,225

The JFC Group's receivable from the retirement fund amounted to ₱618.3 million and ₱694.4 million as at March 31, 2022 and December 31, 2021, respectively (see Notes 7 and 25). The receivable arose from benefit payments made by the JFC Group for and on 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:

	March 2022 (Unaudited)	March 2021 (Unaudited)
	(In Thousand pesos, except for shares data and EPS)	
Net income attributable to the equity holders of the Parent Company	**₱2,308,525**	₱152,648
Dividends on preferred shares - net of tax	**112,810**	–
Adjusted net income attributable to the equity holders of the Parent Company (a)	**₱2,195,715**	₱152,648
Weighted average number of shares - basic (b)	**1,108,069,813**	1,102,130,616
Weighted average number of shares outstanding under the stock options plan	**19,950,445**	13,581,111
Weighted average number of shares that would have been purchased at fair market value	**(16,488,432)**	(12,656,582)
Adjusted weighted average shares – diluted (c)	**1,111,531,826**	1,103,055,145
EPS		
Basic (a/b)	**₱1.982**	₱0.139
Diluted (a/c)	**1.975**	0.138

Potential common shares for stock options under the 13th and 15th MSOP cyles in 2022 and 11th to 16th MSOP cycles and 4th ELTIP cycle in 2021 were not included in the calculation of the diluted EPS because they are anti-dilutive.

29. Leases

JFC Group as Lessee

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, 2020	**₱33,710,403**	**₱504,826**	**₱8,914**	**₱34,224,143**
Additions	11,021,980	–	5,321	11,027,301
Pre-terminations	(1,510,979)	–	37	(1,510,942)
Depreciation expense	(7,281,055)	(75,515)	(26,527)	(7,383,097)
Reversal of impairment loss	285,635	–	–	285,635
Reclassification	917	–	79,108	80,025
Cumulative translation adjustments	1,446,970	–	(1,669)	1,445,301
As at December 31, 2021	**37,673,871**	**429,311**	**65,184**	**38,168,366**
Additions	46,623	–	–	46,623
Pre-terminations (see Note 23)	(23,407)	–	–	(23,407)
Depreciation expense (see Notes 21 and 22)	(1,718,030)	(33,043)	(6,070)	(1,757,143)
Cumulative translation adjustments	57,668	–	42	57,710
As at March 31, 2022	**₱36,036,725**	**₱396,268**	**₱59,156**	**₱36,492,149**

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

	March 2022 (Unaudited)	December 2021 (Audited)
As at beginning of period	**₱43,183,677**	₱39,083,725
Additions	**128,478**	11,011,919
Payments	**(1,974,688)**	(8,137,825)
Accretion of interest (see Note 23)	**430,146**	1,963,848
Pre-terminations (see Note 23)	**(18,116)**	(1,779,557)
Rent concessions	**(20,084)**	(478,727)
Cumulative translation adjustments	**66,569**	1,520,294
As at end of period	**₱41,795,982**	₱43,183,677
Current	**₱6,388,141**	₱7,284,154
Noncurrent	**35,407,841**	35,899,523

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

The following are the amounts recognized in profit or loss:

	March 2022 (Unaudited)	March 2021 (Unaudited)
Depreciation expense of right-of-use assets (see Notes 21 and 22)	**₱1,757,143**	₱1,639,457
Interest expense on lease liabilities (see Note 23)	**430,146**	392,275
Rent expense - short-term leases (see Notes 21 and 22)	**1,124,685**	647,618
Rent expense - variable lease payments (see Notes 21and 22)	**282,129**	291,795
Loss on pre-termination of lease agreements (see Note 23)	**5,291**	–
	₱3,599,394	₱2,971,145

The JFC Group had total cash outflows for leases of ₱3,381.5 million and ₱2,830.3 million for the periods ended March 31, 2022 and 2021, respectively.

For the periods ended March 31, 2022 and 2021, the JFC Group received rent concessions from lessors amounting to ₱20.1 million and ₱56.6 million, respectively, accounted for as negative variable lease payments in the unaudited consolidated statement of comprehensive income.

<u>JFC Group as Lessor</u>
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 ₱2.8 million and ₱6.4 million for the periods ended March 31, 2022 and 2021, 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 ₱47.9 million and ₱55.5 million, net of allowance for impairment of ₱8.0 million as at March 31, 2022 and December 31, 2021, respectively.

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

	2021	2020
Within one year	₱7,683	₱28,367
After one year but not more than five years	43,395	117,305
More than five years	38,315	48,469
	₱89,393	₱194,141

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 period:

	March 2022 (Unaudited)	December 2021 (Audited)
At beginning of period	**₱56,674**	₱70,800
Payments	**(3,057)**	(17,191)
Accretion of interest (see Note 23)	**3,057**	3,065
As end of period	**₱56,674**	₱56,674

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

	March 2022 (Unaudited)	December 2021 (Audited)
1 year	**₱19,615**	₱18,609
more than 1 year to 5 years	**42,144**	43,759

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, 2021 and 2020. 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		
		2021	2020	2019
PHP	+100	(169,260)	(135,017)	(161,228)
	-100	169,260	135,017	161,228
USD	+100	(43,344)	(46,863)	(55,802)
	-100	43,344	46,863	55,802
VND	+100	(10,997)	(10,702)	(8,928)
	-100	10,997	10,702	8,928

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 17.9% and 21.8% of the consolidated net assets of the JFC Group as at March 31, 2022 and December 31, 2021, respectively.

The JFC Group also has transactional foreign currency exposures. Such exposure arises from the JFC Group's Philippine operations' cash and cash equivalents, 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 March 31, 2022 and December 31, 2021:

	March 2022 (Unaudited)		December 2021 (Audited)	
	USD	**PHP Equivalent**	USD	PHP Equivalent
Foreign currency denominated assets:				
Cash and cash equivalents	**11,620**	**601,219**	13,587	692,937
Receivables	**9,764**	**505,189**	11,780	600,780
	21,384	**1,106,408**	25,367	1,293,717
Foreign currency denominated liability -				
Accounts payable - trade	**(1,611)**	**(83,353)**	(2,103)	(107,253)
Foreign currency denominated assets - net	**19,773**	**1,023,055**	23,264	1,186,464

Foreign Currency Risk Sensitivity Analysis
The JFC Group has recognized in profit or loss, a net foreign exchange gain of ₱202.0 million ₱6.2 million for the periods ended March 31, 2022 and 2021, respectively (see Note 23), included under "Other income - net" account. This resulted from the movements of the Philippine peso against the USD as shown in the following table:

March 31, 2022	**51.74**
December 31, 2021	51.00

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 March 31, 2022 and December 31, 2021:

Appreciation (Depreciation) of ₱ against Foreign Currency		**March 2022 (Unaudited)** **Effect on Income before Income Tax**	**Effect on Equity before Income Tax**	December 2021 (Audited) Effect on Income before Income Tax	Effect on Equity before Income Tax
USD	1.50	**(₱29,660)**	**(₱29,660)**	(₱34,896)	(₱34,896)
	(1.50)	**29,660**	**29,660**	34,896	34,896
	1.00	**(19,773)**	**(19,773)**	(23,264)	(23,264)
	(1.00)	**19,773**	**19,773**	23,264	23,264

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 March 31, 2022 and December 31, 2021 are as follows:

	March 2022 (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*	**₱22,711.7**	**₱22,711.7**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Short-term investments	**54.8**	**54.8**	**–**	**–**	**–**	**–**	**–**
Receivables:							
Trade	**4,739.9**	**1,639.1**	**603.5**	**190.9**	**288.1**	**1,502.0**	**516.3**
Receivable from retirement fund	**618.3**	**9.6**	**12.8**	**11.0**	**69.5**	**515.4**	**–**
Advances to employees	**368.6**	**368.6**	**–**	**–**	**–**	**–**	**–**
Employee car plan receivables**	**134.6**	**134.6**	**–**	**–**	**–**	**–**	**–**
Other receivables***	**44.8**	**44.8**	**–**	**–**	**–**	**–**	**–**
Operating lease receivables	**47.9**	**47.9**	**–**	**–**	**–**	**–**	**–**
Finance lease receivables	**56.7**	**56.7**	**–**	**–**	**–**	**–**	**–**
Other noncurrent assets -							
Security and other deposits**	**3,270.3**	**3,270.3**	**–**	**–**	**–**	**–**	**–**
	32,047.6	**28,338.1**	**616.3**	**201.9**	**357.6**	**2,017.4**	**516.3**
Financial Assets at FVTPL**	**10,580.4**	**10,580.4**	**–**	**–**	**–**	**–**	**–**
	₱42,628.0	**₱38,918.5**	**₱616.3**	**₱201.9**	**₱357.6**	**₱2,017.4**	**₱516.3**

**Excluding cash on hand amounting to ₱358.3 million*
***Including noncurrent portion*
****Including interest receivable and excluding receivables from government agencies amounting to ₱96.3 million*

	December 2021 (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*	₱24,390.5	₱24,390.5	₱–	₱–	₱–	₱–	₱–
Short-term investments	79.7	79.7	–	–	–	–	–
Receivables:							
Trade	5,357.9	1,978.9	601.8	186.4	298.8	1,788.5	503.5
Receivable from retirement fund	694.4	15.6	56.4	7.2	13.5	601.7	–
Advances to employees	326.1	326.1	–	–	–	–	–
Employee car plan receivables**	137.9	137.9	–	–	–	–	–
Other receivables***	5.7	5.7	–	–	–	–	–
Operating lease receivables	55.5	55.5	–	–	–	–	–
Finance lease receivables	56.7	56.7	–	–	–	–	–
Other noncurrent assets -							
Security and other deposits**	3,069.8	3,069.8	–	–	–	–	–
	34,174.2	30,116.4	658.2	193.6	312.3	2,390.2	503.5
Financial Assets at FVTPL**	14,453.1	14,453.1	–	–	–	–	–
	₱48,627.3	₱44,569.5	₱658.2	₱193.6	₱312.3	₱2,390.2	₱503.5

**Excluding cash on hand amounting to ₱302.2 million*
***Including noncurrent portion*
****Including interest receivable and excluding receivables from government agencies amounting to ₱92.7 million*

Credit Risk Exposure. The tables below show the maximum exposure to credit risk of the JFC Group as at March 31, 2022 and December 31, 2021 without considering the effects of collaterals and other credit risk mitigation techniques:

	March 2022 (Unaudited)		
	Gross Maximum Exposure (a)	**Fair Value and Financial Effect of Collateral or Credit Enhancement (b)**	**Net Exposure (c) – (a) - (b)**
		(In Millions)	
Financial Assets at Amortized Cost			
Cash and cash equivalents*	**₱22,711.7**	**₱205.5**	**₱22,506.20****
Short-term investments	**54.8**	**–**	**54.8**
Receivables:			
Trade	**4,739.9**	**2,374.6**	**2,365.3*****
Receivable from retirement fund	**618.3**	**–**	**618.3**
Employee car plan receivables*****	**134.6**	**–**	**134.6**
Advances to employees	**368.6**	**–**	**368.6**
Other receivables****	**44.8**	**–**	**44.8**
Operating lease receivables	**47.9**	**–**	**47.9**
Finance lease receivables	**56.7**	**–**	**56.7**
Other noncurrent assets -			
Security and other deposits****	**3,270.3**	**–**	**3,270.3**
Financial assets at FVTPL	**10,580.4**	**–**	**10,580.4**
	₱42,628.0	**₱2,580.1**	**₱40,047.7**

** Excluding cash on hand amounting to ₱358.3 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 ₱96.3 million*
******Including noncurrent portion*

	December 2021 (Audited)		
	Gross Maximum Exposure (a)	Fair Value and Financial Effect of Collateral or Credit Enhancement (b)	Net Exposure (c) = (a) - (b)
		(In Millions)	
Financial Assets at Amortized Cost			
Cash and cash equivalents*	₱24,390.5	₱195.7	₱24,194.8**
Short-term investments	79.7	–	79.7
Receivables:			
Trade	5,357.9	2,261.5	3,096.4***
Receivable from retirement fund	694.4	–	694.4
Employee car plan receivables*****	137.9	–	137.9
Advances to employees	326.1	–	326.1
Other receivables****	5.7	–	5.7
Operating lease receivables	55.5	–	55.5
Finance lease receivables	56.7	–	56.7
Other noncurrent assets -			
Security and other deposits*****	3,069.8	–	3,069.8
Financial assets at FVTPL	14,453.1	–	14,453.1
	₱48,627.3	₱2,457.2	₱46,170.1

** Excluding cash on hand amounting to ₱302.2 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 ₱92.7 million*
******Including noncurrent portion*

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:

	March 2022 (Unaudited)			
		Stage 1	**Stage 2**	**Stage 3**
	Total	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**
Financial Assets at Amortized Cost		*(in Millions)*		
Receivables:				
Trade	**₱4,739.9**	**₱2,242.6**	**₱1,981.0**	**₱516.3**
Receivable from retirement fund	**618.3**	**22.4**	**595.9**	**–**
Advances to employees	**368.6**	**368.6**	–	–
Employee car plan receivables*	**134.6**	**134.6**	–	–
Other receivables**	**44.8**	**44.8**	–	–
Financial Assets at FVTPL*	**10,580.4**	**10,580.4**	–	–
	₱16,486.6	**₱13,393.4**	**₱2,576.9**	**₱516.3**

**Including noncurrent portion*
***Including interest receivable and excluding receivables from government agencies amounting to ₱96.3 million*

	December 2021 (Audited)			
		Stage 1	Stage 2	Stage 3
	Total	12-month ECL	Lifetime ECL	Lifetime ECL
Financial Assets at Amortized Cost		*(in Millions)*		
Receivables:				
Trade	₱5,357.9	₱2,580.7	₱2,273.7	₱503.5
Receivable from retirement fund	694.4	72.0	622.4	–
Advances to employees	326.1	326.1	–	–
Employee car plan receivables*	137.9	137.9	–	–
Other receivables**	5.7	5.7	–	–
Financial Assets at FVTPL*	14,453.1	14,453.1	–	–
	₱20,975.1	₱17,575.5	₱2,896.1	₱503.5

**Including noncurrent portion*
***Including interest receivable and excluding receivables from government agencies amounting to ₱92.7 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 years ended March 31, 2022 and December 31, 2021.

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 ₱23,070.0 million, ₱54.8 million, ₱10,540.2 million and ₱5,257.3 million, respectively, as at March 31, 2022 and ₱24,692.7 million, ₱79.7 million, ₱14,412.9 million and ₱6,072.6 million, respectively, as at December 31, 2021.

The tables below summarize the maturity profile of the JFC Group's other financial liabilities based on the contractual undiscounted cash flows as at March 31, 2022 and December 31, 2021:

	March 2022 (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*	**₱7,972.0**	**₱21,854.3**	**₱–**	**₱–**	**₱29,826.3**
Short term debt	**–**	**538.6**	**–**	**–**	**538.6**
Long-term debt (including current portion)	**–**	**3,697.6**	**16,530.4**	**–**	**20,228.0**
Senior debt securities	**–**	**1,033.2**	**20,434.7**	**18,090.2**	**39,558.1**
Lease liabilities	**–**	**7,598.1**	**23,088.7**	**25,142.2**	**55,829.0**
Total Financial Liabilities	**₱7,972.0**	**₱34,721.8**	**₱60,053.8**	**₱43,232.4**	**₱145,980.0**

**Excluding statutory obligations such as local and other taxes payable, PHIC, SSS, HDMF and NHMFC payables and unearned revenue from gift certificates amounting to ₱1,697.6 million as at March 31, 2022.*

	December 2021 (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*	₱8,299.4	₱22,505.2	₱–	₱–	₱30,804.6
Short term debt	–	513.5	–	–	513.5
Long-term debt (including current portion)	–	5,437.8	18,284.0	–	23,721.8
Senior debt securities	–	–	18,140.1	21,477.4	39,617.5
Lease liabilities	–	7,514.1	23,309.2	26,303.3	57,126.6
Total Financial Liabilities	₱8,299.4	₱35,970.6	₱59,733.3	₱47,780.7	₱151,784.0

**Excluding statutory obligations such as local and other taxes payable, PHIC, SSS, HDMF and NHMFC payables and unearned revenue from gift certificates amounting to ₱2,148.2 million as at December 31, 2021.*

Price Risk

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 ₱24.2 million ₱6.3 million on the profit or loss and equity before income tax as at March 31, 2022 and December 31, 2021, respectively.

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 March 31, 2022 and December 31, 2021, the JFC Group's debt ratio and net debt ratio are as follows:

Debt Ratio

	March 2022 (Unaudited)	December 2021 (Audited)
Total debt (a)	**₱130,968,458**	₱136,654,072
Total equity attributable to equity holders of the Parent Company	**58,045,110**	55,601,549
Total debt and equity attributable to equity holders of the Parent Company (b)	**₱189,013,568**	₱192,255,621
Debt ratio (a/b)	**69%**	71%

Net Debt Ratio

	March 2022 (Unaudited)	December 2021 (Audited)
Total debt	**₱130,968,458**	₱136,654,072
Less cash and cash equivalents, short-term investments and current portion of financial assets at FVTPL	**33,664,984**	39,185,277
Net debt (a)	**97,303,474**	97,468,795
Total equity attributable to equity holders of the Parent Company	**58,045,110**	55,601,549
Net debt and equity attributable to equity holders of the Parent Company (b)	**₱155,348,584**	₱153,070,344
Net debt ratio (a/b)	**63%**	64%

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 is 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:

	2021	2020
Finance lease receivables	3.90%-5.36%	3.90%-5.36%
Security and other deposits	1.28%-21.57%	1.00%-15.43%
Employee car plan receivables	0.73%-8.55%	0.93%-8.62%
Long-term debt	1.03%-4.12%	0.17%-3.00%
Lease liabilities	0.18%-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, 2021:

		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	₱14,412,902	₱14,412,902	₱–	₱14,412,902	₱–
Assets for which fair values are disclosed:					
Land assets held for sale	1,015,616	2,397,837	–	–	2,397,837
Finance lease receivables	56,674	56,674	–	–	56,674
Other noncurrent assets:					
Security and other deposits	3,069,781	1,769,413	–	–	1,769,413
Employee car plan receivables	137,861	112,199	–	–	112,199

Quantitative 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 liabilities as at March 31, 2022:

		Fair Value Measurement Using			
	Date of Valuation	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities disclosed at fair value:					
Tenants' deposit	March 31, 2022	**₱6,092**	**₱–**	**₱–**	**₱6,092**
Long-term debt	March 31, 2022	**14,944,848**	**–**	**–**	**14,944,848**

Quantitative disclosure fair value measurement hierarchy for liabilities as at December 31, 2021:

			Fair Value Measurement Using		
	Date of Valuation	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities measured at fair value - Derivative liability - interest rate swap	December 31, 2021	₱12,795	₱–	₱12,795	₱–
Liabilities measured at fair value:					
Tenants' deposit	December 31, 2021	6,092	–	–	6,092
Long-term debt	December 31, 2021	17,635,816	–	–	17,635,816

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 years ended March 31, 2022 and December 31, 2021, movements in the JFC Group's liabilities and equity arising from financing activities follow:

	March 2022 (Unaudited)														
	January 1, 2022	**Cash Flows**	**Dividends Declared** (Note 19)	**Reversal of subscription receivable** (Note 19)	**Granted Stock Options to Employees and Subsidiaries** (Note 22)	**Interest Expense** (Note 23)	**Acquisition of a subsidiary** (Note 11)	**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, 2021**
								(in Millions)							
Dividends and Distributions payable (see Note 16)	**₱636.0**	**(₱404.2)**	**₱120.0**	**₱–**	**₱–**	**₱198.4**	**₱–**	**₱–**	**(₱111.4)**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱438.8**
Short-term debt (Note 18)	**510.0**	**21.2**	–	–	–	–	–	–	**7.4**	–	–	–	–	–	**538.6**
Long-term debt (Note 18)	**22,360.2**	**(3,500.4)**	–	–	–	–	–	**7.2**	**81.4**	–	–	–	–	–	**18,948.4**
Senior debt securities (Note 18)	**30,426.1**	–	–	–	–	–	–	**5.2**	**441.5**	–	–	–	–	–	**30,872.8**
Interest payable (Note 16)	**545.7**	**(571.8)**	–	–	–	**652.3**	–	–	–	–	–	–	–	–	**626.2**
Lease liabilities (Note 29)	**43,183.6**	**(1,974.7)**	–	–	–	**430.1**	–	–	**66.7**	–	–	**128.5**	**(20.1)**	**(18.1)**	**41,796.0**
Preferred stock (Note 19)	**12,000.0**	–	–	–	–	–	–	–	–	–	–	–	–	–	**12,000.0**
Common stock (Note 19)	**1,124.3**	**0.5**	–	**(2.0)**	–	–	–	–	–	–	–	–	–	–	**1,122.8**
Additional paid-in capital (Note 19)	**10,331.3**	**93.4**	–	**(15.2)**	**41.5**	–	–	–	–	–	–	–	–	–	**10,451.0**
Senior perpetual securities (Note 19)	**20,264.8**	–	–	–	–	–	–	–	–	–	–	–	–	–	**20,264.8**
Non-controlling interest (Note 11)	**(1,682.2)**	–	–	–	–	–	**155.4**	–	–	**(44.8)**	**(42.5)**	–	–	–	**(1,614.1)**
Total liabilities and equity on financing activities	**₱139,699.8**	**(₱6,336.0)**	**₱120.0**	**(₱17.2)**	**₱41.5**	**₱1,280.8**	**₱155.4**	**₱12.4**	**₱485.6**	**(₱44.8)**	**(₱42.5)**	**₱128.5**	**(₱20.1)**	**(₱18.1)**	**₱135,445.3**

	December 2021 (Audited)														
	January 1, 2021	Cash Flows	Dividends Declared (Note 19)	Issuance Cost/ Premium Paid (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)	December 31, 2021
								(in Millions)							
Dividends and Distributions payable (see Note 16)	₱579.1	(₱3,084.8)	₱1,965.1	₱–	₱–	₱1,155.1	₱–	₱–	₱21.5	₱–	₱–	₱–	₱–	₱–	₱636.0
Short-term debt (Note 18)	15,875.5	(15,695.5)	–	–	–	–	–	–	330.0	–	–	–	–	–	510.0
Long-term debt (Note 18)	19,258.3	2,734.3	–	–	–	–	–	24.3	343.3	–	–	–	–	–	22,360.2
Senior debt securities (Note 18)	28,629.0	–	–	–	–	–	–	19.8	1,777.3	–	–	–	–	–	30,426.1
Interest payable (Note 16)	543.8	(2,179.3)	–	–	–	2,181.2	–	–	–	–	–	–	–	–	545.7
Lease liabilities (Note 29)	39,083.7	(8,137.8)	–		–	1,963.8	–	–	1,520.3	–	–	11,011.9	(478.7)	(1,779.6)	43,183.6
Preferred stock (Note 19)	–	11,919.7		80.3											12,000.0
Common stock (Note 19)	1,122.2	2.1	–	–	–	–	–	–	–	–	–	–	–	–	1,124.3
Additional paid-in capital (Note 19)	9,913.9	321.7	–	(80.3)	155.5	–	20.5	–	–	–	–	–	–	–	10,331.3
Senior perpetual securities (Note 19)	30,588.0	(10,490.6)	–	167.4	–	–	–	–	–	–	–	–	–	–	20,264.8
Non-controlling interest (Note 11)	(1,095.4)	100.5	(28.5)	–	–	–	–	–	–	(479.7)	(179.1)	–	–	–	(1,682.2)
Total liabilities and equity on financing activities	₱144,498.1	(₱24,509.7)	₱1,936.6	₱167.4	₱155.5	₱5,300.1	₱20.5	₱44.1	₱3,992.4	(₱479.7)	(₱179.1)	₱11,011.9	(₱478.7)	(₱1,779.6)	₱139,699.8

Noncash Activities

In 2022, the principal noncash transaction under investing activities pertains to land conveyed to CentralHub with a total fair value of ₱2,089.3 million in exchange for an additional 18.15% ownership interest.

In 2021, the principal noncash transactions under investing activities pertain to transfer of land assets held-for-sale to other current assets from property, plant and equipment and investment properties amounting to ₱503.7 million and ₱511.9 million, respectively.

34. **Event after Reporting Period**

Dividend Declaration

On April 19, 2022, the BOD of the Parent Company approved a regular cash dividend of ₱1.07 per share of common stock to all stockholders of record as at May 5, 2022. Consequently, the cash dividend is expected to be paid out on May 19, 2022. The cash dividend is 37.2% higher than the ₱0.78 cash dividend per share declared on April 8, 2021.

On April 19, 2022, the BOD of the Parent Company approved a regular cash dividend of ₱8.20525 per share and ₱10.60125 per share of preferred shares-Series A and preferred shares-Series B, respectively, to stockholders of record as at June 22, 2022 and September 21, 2022. The cash dividend is expected to be paid out on July 14, 2022 and October 14, 2022, respectively.

JOLLIBEE FOODS CORPORATION
Doing business under the name and style of Jollibee
AND SUBSIDIARIES
Management Discussion and Analysis of
Results of Operations and Financial Condition

The following Management Discussion and Analysis should be read in conjunction with the submitted Unaudited Consolidated Financial Statements as at March 31, 2022 and December 31, 2021 and for the periods ended March 31, 2022 and 2021.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new accounting pronouncements starting January 1, 2022. Adoption of these pronouncements did not have any significant impact on the consolidated statement of financial position and performance unless otherwise indicated.

Please refer to Note 2 of the attached Unaudited Consolidated Financial Statements for the Basis of Preparation, Statement of Compliance, Changes in Accounting Policies and Basis of Consolidation.

Results of Operations

Causes for any material variances
(Increase or decrease of 5% or more in the Income Statement)

For the Period Ended March 31, 2022 vs. March 31, 2021

(All Amounts are in Million Pesos)

Revenues and System Wide Sales (SWS)

	Quarters Ended March 31		Change	
	2022 (Unaudited)	2021 (Unaudited)	Amount	**Pct**
System Wide Sales (Unaudited)	**59,976.3**	47,782.3	12,194.1	25.5%
Revenues	**42,856.9**	34,680.6	8,176.3	23.6%

SWS is the JFC Group's measure for all sales to consumers, both from Group-owned and franchised stores. Consolidated SWS increased by ₱12,194.1 million or 25.5% to ₱59,976.3 million for the first quarter of 2022 compared to ₱47,782.3 million for first quarter of 2021.

Consolidated revenues increased by ₱8,176.3 million or 23.6% to ₱42,856.9 million for the quarter compared to consolidated revenues for the same quarter last year.

The increase in system wide sales and revenues was driven by strong same store sales growth of 16.5% and global store network expansion and new acquisition, which contributed 5.5%. Currency translation added 3.5% to the growth.

JFC's system wide sales for the first quarter of 2022 includes sales of Milksha, a popular Taiwanese bubble tea brand. JFC, through its 100% owned subsidiary, Jollibee Worldwide, Pte. Ltd. (JWPL) completed the acquisition of 51% stake in Milkshop International Co. Ltd. (Milksha), the company that owns Milksha on February 22, 2022. The consolidation of Milksha did not have a significant impact on the JFC Group's sales and profit for the first quarter.

The table below shows a breakdown of the growth of the Group's SWS for the following categories for the periods ended March 31, 2022 and 2021:

	Quarter 1	
	2022	**2021**
	Percent	
Same store sales growth	16.5	(14.7)
New store contribution	4.6	2.8
Acquisition-driven growth	0.9	-
Foreign exchange rate changes	3.5	(1.5)

(1) Same store sales growth refers to food sales (gross of discount and net of returns and taxes) of Group-owned and franchised stores that have been in operation for at least 15 months. It excludes sales from new store openings.

(2) New store contribution refers to sales of stores opened from 1 January to 31 March 2022 and from 1 March to 31 December 2021.

(3) Acquisition-driven growth refers to the incremental sales contributed by a newly acquired majority-owned business during the period.

(4) Foreign exchange rate changes refer to the impact of currency fluctuations. To eliminate the impact of currency fluctuations, the Group utilizes constant currencies by converting current SWS using prior period's average exchange rate.

As at March 31, 2022, the JFC Group had 6,246 company-owned and franchised stores globally, of which 3% were temporarily closed due to restrictions related to the COVID-19 pandemic.

The Table below shows the percentages of the JFC Group's temporarily closed stores due to the COVID-19 pandemic by geographic region and as at the dates indicated:

		2022 (Month-end)		
	Dec-21	**Jan**	**Feb**	**Mar**
Philippines	1%	1%	0%	0%
China	1%	3%	2%	17%
North America (ex-CBTL)	2%	2%	2%	1%
EMEAA (ex-SuperFoods)	0%	0%	2%	0%
CBTL	7%	6%	7%	6%
SuperFoods	9%	7%	7%	6%
	3%	2%	2%	3%

Note: Excludes Milksha

Global same store sales for the first quarter of 2022 grew by 16.5% compared to the same quarter of 2021, led by The Coffee Bean and Tea Leaf® (CBTL) which grew by 23.3%, the Philippine business by 22.9%, North America by 8.1% and EMEAA (Europe, Middle East, and Asia) by 6.2%. The China business' same store sales declined by 9.1% due to heightened COVID-related restrictions implemented in key cities.

The table below shows a breakdown of the growth of the Group's SWS by region for the periods ended March 31, 2022 and 2021.

Quarter 1 2022 (Unaudited)	SWS Growth	Same Store Sales Growth	New Store Contribution	Newly Acquired Business Contribution	Impact of FOREX on SWS
			Percent		
Philippines	23.6	22.9	0.8	-	-
People's Republic of China	13.1	(9.1)	13.4	-	8.8
North America	26.5	8.1	11.6	-	6.7
Europe, Middle East, Asia (EMEAA)	33.7	6.2	3.7	-	23.8
Coffee Bean & Tea Leaf	33.1	23.3	3.1	-	6.7
SuperFoods	18.8	(1.1)	12.9	-	6.9
Milksha	100.0	-	100.0	100.0	-
Foreign Business	28.2	7.3	10.3	2.3	8.3
Total worldwide	25.5	16.5	4.6	0.9	3.5

Quarter 1 2021 (Unaudited)	SWS Growth	Same Store Sales Growth	New Store Contribution	Newly Acquired Business Contribution	Impact of FOREX on SWS
			Percent		
Philippines	(21.3)	(26.1)	4.8	-	-
People's Republic of China	55.2	47.8	5.1	-	2.3
North America	2.2	14.3	(7.1)	-	(5.0)
Europe, Middle East, Asia (EMEAA)	3.6	(0.1)	0.1	-	3.6
Coffee Bean & Tea Leaf	(22.9)	(12.6)	(5.3)	-	(5.0)
SuperFoods	3.0	(2.9)	10.6	-	(4.8)
Foreign Business	1.3	7.5	(1.1)	-	(5.1)
Total worldwide	(13.4)	(14.7)	2.8	-	(1.5)

The JFC Group opened 107 new stores in the first quarter: 19 in the Philippines, 19 in China, 9 in North America and 13 in EMEAA. SuperFoods and CBTL opened 19 and 28 stores, respectively. A total of 58 stores were permanently closed during the quarter: 14 in the Philippines and 44 abroad.

Direct Costs

Consolidated direct costs for the first quarter of 2022 increased to ₱35,946.1 million, which is ₱7,193.4 million or 25.0% higher than the consolidated direct costs for first quarter of 2021, primarily as a result of an increase in: (i) the cost of inventories and (ii) store and manufacturing costs arising from the JFC Group's organic expansion and the consolidation of Milksha.

The following table summarizes the breakdown of the Jollibee Group's direct costs for the periods ended March 31, 2022 and 2021 and the percentage of each component and the consolidated cost of sales to consolidated revenues:

	Quarters Ended March 31		Change		Pct to Rev	
	2022 (Unaudited)	2021 (Unaudited)	Amount	Pct	**2022**	2021
Cost of Sales						
Cost of inventories	**19,522.6**	14,953.1	4,569.5	30.6%	**45.6%**	43.1%
Personnel costs:						
Salaries, wages and other employee benefits	**5,250.9**	4,331.8	919.1	21.2%	**12.3%**	12.5%
Pension expense	**33.4**	34.2	(0.9)	-2.5%	**0.1%**	0.1%
Depreciation and amortization	**3,198.8**	3,054.8	144.0	4.7%	**7.5%**	8.8%
Contracted services	**1,743.8**	1,490.9	252.9	17.0%	**4.1%**	4.3%
Rent	**1,288.5**	838.7	449.8	53.6%	**3.0%**	2.4%
Electricity and other utilities	**1,102.4**	978.9	123.5	12.6%	**2.6%**	2.8%
Supplies	**709.2**	560.4	148.8	26.6%	**1.7%**	1.6%
Repairs and maintenance	**490.9**	406.6	84.4	20.7%	**1.1%**	1.2%
Security and janitorial	**232.3**	222.6	9.7	4.3%	**0.5%**	0.6%
Communication	**82.6**	83.4	(0.9)	-1.0%	**0.2%**	0.2%
Professional fees	**13.0**	18.8	(5.8)	-30.8%	**0.0%**	0.1%
Representation and entertainment	**22.4**	12.0	10.5	87.2%	**0.1%**	0.0%
Delivery costs, insurance and others	**1,598.4**	1,258.4	340.0	27.0%	**3.7%**	3.6%
	35,289.3	28,244.7	7,044.6	24.9%	**82.3%**	81.4%
Cost of Services						
Advertising expense	**656.8**	508.1	148.8	29.3%	**1.5%**	1.5%
	35,946.1	28,752.8	7,193.4	25.0%	**83.9%**	82.9%

Consolidated cost of inventories increased at a faster rate than revenues. As a percentage of revenues, cost of inventories increased by 2.5% year-on-year (YoY) primarily due to rising inflation and higher freight costs as a result of increases in fuel prices. JFC implemented price adjustments in 2021 that continued in the first quarter and April 2022 to support its profit margins.

Consolidated store and manufacturing costs increased by 19.0% to ₱16,423.5 million primarily as a result of an increase in the JFC Group's owned stores network. The JFC Group opened 54 owned stores and closed 14 owned stores globally in 2021. As a percentage of revenues, consolidated store and manufacturing costs decreased by 1.5% primarily due to an improvement in sales of the JFC Group's businesses, both domestic and international.

The following discussion details the components of store and manufacturing costs, for the period ended March 31, 2022 compared to March 31, 2021:

For the first quarter of 2022, Depreciation, Contracted services, Rent, Electricity and water, Supplies, Repairs and maintenance, Security and janitorial, and Representation and entertainment expenses, increased as a result of the JFC Group's continued store expansion. There were also lesser number of temporarily closed stores in the first quarter of 2022 compared to the same quarter last year. At the end of March 2022, all of the JFC Group stores in the Philippines, North America, and EMEAA were open. In China, 17% of its stores remained closed at the end of March 2022 due to continued COVID-19 resurgences and heightened government restrictions.

Professional fees decreased, primarily as a result of postponement or cancellation of some projects due to the COVID-19 pandemic.

Delivery costs, insurance and others increased, primarily due higher delivery costs as a result of increased sales contribution of the delivery channel.

Gross Profit

As a result of the foregoing, gross profit increased by ₱982.9 million or 16.6% from ₱5,927.9 million for the first quarter of 2021 to ₱6,910.8 million for the first quarter of 2022.

Expenses

Consolidated expenses increased by ₱480.4 million or 10.8%. from ₱4,442.2 million for the first quarter of 2021 to ₱4,922.7 million for the first quarter of 2022, primarily driven by an increase in labor costs as the JFC Group continues to build its organization, particularly for its international business. The labor challenges amid the great resignation, especially in the United States also contributed to the increase in labor costs.

The following table summarizes the breakdown of the Jollibee Group's expenses for the periods ended March 31, 2022 and 2021 and the percentage of each component and the consolidated cost of sales to consolidated revenues:

	Quarters Ended March 31		Change		**Pct to Rev**	
	2022	2021				
	(Unaudited)	(Unaudited)	Amount	Pct	**2022**	2021
Personnel costs:						
Salaries, wages and other employee benefits	**2,623.5**	2,043.0	580.5	28.4%	**6.1%**	5.9%
Stock options expense	**41.5**	39.2	2.3	5.9%	**0.1%**	0.1%
Pension expense	**40.5**	36.6	3.9	10.6%	**0.1%**	0.1%
Taxes and licenses	**466.1**	365.8	100.3	27.4%	**1.1%**	1.1%
Professional fees	**216.8**	298.7	(81.9)	-27.4%	**0.5%**	0.9%
Depreciation and amortization	**173.0**	152.2	20.8	13.7%	**0.4%**	0.4%
Contracted services	**168.2**	117.5	50.6	43.1%	**0.4%**	0.3%
Membership and subscriptions	**120.2**	80.8	39.4	48.8%	**0.3%**	0.2%
Rent	**118.3**	100.7	17.6	17.5%	**0.3%**	0.3%
Loss on retirements and disposals of property, plant and equipment and intangibles	**102.2**	21.7	80.5	370.9%	**0.2%**	0.1%
Transportation and travel	**81.8**	122.4	(40.6)	-33.2%	**0.2%**	0.4%
Communication	**75.8**	54.7	21.1	38.6%	**0.2%**	0.2%
Repairs and maintenance	**62.3**	105.5	(43.2)	-40.9%	**0.1%**	0.3%
Reversals of provision for impairment on:						
Inventories	**(34.6)**	(97.6)	63.0	-64.6%	**-0.1%**	-0.3%
Property, plant & equipment	**(8.0)**	(37.7)	29.7	-78.8%	**0.0%**	-0.1%
Receivables	**(0.2)**	(6.7)	6.5	-100.0%	**0.0%**	0.0%
Insurance	**30.0**	29.3	0.8	2.7%	**0.1%**	0.1%
Corporate events	**29.2**	15.1	14.1	93.2%	**0.1%**	0.0%
Supplies	**28.8**	22.5	6.3	27.8%	**0.1%**	0.1%
Association dues	**12.6**	10.1	2.5	24.9%	**0.0%**	0.0%
Representation and entertainment	**11.3**	9.5	1.7	18.3%	**0.0%**	0.0%
Impairment in value of:						
Receivables	**10.7**	20.8	(10.2)	-48.9%	**0.0%**	0.1%
Inventories	**-**	98.9	(98.9)	-100.0%	**0.0%**	0.3%
Electricity and other utilities	**7.4**	10.0	(2.7)	-26.5%	**0.0%**	0.0%
Training	**6.0**	23.2	(17.2)	-74.0%	**0.0%**	0.1%
Donations	**5.5**	0.6	4.9	783.2%	**0.0%**	0.0%
Security and janitorial	**0.9**	3.1	(2.2)	-71.3%	**0.0%**	0.0%
Research and development and others	**101.6**	182.5	(80.9)	-44.3%	**0.2%**	0.5%
Total General and Administrative Expenses	**4,491.5**	3,822.5	669.1	17.5%	10.5%	11.0%
Advertising and promotions	**431.1**	619.8	(188.6)	-30.4%	1.0%	1.8%
	4,922.7	4,442.2	480.4	10.8%	11.5%	12.8%

The following discussion details the components of the JFC Group's expenses for the period ended March 31, 2022 compared to March 31, 2021:

Personnel costs increased, primarily as a result of: (1) headcount increase; and (2) higher performance-related increases in basic pay, employee promotions, bonuses and upgrades in employee benefits.

Taxes and licenses increased due to higher business-related taxes and license fees, both domestic and foreign businesses resulting from increase in revenues.

Professional fees decreased on account of higher expenses in the first quarter of 2021 driven by: (a) CBTL US legal fees, (b) consulting fees of Highland's Coffee in relation to its planned Initial Public Offering (IPO).

Depreciation and amortization increased due to increasing asset base of the international business.

Contracted services increased driven by the JFC' Group Business Technology projects.

Membership and subscription expenses increased, primarily due to an increase in cloud subscriptions.

Consolidated rent expense increased due to rent escalation and additional office spaces for the China and the United States and amortization of prepaid rent for Jollibee Leicester (United Kingdom).

The JFC Group incurred loss on retirements and disposals of property, plant and equipment amounting to ₱102.2 as a result of change in store ownership, store closures and fixed asset disposals.

Transportation and travel expenses decreased, primarily due to limited mobility and implementation of work from home arrangement, particularly in the Philippines. This was partly offset by the higher transportation and travel expenses of the international business due to higher lodging, mileage and per diem expenses for activities related to store expansion.

Communication expenses increased due to higher call center charges of the Philippine business.

Repairs and maintenance expenses decreased on account of a higher base as the North America business rolled outs its new Point of Sale (POS) system in the first quarter of 2021.

The JFC Group recognized a reversal of ₱42.8 million on previously recognized provisions for impairment on property, plant and equipment, receivables, and inventories in 2021 following certain assessments performed by the Group. In addition, the Group recognized provisions for impairment of value of receivables amounting to ₱10.7 million, following certain assessments performed by the Group. See Note 22 of the accompanying Unaudited Consolidated Financial Statements for details.

Corporate events increased, primarily due to the timing of the various businesses' National Conventions.

Association dues increased driven by monthly subscription related to site usage, postings of foreign subsidiaries of the Parent Company.

Representation and entertainment expenses increased driven by the international business due to increased activities related to store expansion.

Training expenses decreased, primarily as a result of postponement of some training programs due to the COVID-19 pandemic.

Donations increased mainly due to donations made to the Jollibee Group Foundation, Inc.

Electricity decreased primarily as a result of the implementation of work from home arrangements for all office-based employees in the Philippines and in some countries where the JFC Group operates for the safety of its employees.

Research and development and others decreased due to lower other miscellaneous expenses.

The decrease in advertising and promotions was due to delay in advertising spending, particularly for the Philippine business.

	Quarters Ended March 31		Change		Pct to Rev	
	2022 (Unaudited)	2021 (Unaudited)	Amount	Pct	**2022**	2021
Advertising and promotion	**431.1**	619.8	(188.6)	-30.4%	**1.0%**	1.8%

Operating Income

As a result of the foregoing, operating income increased by ₱502.5 million or 33.8% from an operating income of ₱1,485.6 million for the first quarter of 2021 to an operating income of ₱1,988.1 million for first quarter of 2022.

Interest Income (Expense)

	Quarters Ended March 31		Change		Pct to Rev	
	2022 (Unaudited)	2021 (Unaudited)	Amount	Pct	**2022**	2021
Interest income	**36.7**	26.7	10.0	37.6%	**0.1%**	0.1%
Interest Expense:						
Financing	**(652.3)**	(594.4)	(58.0)	-9.7%	**-1.5%**	-1.7%
PFRS-16 Leases and Others	**(430.4)**	(392.5)	(37.9)	-9.7%	**-1.0%**	-1.1%
	(1,046.0)	(960.2)	(85.8)	-8.9%	**-2.4%**	-2.8%

Interest income increased primarily as a result of higher money market placement interest rates in the Philippines.

Interest expense increased primarily as a result of (a) increased bank loans, (b) increased impact of PFRS 16—Leases.

Equity in Net Earnings of Joint Ventures and Associates - Net

	Quarters Ended March 31		Change		Pct to Rev	
	2022 (Unaudited)	2021 (Unaudited)	Amount	Pct	**2022**	2021
Equity in net earnings of joint ventures and associates - net	**1.3**	31.4	(30.1)	-95.8%	**0.0%**	0.1%

Equity in net earnings of joint ventures and associates for the first quarter of 2022 pertains primarily to the equity in net earnings of Golden Bee (Jollibee UAE), Entrek (Jollibee Brunei) and Titan Dining L.P., partly offset by the equity in net losses of Tortas Frontera, Panda Express and C-Joy Poultry Meats Production, Inc. See Note 11 to the accompanying Unaudited Consolidated Financial Statements for details.

Other Income - Net

	Quarters Ended March 31		Change		Pct to Rev	
	2022 (Unaudited)	2021 (Unaudited)	Amount	Pct	**2022**	2021
Gain on land conveyance/disposal	**1,830.9**	-	1,830.9	100.0%	**4.3%**	0.0%
Marked-to-market loss on financial assets at FVTPL	**(485.0)**	(178.6)	(306.3)	171.5%	**-1.1%**	-0.5%
Foreign exchange gain - net	**202.0**	6.2	195.8	3150.3%	**0.5%**	0.0%
Bank charges	**(140.1)**	(99.9)	(40.3)	-40.3%	**-0.3%**	-0.3%
Write-off of liabilities	**128.4**	545.9	(417.5)	-76.5%	**0.3%**	1.6%
Rebates, suppliers' incentives and government subsidies	**128.1**	114.3	13.8	12.0%	**0.3%**	0.3%
Other rentals	**6.6**	2.0	4.5	223.5%	**0.0%**	0.0%
Gain on pre-termination of lease agreements	**(5.3)**	0.0	(5.3)	100.0%	**0.0%**	0.0%
Penalties and charges	**4.9**	9.7	(4.7)	-49.0%	**0.0%**	0.0%
Charges to franchisees	**0.8**	1.3	(0.4)	-32.6%	**0.0%**	0.0%
Insurance claims and others	**37.5**	41.3	(3.8)	-9.3%	**0.1%**	0.1%
	1,708.8	442.3	1,266.6	286.4%	**4.0%**	1.3%

The increase in consolidated other income - net was primarily due to gains from land conveyance and sale of other land properties amounting to ₱1.8 billion partly offset by loss on financial assets at FVTPL of ₱485.0 million.

The land conveyance is part of the JFC Group's plan to invest in CentralHub, which the JFC Board of Directors (BOD) approved on July 7, 2021. CentralHub is a company in the industrial real estate business. The plan includes additional investments by the JFC Group through exchange of its land assets to CentralHub's shares of stocks, which was put in effect on March 24, 2022, as agreed by the parties.

Provision for (Benefit from) Income Tax

	Quarters Ended March 31		Change		Pct to Rev	
	2022 (Unaudited)	2021 (Unaudited)	Amount	Pct	**2022**	2021
Current	**513.0**	352.5	160.5	45.5%	**1.2%**	1.0%
Deferred	**(124.5)**	597.4	(721.9)	-120.8%	**-0.3%**	1.7%
	388.5	949.9	(561.4)	59.1%	**0.9%**	2.7%

Provision for income tax decreased by Php561.4 million, primarily as a result of an unfavorable adjustment in the provision for income tax – deferred for the first quarter of 2021. Deferred tax assets were reduced by ₱565.9 million, resulting from the reduction in income tax rates, brought about by the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE Act.

Net Income

As a result of the foregoing, the JFC Group generated an income of ₱2,263.7 million for the first quarter of 2022 compared to a net income of ₱49.2 million for the first quarter of 2021, an improvement of ₱2,214.6 million or +4,504.8%.

Net Income Attributable to Equity Holders of the Parent Company

Net income attributable to the equity holders of the Parent Company for the first quarter of 2022 amounted to ₱2,308.5 million compared to a net income of ₱152.6 million for the first quarter of 2021, an improvement of ₱2,155.9 million or +1,412.3%. Basic earnings per share for the first quarter of 2022 amounted to ₱1.982 compared to a basic earnings per share of ₱0.139 for the first quarter of 2021.

Financial Condition

As at March 31, 2021 (Unaudited) Versus December 31, 2021 (Audited)

Causes for any material variances
(Increase or decrease of 5% or more in the Balance Sheet)

The Jollibee Group ended the first quarter of 2022 with consolidated total assets of ₱207,664.3 million, 1.5% lower than the ₱210,838.2 million balance as at end of 2021. The following explain the significant movements in the asset accounts:

- The JFC Group's consolidated cash and cash equivalents amounted to ₱23,070.0 million, ₱1,662.7 million or 6.6% lower than the balance at year-end 2021. The movements in the JFC Group's cash and cash equivalents will be explained further in the cash flow discussion.

- Short-term investments decreased by ₱24.9 million or 31.2% to ₱54.8 million, primarily as a result of the reclassification of placements with maturities less than 90 days to cash and cash equivalents.

- Financial assets at fair value through profit and loss (FVTPL) pertain to unused proceeds from the issuance of senior perpetual securities and senior debt securities in January 2020 and June 2020, respectively, which were invested by the JFC Group in portfolio investments. The decline was primarily due to redemptions made during the quarter.

- Consolidated receivables and contract assets decreased by ₱809.7 million or 11.2% to ₱6,436.3 million, primarily as a result of collection from franchisees of royalty payments and commissary purchases.

- Consolidated inventories increased by ₱646.6 million or 6.9% to ₱10,001.9 million, primarily as a result of increase in prices of some raw materials and impact of the peso depreciation.

- Consolidated other current assets increased by ₱916.5 million or 9.6% to ₱10,512.0 million, primarily as a result of increased prepaid taxes resulting from increasing revenues, and other receivables.

The Company has a current ratio of 1.42:1.00 as at March 31, 2022, almost the same as the current ratio of 1.43:1.00 as at December 31, 2021.

- Interest in joint ventures and associates increased by ₱2,137.5 million or 13.9% to ₱17,564.1 million primarily due to additional interest in CentralHub of ₱2,089.4 million resulting from the land conveyance.

- Consolidated operating lease receivables decreased by ₱7.6 million or 13.7% to ₱47.9 million, primarily due to amortization for the quarter.

- Consolidated other noncurrent assets increased by ₱430.8 million or 11.9% to ₱4,045.0 million, primarily as a result of increase in refundable and security deposits due to new stores openings in Europe.

Consolidated current liabilities amounted to ₱42,759.0 million, ₱3,087.1 million or 6.7% lower than the 2021 year-end balance of ₱45,846.1 million. The following explain the significant movements in current liabilities:

- Consolidated trade payables and other current liabilities and contract liabilities decreased by ₱1,428.8 million or 4.3% to ₱31,523.9 million primarily due bonus payout and payment of local taxes in the first quarter of 2022.

- Consolidated income tax payable increased by ₱54.6 million or 36.7% to ₱203.2 million, primarily due to additional tax due for the quarter. The 2021 income taxes due for the Philippine equities were paid in April 2022.

- Consolidated short-term debt increased by ₱28.6 million or 5.6% to ₱538.6 million due to new loan of SuperFoods amounting to ₱21.2 million and currency translation. See Notes 18, 31 and 32 to the accompanying Unaudited Consolidated Financial Statements for details.

- Consolidated current portion of lease liabilities decreased by ₱896.0 million or 12.3% to ₱6,388.1 million, primarily due to amortization for the quarter partially offset by reclassification of lease payable within one year from noncurrent portion to current portion.

- Consolidated current portion of long-term debt decreased by ₱845.5 million or 17.1% to ₱4,105.1 million, primarily due to loan payments partially offset by reclassification of long-term debt maturing within one year from noncurrent portion to current portion and currency translations.

Consolidated noncurrent liabilities amounted to ₱88,209.5 million, a decrease of 2.9% or ₱2,598.5 million compared to the December 31, 2021 audited balance of ₱90,808.0 million. The following explain the significant movements in noncurrent liabilities:

- Consolidated noncurrent portion of long-term debt decreased by ₱2,566.4 million or 14.7% to ₱14,843.2 million, primarily as a result of reclassification to current portion of loans maturing within one year. See Notes 18, 31 and 32 to the accompanying Unaudited Consolidated Financial Statements for details.

- The derivative liability pertains to the interest rate swap (IRS) entered into by the JFC Group on November 20, 2015 with a bank to convert its exposure in variable interest rate of Loan 1 to a fixed interest rate. The interest rate swap was pre-terminated as a result of the prepayment of JWPL's USD110.0 million loan in January 2022. See Note 18 to the accompanying Unaudited Consolidated Financial Statements for details.

Consolidated total equity increased by ₽2,511.7 million or 3.4% to ₽76,695.8 million from ₽74,184.2 million as at December 31, 2021. The following explain the significant movements in Equity:

- The change of ₽305.3 million in cumulative translation adjustment was due to the depreciation of the Philippine Peso versus the RMB for the first quarter of 2022 (Peso to RMB: 8.18) compared to December 31, 2021 (Peso to RMB: 7.97) and the depreciation of the Philippine Peso versus the USD for the first quarter of 2022 (Peso to USD: 51.74) compared to December 31, 2021 (Peso to USD: 51.00) which increased the value of the JFC Group's net assets.

- The interest rate swap was pre-terminated as a result of the prepayment of JWPL's ₽110.0 million loan in January 2022.

- The increase in consolidated retained earnings by ₽1,990.1 million or 6.1% to ₽34,554.1 million pertains to the consolidated net income attributable to equity holders of the Parent Company of ₽2,308.5 million for the first quarter of 2022 offset by ₽198.4 million accrual of coupon payment for the senior perpetual securities, and ₽120.0 million accrual for the preferred shares cash dividend.

Liquidity and Capital Resources

The JFC Group's primary source of liquidity is from its cash flows from operations generated from revenues coming from store operations, franchising, and commissary sales to stores.

The cash reserves of the JFC Group in the form of financial assets at FVTPL was at ₱10,540.2 million as at March 31, 2022. This was partly used to service its USD-denominated debt and financing obligations, and fund the working capital and capital expenditures, especially for the Group's North America and Europe store expansion as their respective economies continue to recover from the pandemic. The JFC Group's continued strong earnings recovery resulted to a 36.9% increase in EBITDA of ₱7,070.0 million for the first quarter of 2022 compared to the EBITDA of ₱5,166.0 million for the first quarter of 2021.

Overall, the JFC Group has financed operations and capital expenditures of its business units primarily through its cash generated from its operations and from its cash reserves (reflected in the balance sheet as financial assets at FVTPL. The capital expenditures spent for the first quarter of 2022 amounted to ₱1,647.7 million were primarily related to new stores and renovations.

Consolidated net cash provided by operating activities amounted to ₽2,916.8 million as at March 31, 2022, a decrease of ₽209.0 million compared to the consolidated net cash used in operating activities of ₽3,125.8 million as at March 31, 2021. The decrease resulted primarily from higher usage of working capital for purchase of inventories and payment of trade payables partly offset by an increase in EBITDA.

Consolidated net cash provided by investing activities amounted to ₽1,784.3 million as at March 31, 2022, an increase of ₽382.2 million or 27.3% compared to the net cash provided by investing activities as at March 31, 2021 of ₽1,402.1 million. This was primarily due to higher proceeds from disposals of property, plant and equipment.

Consolidated net cash used in financing activities amounted to ₱6,333.2 million as at March 31, 2022, primarily as a result of payments of long-term debt, lease liabilities, long-term debt, interest, coupons for senior perpetual securities and cash dividends, partly offset by proceeds from the issuance of common stock and from availment of long-term and short-term debts.

Cash and cash equivalents at the end of the first quarter of 2022 stood at ₱23,070.0 million, ₱1,305.4 million or 6.0% higher than the March 31, 2021 balance of ₱21,764.6 million.

Discussion and Analysis of Material Events and Uncertainties

1. Any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

   There were no events during the period that will trigger direct or contingent financial obligation that is material to the JFC Group.

2. Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:

   There were no material off-balance sheet transactions, arrangements, obligations created during the reporting period.

3. Any material commitments for capital expenditures, the general purpose such commitments, and the expected sources of funds for such expenditures.

   The JFC Group spent ₱1,647.7 million for capital expenditures for the first quarter of 2022, 3.0% higher compared to the ₱1,599.9 million spent of the first quarter of 2021.

   For 2022, JFC has alloted ₱17,800.0 million in capital expenditures, significantly higher than the ₱7,875.0 million spending in 2021. ₱10,000.0 million was set for new stores and renovations of existing stores. JFC had planned for opening 500 new stores in 2022, after opening 398 in 2021. The balance of ₱7,800.0 million capital expenditures will be mostly for supply chain and business technology investments. JFC plans to build a new commissary facility in Cebu in order to support its expansion plans in Visayas and Mindanao. These capital expenditures will be primarily funded by cash generated from operations, bank loans and excess cash from the remaining proceeds from the bond issuances.

4. Any seasonal aspects that had a material effect on the financial condition or results of operations.

   Food service operations have both peak and lean seasons. Historically, sales in the second and fourth quarters are strong due to the summer and the Christmas seasons, respectively. Demand during the first and third quarters usually slackens. The material financial impact of this seasonality has been considered in the JFC Group's consolidated financial forecast.

5. Any know trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described

   The resurgence of the COVID-19 infections poses a risk for businesses broadly if restrictions are reimposed may adversely affect the financial results, condition and outlook of the JFC Group.

   Increased commodity prices driven by rising inflation and fuel price hikes may impact consumer disposable income and spending habits thus affecting sales volumes. Continued increase in raw material prices and freight charges may result in cost pressures for the JFC Group.

5. Any significant elements of income or loss that did not arise from the registrant's continuing operations.

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

6. Events after the Reporting Period:

   On April 19, 2022, JFC declared a regular cash dividend of Php1.07 per share of common stock, an increase of 37.2% versus the cash dividend declared in the same period in 2021. On the same date, the JFC BOD also approved the declaration of a regular cash dividend of ₱8.20525 per share for preferred shares-Series A and ₱10.60125 per share for preferred shares-Series B to be given to JFC stockholders of record as of June 22, 2022 and September 21, 2022. Payment dates are on July 14, 2022 and October 14, 2022, respectively.

Discussion of the Jollibee Group's Top Five (5) Key Performance Indicators

System Wide Sales

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

	YTD March 31, 2022 (Unaudited)	YTD March 31, 2021 (Unaudited)
System Wide Sales	**₱59,976.3 million**	₱47,782.3 million
% Growth vs LY	**25.5%**	-13.4%

Revenues

Revenues is a measure of (1) all sales made by the JFC Group's company-owned stores (both food and novelty sales); (2) Commissary sales to franchised stores; (3) fees from stores operated by franchisees; (4) rental revenues of the JFC Group's investment properties; and (5) revenues from services rendered by the in-house Construction.

	YTD March 31, 2022 (Unaudited)	YTD March 31, 2021 (Unaudited)
Revenues	**₱42,856.9 million**	₱34,680.6 million
% Growth vs LY	**23.6%**	-12.0%

Net Income Margin

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

	YTD March 31, 2022 (Unaudited)	YTD March 31, 2021 (Unaudited)
Net Income	**₱2,263.7 million**	₱49.2 million
% to Revenues	**5.3%**	102.5%

Basic Earnings Per Share (EPS)

EPS is the portion of the JFC Group's profit allocated to each outstanding share of common stock. This is computed by dividing the net income for the period attributable to the equity holders of the Parent Company by the weighted average outstanding shares during the same period. This serves as an indicator of the JFC Group's profitability.

	YTD March 31, 2022 (Unaudited)	YTD March 31, 2021 (Unaudited)
EPS (Basic)	**₱1.982**	₱0.139
% Growth vs LY	**1,325.9%**	109.1%

Return on Equity (ROE)

ROE is the ratio of the JFC Group's net income attributable to equity holders of the Parent Company to equity. It is computed by dividing net income attributable to equity holders of the Parent Company by average equity attributable to equity holders of the Parent Company (average means average of the amounts as of the beginning and end of the same period). ROE is a measure of return for every peso of invested equity. The JFC Group also uses ROE for comparing its profitability with other firms in the same industry.

Annualized	**YTD March 31, 2022 (Unaudited)**	YTD March 31, 2021 (Unaudited)
Return on Equity	**16.2%**	1.6%

Financial Ratios

Jollibee Foods Corporation and Subsidiaries

	Formula	**Mar-22 Unaudited**	Mar-21 Unaudited
Liquidity Ratios			
Current Ratio	Current Assets / Current Liabilities	**1.42**	1.39
Financial Leverage Ratios			
Asset to Equity Ratio	Total Assets / Total Equity Attributable to Equity Holders of the Parent Company	**3.58**	5.31
Debt Ratio	Total Debt* / Total Debt + Equity Attributable to Equity Holders of the Parent Company	**69.3%**	78.0%
Net Debt Ratio	Total Debt* - Cash and Cash Equivalents - Short-term Investments - Financial Assets at FVTPL / (Total Debt* - Cash and Cash Equivalents - Short-term Investments - Financial Assets at FVTPL) + Equity Attributable to Equity Holders of the Parent Company	**62.6%**	68.1%
Interest Coverage Ratio	Earnings before Interest and Taxes / Interest Expense	**3.45**	2.0
Solvency Ratio	Net Income (Loss) + Depreciation and Amortization / Total Liabilities	**0.17**	0.10
Debt Service Coverage Ratio	Net Income (Loss) / Total Liabilities	**0.07**	0.00

***** *Including both total current and total noncurrent liabilities*

** *Annualized, computed as amounts for the three months ended March 31, 2022 and 2021 multiplied by 4*