

# COVER SHEET

## PHILIPPINE SEVEN CORPORATION

(Company's Full Name)

**7<sup>th</sup> Floor, The Columbia Tower**  
**Ortigas Avenue, Mandaluyong City**  
(Company's Address: No. Street City/Town/Province)

**705-52-00**  
(Company's Telephone Number)

**December 31**  
(Fiscal Year Ending)  
(Month & Day)

**Every 2<sup>nd</sup> Tuesday of June of each year**  
(Annual Meeting)

**1<sup>st</sup> QUARTER REPORT**  
**(SEC FORM 17-Q)**  
(FORM TYPE)

**May 14, 2004**  
(Date)

(Amendment Designation if Applicable)

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(Secondary License Type, if any)

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LCU

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Cashier

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DTU

**108476**  
S.E.C. Reg. No.

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Central Receiving Unit

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File Number

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Document I.D.

SECURITIES AND EXCHANGE COMMISSION

FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2004

2. Commission identification number

3. BIR Tax Identification No : 040-000-390-189

4. Exact name of registrant as specified in its charter :

**PHILIPPINE SEVEN CORPORATION**

5. Country of incorporation : **PHILIPPINES**

6. Industry Classification Code:  Use Only)

7. Address of registrant's principal office : 7<sup>TH</sup> Floor, The Columbia Tower  
Ortigas Avenue, Mandaluyong City  
1501

8. Telephone number : (632) 705-52-00

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Section 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Shares Outstanding - Common	:	No. of Shares of Common Stock
Warrants		237,252,000
		-0-

11. Are any or all of the securities listed on the Stock Exchange?

Yes [  ] No [  ]

*Stock Exchange:*

*Class/es of Securities listed*

Philippine Stock Exchange

-

Common

12. Indicate by check mark whether the registrant:

a. has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [  ] No [  ]

b. Has been subject of such filing requirements for the past 90 days.

Yes [  ] No [  ]

**PART I - FINANCIAL INFORMATION**

Item 1. Financial Statements.

Please refer to the attached.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Please refer to the attached

**PART II - OTHER INFORMATION**

N/A

Pursuant to the requirement of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **PHILIPPINE SEVEN CORPORATION**

Signature and Title: **(Sgd.)YEONG-HSIANG YEH**  
President

Date: May 15, 2004

Signature and Title: **(Sgd.)REBECCA R. ARAGO**  
Comptroller

Date May 15, 2004

May 15, 2004

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building  
EDSA, Quezon City

Dear Sirs:

In connection with the financial statements of Philippine Seven Corporation as of March 31, 2004, which will be submitted to the Philippine Stock Exchange (PSE), we confirm to the best of our knowledge and belief, the following:

1. We are responsible for the fair presentation of the financial statements in conformity with the generally accepted accounting principles.
2. There have been no:
  - a. Irregularities involving management or employees who have significant roles in the system or internal accounting control.
  - b. Irregularities involving other employees that could have a material effect on financial statements.
  - c. Communication from regulatory agencies concerning non-compliance with or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
3. There are no:
  - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed.
4. The accounting records underlying the financial statements accurately and fairly reflect the transactions of the company.
5. The company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.
6. Provision has been made for any material loss to be sustained.
7. We have complied with all respects of contractual agreements that would have a material effect on the financial statements in the event of con-compliance.

**((Sgd.)REBECCA R. ARAGO**  
Comptroller

## **STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The management of Philippine Seven Corporation is responsible for all information and representations contained in the consolidated unaudited financial statements for the quarter ended March 31, 2004. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on the best estimates and informed judgement with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

**(Sgd.)VICENTE T. PATERNO**  
Chairman of the Board

**(Sgd.)YEONG-HSIANG YEH**  
President

**(Sgd.)REBECCA R. ARAGO**  
Comptroller

**FIRST QUARTER 2004**  
**Management Discussion and Analysis**  
**of Financial Condition and Results of Operations**

During the 1Q 2004, 8 stores were opened but closed 1 unprofitable store, bringing the total number of operational stores from previous quarterend with 195 to 202, and resulting in large increase in store days, 18.6% over same period last year.

In March 22, 2004, PSC purchased from Jollimart Philippines all of its 35 Binggo convenience stores, which consisted of leasehold rights, building and improvements, and store equipment. However, only 34 stores will be operational by next quarter. The acquisition of Binggo stores will generate more earnings for the company and bring about larger market share in the Gstore industry, which was estimated at 59% as of February 2004. Additionally, the utilization of merchandise procurement and distribution system will be maximized.

The company will continue to dominate the Gstore business thru aggressive opening of profitable stores in strategic locations since one of the factors that influences a consumer in making a purchase is store's accessibility and location.

**REVENUES AND GROSS MARGINS**

The first quarter of each year is seasonally a low sales quarter. However, due to more operational days, total sales for 1Q 2004 increased by a hefty 11.6%, to ₱808.1 million compared with ₱724.0 million in same period last year.

Gross profit rate for merchandise sales in 1Q 2004 was above 2.0% against comparable period last year, raising the total gross profit pesos to ₱254.7 million, more than last year's ₱213.5 million, or by 19.3% year-on-year. The growth was made possible by focusing on items that were fast selling and carry high margins, more new food service products were introduced and continued enhancement of store image.

**EXPENSES AND NET INCOME**

Store operating expenses, which accounted for 18.1% of total sales in 1Q 2004, slightly grew per store month over the same period last year. The significant increase in store months yielded negligible increase in store operating expenses. Additionally, the introduction of more food service items caused the bad merchandise account to rise. To scale down bad items, new ordering procedure will be established and better trading terms with the suppliers will take effect next month.

Store selling expenses, which accounted for 10.1% of total sales in 1Q 2004, reduced per store month compared to 1Q 2003. Rent expenses were consistently monitored and controlled and insurance expense considerably decreased per store month because the management negotiated for lower insurance premiums.

During the period, the company incurred bigger loss from operations than in the same period last year. While the decrease in other income was attributed to payment of interest expenses that grew substantially due to additional bank borrowings.

The company posted a net loss of ₱25.5 million for 1Q 2004, considerably more than the net loss incurred in the same period last year. The weak economy that led to continued drop in purchasing power of our customer base and strong competition in the Gstore business contributed to the loss for the quarter. Moreover, the new stores will show favorable results after months of operation.

### **FINANCIAL CONDITION**

Net cash provided by operating activities for 1Q 2004 rose to ₱24.2 million over same period last year. Accrued expenses and other current liabilities greatly increased.

Net cash used in investing activities was ₱88.0 million as of 1Q 2004, compared to ₱33.4 million for last year. Capital expenditures for the period were used for construction of new stores, renovation of older stores, purchase of store equipment, and acquisition of Binggo stores.

Net cash provided by financing activities was ₱10.8 net of long-term loan with interest rate fixed for 2 years and payment of interest expense of ₱4.0 million and settlement of short-term loan amounting to ₱50.0 million.

Overall, cash and cash equivalents at the end of 1Q 2004 decreased ₱53.0 million from the beginning of the year to ₱220.0 million.

Current assets increased by 3.1% to ₱674.7 million. Accounts receivable greatly increased due to advances to phone card suppliers. Current ratio for the quarter stood at 0.91 to 1.0 compared with 1.03 to 1.0 for 1Q 2003.

Stockholders' equity during the quarter accounted for 42.1% of total assets compared to 46.5% at the end of year 2003. Debt-to-equity ratio was at 1.4 to 1.0 from 1.1 to 1.0 last year.

For the succeeding quarters, PSC will continue to manage its costs, streamline its operations and continue its aggressive marketing initiatives.

**(Sgd.)Yeong-Hsiang Yeh**  
**President**

**PHILIPPINE SEVEN CORPORATION  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF MARCH 31, 2004 AND DECEMBER 31, 2003  
AND FOR EACH OF THE TWO PERIODS ENDED MARCH 31, 2004**

**PHILIPPINE SEVEN CORPORATION**

**AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET**

	MARCH 31 (UNAUDITED)	DECEMBER 31 (AUDITED)
	2004	2003
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash (Note 2)	P 220,022,454	P 273,072,264
Receivables, net (Notes 2 and 3)	130,047,614	58,388,959
Inventories (Notes 2 and 4)	211,633,280	217,864,938
Prepayments and other current assets (Notes 5 and 6)	99,619,115	91,645,249
<i>Deferred income tax assets (Notes 2 and 6)</i>	13,359,006	13,359,006
<i>Total current assets</i>	674,681,469	654,330,416
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net (Notes 2, and 7)	620,006,588	561,500,187
Deferred income tax assets (Notes 2 and 6)	20,498,472	23,829,272
Other assets (Notes 2, 8 and 19)	102,433,332	96,537,652
Total non-current assets	742,938,392	681,867,111
<b>Total assets</b>	<b>P1,417,619,861</b>	<b>P1,336,197,527</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b><i>CURRENT LIABILITIES</i></b>		
<i>Loans payable (Note 9)</i>	P 89,876,458	P 140,031,222
<i>Trade accounts payable</i>	359,328,659	337,344,438
<i>Accrued expenses (Note 10)</i>	92,646,848	81,384,744
Income tax payable (Note 2 and 6)	16,682,317	16,158,349
Other current liabilities (Note 11)	121,555,864	63,247,174
<i>Total current liabilities</i>	745,090,146	638,165,927
<b>LOANS PAYABLE (Note 9)</b>	135,000,000	70,000,000
<i>Total liabilities</i>	880,090,146	708,165,927
<b>OTHER INTEREST (Note 2 and 12)</b>	6,000,000	6,000,000
<b>STOCKHOLDERS' EQUITY (Notes 13 and 14)</b>	596,529,715	622,031,600
<i>Total liabilities and stockholders' equity</i>	P1,417,619,861	P1,336,197,527

(See accompanying notes to consolidated financial statements)

**PHILIPPINE SEVEN CORPORATION  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE PERIOD ENDED MARCH 31, 2004 , 2003 AND DECEMBER 31, 2003

	MARCH 31 (UNAUDITED)	MARCH 31 (UNAUDITED)	DECEMBER 31 (AUDITED)
	2004	2003	2003
<b>CAPITAL STOCK (Notes 13 and 14)</b>	<i>P237,938,250</i>	<i>P237,938,250</i>	<i>P237,938,250</i>
<i>ADDITIONAL PAID-IN CAPITAL, net of excess of cost over issue price of treasury shares (Note 13)</i>	293,525,037	293,525,037	293,525,037
<b>RETAINED EARNINGS (Note 13)</b>			
Beginning	93,491,559	102,026,992	84,221,666
Net income (loss) for the year	(25,501,885)	(15,395,109)	9,269,893
End	67,989,674	86,631,883	93,491,559
	599,452,961	618,095,170	624,954,846
<i>TREASURY STOCK (Notes 2 and 13)</i>	(2,923,246)	(2,923,246)	(2,923,246)
Balance for the period	P596,529,715	P615,171,924	P622,031,600

*(See accompanying notes to consolidated financial statements)*

PHILIPPINE SEVEN CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF INCOME  
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31	
	2004	2003
REVENUE FROM MERCHANDISE SOLD (Note 2)	808,080,645	723,953,127
COST OF MERCHANDISE SOLD (Note 2)	553,392,618	510,434,566
<i>GROSS PROFIT</i>	254,688,027	213,518,561
OTHER OPERATING INCOME (Note 2)	10,867,687	12,517,890
<i>Commission on services</i>		
TOTAL GROSS PROFIT	265,555,714	226,036,451
<i>OPERATING EXPENSES (Notes 2) Selling (Notes 7)</i>	81,792,883	72,876,928
	146,153,021	122,031,230
<i>Store operations</i>		
General and administrative (Notes 7)	64,916,250	52,734,032
TOTAL OPERATING EXPENSES	292,862,154	247,642,190
LOSS FROM OPERATIONS	(27,306,440)	(21,605,739)
OTHER INCOME (EXPENSES) (Note 2)		
Interest income	979,942	273,673
Interest expense (Note 15)	(4,066,535)	(2,752,276)
Others, net	8,876,358	10,131,804
	5,789,765	7,653,201
LOSS BEFORE INCOME TAX	(21,516,675)	(13,952,538)
NET LOSS CARRY OVER (NOLCO)		1,442,571
PROVISION FOR INCOME TAX	3,854,770	-
NET LOSS BEFORE OTHER OUTSIDE INTEREST	(25,371,445)	(15,395,109)
OTHER OUTSIDE INTEREST	130,440	-
NET LOSS FOR THE PERIOD	(25,501,885)	(15,395,109)
LOSS PER SHARE (Notes 2 and 17)		
Basic	P (0.11)	P (0.06)
Diluted	(0.11)	(0.06)

(See accompanying notes to consolidated financial statements)

**PHILIPPINE SEVEN CORPORATION**  
**AND SUBSIDIARIES**  
CONSOLIDATED STATEMENT OF CASH FLOWS

	THREE MONTHS ENDED MARCH 31 2004	2003 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(21,516,675)	(13,952,538)
Adjustments for:		
Depreciation and amortization	27,808,285	20,928,011
Loss on sale of equipment	136,419	-
Income of other interest	(130,440)	
Interest expense	4,066,535	2,752,276
Interest income	(979,942)	(273,273)
Operating income before working capital changes	9,384,182	9,454,476
Changes in current assets and liabilities:		
(Increase) decrease in current assets:		
Receivables	(71,658,655)	9,094,906
Inventories	6,231,658	17,109,959
Prepayments and other current assets	(7,973,866)	1,225,824
Increase (decrease) in current liabilities:		
Trade accounts payable	21,984,221	(71,943,559)
Accrued expenses	11,262,104	(9,866,217)
Other current liabilities	58,308,690	(9,975,447)
	27,538,334	(54,900,058)
<i>Cash generated from operations</i>		
	(3,330,802)	(1,453,457)
<i>Income taxes payable</i>		
	24,207,532	(56,353,515)
<i>Net cash provided by operating activities</i>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(86,451,105)	(28,402,809)
Increase in other assets	(2,564,880)	(5,293,049)
Interest received	979,942	273,273
	(88,036,043)	(33,422,585)
<i>Net cash used in investing activities</i>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from loans payable	14,845,236	19,635,581
Interest paid	(4,066,535)	(2,752,276)
	10,778,701	16,883,305
<i>Net cash provided by (used in) financing activities</i>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(53,049,810)</b>	<b>(72,892,795)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
January 1	273,072,264	237,113,506
	220,022,454	164,220,711
<i>March 31</i>		

(See accompanying notes to consolidated financial statements)

**PHILIPPINE SEVEN CORPORATION  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF MARCH 31, 2004 AND DECEMBER 31, 2003  
AND FOR EACH OF THE TWO PERIODS ENDED MARCH 31, 2004**

**Note 1 - Organization and operations**

Philippine Seven Corporation (the "Parent Company") was incorporated and registered with the Securities and Exchange Commission (SEC) on November 29, 1982 primarily to engage in, conduct, carry on and deal in the business of retailing, merchandising, buying, selling, marketing, importing, exporting, franchising, acquiring, holding, distributing, warehousing, trading, exchanging or otherwise dealing in all kinds of grocery items, dry goods, food or foodstuffs, beverages, drinks and all kinds of consumer needs or requirements.

The Parent Company is controlled by President Chain Store (Labuan) Holdings, Ltd. (an investment holding company incorporated in Malaysia) which owns 56.59% of the Company's outstanding shares. The remaining 43.41% of the shares are widely held. The ultimate parent of the group is President Chain Store Corporation (PCSC) (incorporated in Taiwan, Republic of China).

The Parent Company has its principal office at the 7<sup>th</sup> Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City. It has 909 and 1,019 regular employees as of March 31, 2004 and December 31, 2003, respectively.

**Note 2 - Significant accounting policies**

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below:

**Basis of preparation**

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the Philippines under the historical cost convention.

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the Philippines requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

**Basis of consolidation**

The consolidated financial statements include the accounts of Philippine Seven Corporation and the following subsidiaries:

	Country of incorporation	Percentage of ownership (Common and Preferred)
Convenience Distribution Inc. (CDI)	Philippines	100
Store Sites Holding, Inc. (SSHI)	Philippines	40

Subsidiaries, which are those entities in which the Parent Company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies through interlocking directorships such that substantial benefits from the subsidiaries' activities flow to the Parent Company, are consolidated. Intercompany transactions, balances and unrealized losses are also eliminated unless cost cannot be recovered. Where necessary accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Parent Company.

#### New accounting standards effective 2003

The Parent Company and its subsidiaries adopted the following applicable Statements of Financial Accounting Standards/International Accounting Standards (SFAS/IAS) effective January 1, 2003. These new standards have been approved by the Accounting Standards Council (ASC) of the Philippines.

SFAS 10/IAS 10, Events after the Balance Sheet Date, which requires the disclosure of the date of authorization for issue of the financial statements, and prescribes the accounting and disclosure related to adjusting and non-adjusting subsequent events

- SFAS 37/IAS 37, Provisions, Contingent Liabilities and Contingent Assets, which provides the criteria for the recognition and bases for measurement of provisions, contingent liabilities and contingent assets. It also specifies the disclosures that should be included with respect to these items.
- SFAS 38/IAS 38, Intangible Assets, which establishes the criteria for the recognition and measurement of intangible assets. Intangible assets that are recognized should be amortized generally over 20 years. The new standard also requires that expenditures on research, start-up, training, advertising and relocation be expensed as incurred.

The adoption of the new standards in 2003 did not result in restatements of prior year's consolidated financial statements. However, additional disclosures required by the new standards have been included in the consolidated financial statements, where applicable.

#### New accounting standards effective subsequent to 2003

The ASC has approved the following applicable accounting standards which will become effective subsequent to 2003:

- SFAS 12/IAS 12, Income Taxes, which takes effect in 2004, prescribes the accounting treatment of income taxes and requires the recognition of deferred tax liability for taxable temporary differences and deferred tax asset for deductible temporary differences if it is probable that a tax benefit will be realized.
- SFAS 17/IAS 17, Leases, which takes effect in 2004, prescribes the accounting policies and disclosures to apply to finance and operating leases.

The Parent Company does not believe the effect of adoption will be material based on current circumstances.

Cash is carried in the balance sheet at cost. For the purposes of cash flow statement, cash consists of cash on hand and deposits held at call with banks.

Receivables are carried at anticipated net realizable value. A provision is made for doubtful accounts based on a review of all outstanding amounts at year-end and is based on an objective evidence that the Parent Company and its subsidiaries will not be able to collect all amounts due according to the original terms of the receivables. Bad debts are written off against related provision during the period in which they are identified.

Inventories are stated at the lower of cost or net realizable value. The Parent Company is using the retail method in measuring the cost of its store merchandise inventory. Under this method, cost is determined using the average gross profit and is reviewed on a regular basis to ensure that it approximates actual costs. Cost of warehouse merchandise is determined using the first-in first-out method. Allowance for slow-moving and obsolete inventories is set up if necessary, based on the review of inventory movement and the current condition of each inventory item.

Deferred income tax is provided in full, using the liability method, on temporary differences between the tax and financial reporting bases of assets and liabilities. Deferred income tax is measured using the enacted tax rate expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. A valuation allowance is provided for deferred income tax assets that are not likely to be realized.

Deferred income tax expense or credit is recognized for changes during the year in the deferred income tax assets and liabilities and the related valuation allowance.

Property and equipment, including leasehold improvements, except land which is carried at cost, are carried at cost less accumulated depreciation and amortization. Cost of capital projects in progress are accumulated in the accounts until these projects are completed upon which these are classified to the appropriate property accounts.

Repairs and maintenance are charged to operations as incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Parent Company and subsidiaries. Major renovations are depreciated over the remaining useful lives of the related assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the estimated useful lives of the improvements or the term of the lease, whichever is shorter. The following are the estimated useful lives of these assets:

Type of asset	Estimated useful life in years
Leasehold improvements	3 to 15
Store furniture and equipment	5 to 10
Buildings and improvements	10 to 12
Office furniture and equipment	3 to 5
Transportation equipment	3 to 5
Computer equipment	3

When assets are sold or otherwise disposed of, its cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations.

Property and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in the circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Software and program costs, which are not specifically identifiable and integral to a specific computer hardware, are shown as part of other assets. These are carried at cost, less amortization which is computed on a straight line method over their estimated useful lives of five years.

Revenue from merchandise sold is recognized at the time the goods are delivered to and accepted by the customers. Commission on services is recognized upon the sale of consigned goods. Franchise income is recognized when earned. Rental income is recognized on an accrual basis in accordance with the substance of the relevant agreement. Other income is recognized when earned.

Cost and expenses are charged to operations when incurred.

Pension costs are actuarially determined using the "projected unit credit cost method". This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. The unrecognized experience adjustments and past service costs are amortized over the expected average remaining working lives of the covered employees.

## Foreign currency translation

### (1) Measurement currency

Items included in the consolidated financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Parent Company and its subsidiaries ("the measurement currency"). The consolidated financial statements are presented in Philippine Peso, which is the measurement currency.

### (2) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement.

Leases where a significant portion of the risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straightline basis over the period of the lease. Contingent rents, including those based on a percentage of net sales, are recognized once the contingency is resolved.

Provisions are recognized when there is present legal obligation or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is recognized for onerous leases when the existing lease agreements are noncancellable and the expected benefits to be derived from the lease are less than the avoidable costs of meeting the obligations under the lease agreements.

Basic earnings per share is calculated by dividing the net income or loss for the year attributable to common shareholders by the weighted average number of shares outstanding during the year, excluding treasury shares. Diluted earnings per share is calculated by dividing the net income or loss attributable to common shareholders by the weighted average number of shares outstanding, excluding treasury shares and adjusted for the effects of all dilutive potential common shares, if any. In both cases, the effect of stock dividends, if any, is retroactively accounted for.

Treasury stock is stated at acquisition cost.

## Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### **Note 3 - Receivables**

Receivables at March 31 and December 31 consist of:

	Note	2004	2003
Receivables from suppliers		P 118,845,243	P 46,930,087
Receivables from employees		3,754,867	6,535,076
Receivables on subleased spaces	19f	3,452,747	4,308,545
Receivable from PCSC		3,953,026	3,953,026
Interest receivable		3,473,306	3,400,000
Insurance		317,976	142,636
Others		5,698,497	2,567,637
		139,495,662	67,837,007
Less - allowance for doubtful accounts		9,448,048	9,448,048
		P 130,047,614	P 58,388,959

### **Note 4 - Inventories**

Receivables at March 31 and December 31 consist of:

	2004	2003
Store merchandise	P109,590,141	P141,096,219
Warehouse merchandise and others	102,043,139	76,768,719
	P211,633,280	P217,864,938

### **Note 5 - Prepayments and other current assets**

Prepayments and other current assets at March 31 and December 31 consist of:

	2004	2003
Minimum corporate income tax (MCIT), net of allowance for unrecoverable portion of P17,805,326 in 2002	P54,194,316	P54,107,658
Input value-added tax (VAT)	9,193,762	14,009,146
Rent	10,111,925	11,217,295
Creditable withholding taxes	5,516,992	3,742,943
Prepaid realty taxes	7,384,479	3,141,525
Insurance	282,758	980,014
Supplies	6,607,768	765,524
Others	6,327,115	3,681,144
	P99,619,115	P91,645,249

The unrecoverable portion of the Parent Company's MCIT paid in 2000 amounting to P17,805,326 was written off against the allowance upon expiration in 2003. The expiration confirmed that an allowance for MCIT should have been set up in 2002 since it was in that year that utilization of the said MCIT became doubtful. Generally accepted accounting principles in the Philippines require that a provision for unrecoverable assets be recognized

when it is probable that no future economic benefits will flow to the Parent Company and its subsidiaries from the use of such assets.

**Note 6 - Deferred income tax assets and liabilities; provision for income tax**

The components of deferred income tax assets (liabilities) at March 31 and December 31 follow:

	2004	2003
Current		
Accrued pension cost	<i>P10,403,864</i>	<i>P10,403,864</i>
Allowance for doubtful accounts	3,023,375	3,023,375
Unamortized past service cost	360,225	360,225
Advance rental	104,256	104,256
Unamortized capitalized interest	(532,714)	(532,714)
Unrealized foreign exchange gain	-	-
	13,359,006	13,359,006
Non-current		
Net operating loss carry over (NOLCO)	22,104,235	25,435,035
Unamortized past service cost	1,594,728	1,594,728
Unamortized capitalized interest	(3,200,491)	(3,200,491)
	20,498,472	23,829,272
	P33,857,478	P37,188,278

The Company's available NOLCO which can be carried over as a deduction from gross income for the three succeeding taxable years immediately following the year of such loss are as follows:

Taxable year	Expiration year	Note	2003	2002
2000	2003	5	<i>P -</i>	<i>P 18,032,137</i>
2001	2004		41,635,003	45,092,848
2002	2005		37,676,181	37,676,181
2003	2006		173,301	-
			P79,484,485	P100,801,166

During the period, the Parent Company utilized a part of NOLCO in 2001 amounting to P3,330,800. Accordingly, last 2003, the Parent Company consumed in full the NOLCO from 2000 amounting to P18,032,137 and in part, the NOLCO from 2001 amounting to P3,457,845.

Realization of the future tax benefits related to the deferred income tax assets is dependent on many factors, including the Parent Company's and its subsidiaries' ability to generate future taxable income within which the deferred income tax assets and liabilities are expected to be recovered or settled. The Parent Company and its subsidiaries have considered these

factors and concluded that no valuation allowance is necessary for the deferred income tax assets as of December 31, 2003 and 2002.

Details of provision for (benefit from) income tax, as shown in the consolidated statements of income for the years ended December 31 follow:

	Note	2003	2002 (As restated)	2001
Current		P 240,210	P 563,606	P 308,846
Deferred		3,916,587	(17,071,844)	(18,191,328)
Unrecoverable MCIT	5	-	17,805,326	-
		P4,156,797	P 1,297,088	P(17,882,482)

Income tax payable as of December 31, 2003 and 2002 were based on the application of MCIT which was higher than the amount determined by applying the statutory income tax rate on the 2003 and 2002 taxable income. The MCIT can be carried forward on an annual basis and credited against normal income tax payable within three immediately succeeding years from the period when the MCIT was paid. Details of MCIT are shown below:

Year paid	Expiration year	Note	2003	2002
2001	2004		P17,785,656	P17,785,656
2002	2005		17,992,660	17,992,660
2003	2006		18,329,342	-
			P54,107,658	P35,778,316

The reconciliation of the provision for income tax for the years ended December 31 computed at the statutory tax rate to actual provision shown in the consolidated statements of income follows:

	2003	2002 (As restated)	2001
Provision at statutory income tax rate	P4,465,439	P(17,597,625)	P(17,570,881)
Add (deduct):			
Income already subjected to final tax at a lower rate	(474,181)	(489,278)	(1,734,989)
Unrecoverable MCIT	-	17,805,326	-
Other outside interest	-	(115,851)	(130,169)
Other permanent differences	165,539	1,694,516	1,553,557
Provision for (benefit from) income tax	P4,156,797	P 1,297,088	P(17,882,482)

## **Note 7 - Property and equipment**

Details of property and equipment at March 31 consist of:

	Land	Leasehold improvements	Store furniture and equipment	Buildings and improvements	Office furniture and equipment	Transportation Equipment	Computer Equipment	Construction in progress	Total
<b>Cost</b>									
January 1, 2004	39,866,864	P299,456,403	281,929,880	110,121,264	112,154,408	11,157,426	43,179,431	7,316,072	905,181,748
Additions	-	5,589,782	15,136,551	-	3,661,698	-	1,198,782	60,864,292	86,451,105
Disposals	-	(1,451,357)	-	-	(163,377)	-	-	-	(1,614,734)
Reclassification	-	137,309	25,636	-	(25,636)	-	40,455	(40,455)	(137,309)
March 31, 2004	39,866,864	P303,457,519	297,092,067	110,121,264	115,627,093	11,157,426	44,418,668	68,139,909	989,880,810
<b>Accumulated depreciation</b>									
January 1, 2004	-	58,519,254	158,991,253	30,206,137	71,364,714	7,586,165	17,014,038	-	343,681,561
Depreciation	-	11,707,402	6,956,135	1,233,338	3,218,263	478,222	3,567,684	-	27,161,044
Disposals	-	(1,338,002)	-	-	(140,314)	-	-	-	(1,478,316)
Reclassification	-	508,699	(114)	-	-	-	1,348	-	509,933
March 31, 2004	-	69,397,353	165,947,274	31,439,475	74,442,663	8,064,387	20,583,070	-	369,874,222
Net book values at March 31, 2004	P39,866,864	P234,060,166	P131,144,793	P 78,681,789	P 41,184,430	P 3,093,039	P 23,835,598	P 7,316,072	P620,006,588
December 31, 2003	P39,866,864	P240,937,149	P122,938,627	P 79,915,127	P 40,789,694	P 3,571,261	P 26,165,393	P 7,316,072	P561,500,187

In 2002, fully depreciated assets amounting to P160.6 million were removed from the Parent Company's books because these were permanently withdrawn from use and no future economic benefits are expected from their disposal.

Depreciation and amortization charged to operations for period ended March 31 follow:

	2004	2003	2002
	P	P 19,852,701	P16,673,328
<i>Selling</i>	20,368,039		
General and administrative	6,793,005	4,275,617	7,163,403
	P27,161,044		P23,836,731
		P24,128,318	

**Note 8 - Other assets**

Other assets at March 31 and December 31 consist of:

	Note	2004	2003
Deposits			
Rental	19e	P66,686,462	P63,479,981
Utilities		14,152,696	14,150,196
Suppliers		3,425,721	5,181,532
Computer software, net of accumulated amortization of P10,106,155 (2003–P9,382,839)		6,485,553	7,208,869
Investments, telephone rights and other assets		11,682,900	6,517,074
		P102,433,332	P96,537,652

**Note 9– Loans Payable**

Current loan payable represents short-term borrowings from various local banks, payable in lump sum at various dates in 2004 with interest rates ranging from 8.75% p.a. to 9.0% p.a. ₱ 20 million of the total short-term borrowings is guaranteed by the Parent Company's ultimate parent company, PCSC in Taiwan.

Non-current loan payable represents a ₱65.0million 2-year term loan and ₱70.0 million 3-year term loan from local banks, with 6 months grace period, equal monthly amortization starting on the seventh month from date of drawdown and principal shall be payable monthly together with the interest due. Interest rates for these loans are fixed at 11.6733% p.a. and 10.5% p.a., respectively, for the entire term. The longterm loans are also guaranteed by PCSC in Taiwan.

As of March 31, 2004 the Parent Company has the following available loan facilities:

Short-term loan facilities	Php	90,000,000
Long-term loan facilities	Php	45,000,000

**Note 10 - Accrued expenses**

Accrued expenses at March 31 and December 31 consist of :

	Note	2004	2003
Retirement	16	P35,332,350	P33,122,050
Marketing		9,806,369	11,300,772
Utilities		6,076,278	7,893,163
Employee benefits		9,964,027	4,445,825
Security services		3,442,486	3,750,177
Insurance		-	3,200,252
Others		23,398,251	17,672,505
		P92,646,848	P81,384,744

**Note 11 - Other current liabilities**

Other current liabilities at March 31 and December 31 consist of:

	Notes	2004	2003
Non-trade accounts payable		P98,883,193	P25,110,360
Deposits payable		14,678,315	13,743,667
Withholding taxes payable		7,025,351	6,936,004
Royalty payable	19a	1,382,068	6,635,466
Payable / (receivable) to franchisees, net	19b, 19c	(1,906,195)	4,183,385
Retention payable		2,900,241	3,081,809
Dividends payable		658,247	527,807
Advance lease rentals	19f	161,955	325,800
Output VAT		(1,737,769)	-
Others		(489,542)	2,702,876
		P121,555,864	P63,247,174

**Note 12 - Other outside interest**

Other interest represents the share of Philippine Seven Corporation- Employees Retirement Plan (PSC - ERP) through its trustee, BPI-Asset Management and Trust Group, in SSHI's net assets pertaining to preferred shares. PSC- ERP is entitled to an annual "Guaranteed Preferred Dividend" in the earnings of SSHI starting April 5, 2002, the date when the 25% of the subscription on preferred shares have been paid, in accordance with the Corporation Code.

The guaranteed annual dividends shall be calculated and paid in accordance with the Shareholder's Agreement dated November 16, 2000 which provides that the dividend shall

be determined by the Board of Directors of SSHI using the prevailing market conditions and other relevant factors.

**Note 13 - Capital stock; additional paid-in capital**

Details of capital stock at March 31 and December 31 follow:

	No. of shares	Amount
Capital stock - P1 par value		
<i>Authorized</i>	400,000,000	
<i>Issued and outstanding</i>	237,252,000	P400,000,000
Treasury stock	686,250	237,252,000
		2,923,246

The retained earnings is restricted for dividend declaration in the amount of P2,923,246, representing the cost of shares held in treasury.

On January 9, 1998, the SEC approved the registration of the following:

- a. The 237,938,250 common shares which consist of:

	No. of shares
Outstanding common shares (include underlying shares for the 122,882 warrant units)	166,556,250
<i>Initial public offering</i>	47,000,000
<i>Private placement</i>	24,382,000
	237,938,250

On February 4, 1998, the Parent Company offered for sale 71,382,000 common shares, consisting of 47,000,000 shares for public offering and 24,382,000 shares for private placement both at an offer price of P4.40 per share. Net proceeds generated from the offering amounted to about P288.3 million. The excess of cost of common shares over the net proceeds amounting to P216.9 million was credited to "Additional paid-in capital".

- b. The 122,882 units 5-year warrants with attached 4% perpetual income bonds.

On June 13, 2000, the Parent Company's Board of Directors approved a resolution authorizing the issuance of the Parent Company's shares ("Optional Shares") for the exercise of the 122,882 warrants with attached 4% perpetual income bonds consisting of 18,432,300 common shares to be taken from unissued portion of the authorized capital stock and 12,288,200 treasury shares or a total of 30,720,500 shares pursuant to their registration with the SEC. Moreover, upon the actual exercise of the warrants and the purchase of the Optional Shares, the Parent Company would be authorized to list the 30,720,500 shares with the Philippine Stock Exchange (PSE).

During the period of September 15 to 25, 2000, all of the Parent Company's warrants were exercised and the corresponding shares of 30,720,500 were issued at a price of P1.732 per share resulting in an additional paid-in capital of P13,492,444. The excess of cost over re-issue price of treasury shares amounting to P27,902,091 is presented as deduction against additional paid-in capital in the consolidated statements of changes in stockholders' equity. Consequently, on September 28, 2000, the Parent Company listed the 30,720,500 with the PSE and delisted the corresponding 122,882 warrants.

On November 16, 2000, a total of 162,520,072 shares were tendered by the Parent Company's shareholders to PCSC of which 119,575,008 shares were purchased by its assignee, President Chain Store (Labuan) Holdings, Ltd., a wholly owned investment holding company incorporated in Malaysia, at the price of P8.30 per share.

#### **Note 14 - Employee stock purchase plan**

The Parent Company has an Employee Stock Purchase Plan (ESPP) which allows all full time and regular employees, who have rendered at least two years of service to the Parent Company as of December 31, 1996, to purchase Parent Company's shares in the offering at a purchase price of P4.40 per share. Each eligible employee can purchase a minimum of 1,000 shares and a maximum number of shares with a purchase price equivalent to 1 ½ months basic salary or, in the case of a manager, up to 3 months basic salary.

On the stock purchase date, the Parent Company granted interest-free loans to the participants equivalent to the purchase price of the stock. The loans are collectible over a period of 24 months and are secured by the purchased shares pledged in favor of the Parent Company.

Under the provisions of the ESPP, the Parent Company has the right to vote the pledged shares until full payment of the loan and the participants have the right to receive all cash dividends, but stock dividends shall be held in escrow until full payment of the loan.

In 1998, 997,000 shares were subscribed by employees under the ESPP and the unsold shares were taken by the lead underwriter as part of the offering to the public.

In 2001, 686,250 shares were withdrawn by employees and returned to the Parent Company and accounted for as treasury shares.

**Note 15 - Finance income (costs)**

Details of finance income (costs) for the periods ended March 31 follow:

	Notes	2004	2003
Interest expense	2, 9	P(4,066,535)	P (2,752,276)
Interest income		979,942	273,273
		P (3,086,593)	P(2,479,003)

**Note 16 - Retirement plan**

The Parent Company maintains a trustee, non-contributory retirement plan covering all its regular and full-time employees. Under the plan, the normal retirement age is 60 years old. Normal retirement benefit is equivalent to 15 times the final daily salary, cash equivalent of 5 days and 1/12 of 13<sup>th</sup> month pay per year of credited service paid in lumpsum. Employee who has reached the age of 50 and has at least 5 years of credited service may retire with the Parent Company's approval and be entitled to reduced benefits in accordance with the provisions of the plan.

The latest actuarial valuation as of January 1, 2004 was obtained from an independent actuary using the "projected unit credit cost" (PUC) method. Under the PUC cost method, the annual normal cost for an individual member is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year. The principal actuarial assumptions used to determine retirement benefits were a salary increase rate of 10% and a return on plan assets of 10%. Valuation is made every three years to update the plan costs and adjust the amounts of contributions.

Based on the latest actuarial valuation as of January 1, 2004, the actuarial value of plan assets amounted to P16,950,400 while the estimated actuarial accrued liability was P33,122,100. Pension costs charged to operating expenses amounted to P8,528,800, P9,837,300 and P9,837,300 in 2003, 2002 and 2001, respectively.

**Note 17 - Earnings (loss) per share**

Earnings (loss) per share is computed as follows:

	Note	2004	2003
Net income (loss) for the period available to common shares		P (25,501,885)	P (15,395,109)
Average number of common shares	13	237,252,000	237,252,000
Per share		P (0.11)	P (0.06)

There are no dilutive potential common shares, therefore, the amounts reported for basic and diluted earnings (loss) per share are the same.

**Note 18 - Noncash financing activity**

Noncash financing activity represents the conversion of receivable from a subsidiary to investment in stock amounting to P5,580,000 in 2001.

**Note 19 - Related party transactions; agreements**

Related parties In the normal course of business, the Parent Company transacts with companies which are considered related parties under SFAS No. 24/IAS 24 "Related Party Disclosures". In 2003, amounts paid to directors of the Parent Company and subsidiaries representing salaries, bonuses and directors' fees amounted to P4.35 million (2002 P4.34 million). Transactions with related parties are consummated at competitive market rates as though the parties are unrelated. Settlement of outstanding related party receivables and payables is generally made within 20 days from date of each transaction.

**Agreements**

The Parent Company and its subsidiaries are parties to the following agreements:

- a. Parent Company's licensing agreement with Seven Eleven Inc. (SEI), a related company organized in Texas, U.S.A., which grants the Parent Company the exclusive right to use the 7-Eleven System in the Philippines. In accordance with the agreement, the Parent Company pays, among others, royalty fee to SEI based on a certain percentage of monthly gross sales net of gross receipts tax (Note 15).

- b. Parent Company's various store franchise agreements with third parties for the operation of certain stores including lease of the store and equipment operated in a manner which will enhance the 7-Eleven Image and pursuant to the 7-Eleven System provided for in item (a) above. In consideration thereof, a franchise fee agreed upon by the parties shall be paid to the Parent Company.
- c. Parent Company's service management agreements with third parties for the management and operation of certain stores. In consideration thereof, the store operator is entitled to a management fee based on a certain percentage of the store's gross profit and operating expenses as stipulated in the service management agreement.
- d. Parent Company's agreement with its phonecard suppliers effective January 1, 2000. Under the arrangement, the Parent Company earns commission as the consignee of the phonecard items based on a certain percentage of phonecard sales.
- e. Parent Company's various lease agreements with third parties relating to its store operations. Certain agreements provide for the payment of rental expense based on various schemes such as an agreed percentage of net sales for the month and fixed monthly rate.

CDI leases the warehouse premises it presently occupies for a period of five years commencing on December 1, 2000 and expiring on November 30, 2005.

Under the terms of the covering lease agreements, the Parent Company and CDI are required to make advance deposits which are shown as part of other assets in the consolidated balance sheets.

Rental expense for the period ended March 31, 2004 and 2003 under the above leases amounted to P48,764,184 and P41,526,383, respectively.

The future annual minimum rental commitments are as follows:

Not later than 1 year	P206,077,077
Later than 1 year but not later than 5 years	761,944,734
Later than five years	335,961,371

- f. Parent Company's various sublease agreements with third parties which provide for lease rentals based on an agreed fixed monthly rate or as agreed upon by the parties.
- g. Rental of post-mix machines from PCSC whereby the Parent Company pays the latter 1% of sales (as defined in the agreement) from the said machines in 2002 and 5% thereafter from January 1, 2003. Payments shall be made quarterly before the 20<sup>th</sup> day of January, April, July and October.

**Note 20 - Contingencies**

The Parent Company and its subsidiaries are defendants/respondents to various legal cases and assessments that are either pending in courts or under protest, the outcomes of which are not presently determinable. Management and its legal counsel believe that the liability, if any, that may result from the outcome of these cases and investigation will not materially affect their financial position or results of operations.

**Note 21 - Approval of consolidated financial statements**

The consolidated financial statements have been approved for issue by the Executive Committee as authorized by the Parent Company's Board of Directors on March 2, 2004.

**Note 22 – Subsequent event**

On March 22, 2004, the Company entered into a sale and purchase agreement with Jollimart Philippines Corporation, owner of Binggo Convenience Stores (BCS) for the purchase of the assets of 39 BCS of which 34 stores will be converted into 7-Eleven Stores from April 12 to May 15. Purchased assets include property and equipment, leasehold rights and building and building improvements excluding the merchandise inventory and point of sale system (software and hardware). The total purchase price of P130 million is payable in two (2) equal installments with the first installment paid in March 22, 2004 and the remaining 50% payable upon complete turnover of all the assets of BCS. The closing date of the agreement is on May 1, 2004 or at a later date as agreed upon by the parties.

**Note 23 – Approval of financial statements**

The financial statements have been approved for issue by the Executive Committee as authorized by the Board of Directors on March 2, 2004.

**PHILIPPINE SEVEN CORPORATION**  
**SCHEDULE A: PROPERTY AND EQUIPMENT**  
**MARCH 31, 2004**

<b>PARTICULARS</b>	<b>Balance December 31, 2003 (Audited)</b>	<b>Additions</b>	<b>Disposals</b>	<b>Other Charges Additions/ (Deductions)</b>	<b>Balances March 31, 2004 Unaudited</b>
Land	39,866,864				39,866,864
Leasehold Improvements	299,456,403	5,589,782	(1,451,357)	(137,309)	303,457,519
Store and Office Equipment	281,929,880	15,136,551		25,636	297,092,067
Building and Improvements	110,121,264	-			110,121,264
Store and Office Furniture and Fixtures	112,154,408	3,661,698	(163,377)	(25,636)	115,627,093
Transportation Equipment	11,157,426				11,157,426
Computer IT and Related Equipment	43,179,431	1,198,782		40,455	44,418,668
Construction in Progress	7,316,072	60,864,292		(40,455)	68,139,909
<b>Total</b>	<b>905,181,748</b>	<b>86,451,105</b>	<b>(1,614,734)</b>	<b>(137,309)</b>	<b>989,880,810</b>

**PHILIPPINE SEVEN CORPORATION**  
**SCHEDULE B: PROPERTY AND EQUIPMENT - ACCUMULATED DEPRECIATION**  
**MARCH 31, 2004**

<b>PARTICULARS</b>	<b>Balance December 31, 2003 (Audited)</b>	<b>Additions</b>	<b>Disposals</b>	<b>Other Charges Additions/ (Deductions)</b>	<b>Balances March 31, 2004 Unaudited</b>
Land	-				-
Leasehold Improvements	58,519,254	11,707,402	(1,338,002)	508,699	69,397,353
Store and Office Equipment	158,991,253	6,956,135	-	(114)	165,947,274
Building and Improvements	30,206,137	1,233,338	-	-	31,439,475
Store and Office Furniture and Fixtures	71,364,714	3,218,263	(140,314)	-	74,442,663
Transportation Equipment	7,586,165	478,222	-	-	8,064,387
Computer IT and Related Equipment	17,014,038	3,567,684	-	1,348	20,583,070
<b>Total</b>	<b>343,681,561</b>	<b>27,161,044</b>	<b>(1,478,316)</b>	<b>509,933</b>	<b>369,874,222</b>

**PHILIPPINE SEVEN  
CORPORATION  
SCHEDULE C: RECEIVABLES  
MARCH 2004**

Name and Designation of Debtor	Balance Dec 31, 2003 Audited	Addition	Deduction (amounts collected)	Balance Mar 31, 2004 (Unaudited)
Receivable from Suppliers	46,930,087	159,236,289	87,321,133	118,845,243
Receivable from Employees	6,535,076	2,130,563	4,910,772	3,754,867
Receivable from subleased	4,308,545	6,257,512	7,113,310	3,452,747
Receivable from PCSC	3,953,026			3,953,026
Interest Receivable	3,400,000	73,306		3,473,306
Insurance	142,636	175,340		317,976
Others	2,567,637	3,130,860		5,698,497
	67,837,007	171,003,870	99,345,215	139,495,662
Less - allowance for doubtful accounts	9,448,048			9,448,048
	<b>58,388,959</b>			<b>130,047,614</b>

# MA-095

**PHILIPPINE SEVEN CORPORATION  
SCHEDULE D: OTHER ASSETS  
MARCH 2004**

Other Assets	Balance as of December 2003	Additions	Charged to cost and Expenses	Charged to other Accounts	Other changes additions (deductions )	Balance as of March 2004
Refundable Deposit	63,479,981	3,356,538	(150,057)	-	-	66,686,462
Utilities	14,152,696	-	-	-	-	14,152,696
Suppliers	4,770,236	1,226,381	(2,570,896)			3,425,721
Computer software, net of accumulated amortization	7,208,869		(723,316)			6,485,553
Investment, telephone rights and other assets	6,456,450	5,226,450				11,682,900
<b>Total</b>	<b>96,068,232</b>	<b>9,809,369</b>	<b>(3,444,269)</b>	<b>-</b>	<b>-</b>	<b>102,433,332</b>

# MA-095

**Philippine Seven Corporation**  
**Receivables from Suppliers**  
**As of March 31, 2004**

<b>PAYEE</b>	<b>MARCH</b>	<b>1 - 90</b>	<b>91 - 180</b>	<b>181 - 360</b>	<b>OVER 360</b>	<b>TOTAL</b>
	<b>Balance</b>	<b>DAYS</b>	<b>DAYS</b>	<b>DAYS</b>	<b>DAYS</b>	
31.9 F. AIRCONDITIONING	668				668	668
4NM ENTERPRISES	-					-
A TUNG CHINGCO	-					-
ABENSON SALES CORPORATION	5,139				5,139	5,139
ABS-CBN PUBLISHING INC.	-					-
ABSOLUTE SALES CORPORATION	-					-
ACS MANUFACTURING CORPORATION	-					-
ADP Industries Corporation	-					-
ADROIT MARKETING	2,179				2,179	2,179
ADVANTAGE PRODUCTS CORP.	2,416,745				2,416,745	2,416,745
Algo Enterprises Inc.	-					-
ALL OVER CORPORATION	1,000				1,000	1,000
Alternative Beverages Distribution Corporation	-					-
AMERICAN GROCERS CORPORATION	3,131				3,131	3,131
Andresons International	(71,200)	(71,200)				(71,200)
Arlees Bread House Inc.	12,300			8,400	3,900	12,300
ARMIS CAKES & PASTRIES	19,618				19,618	19,618
Amotts Phils. Inc.	-					-
ASB Industrial Sales	-					-
ASIA BREWERY INC., BUDWEISER	118,480				118,480	118,480
Asia/Pacific Circulation Exponents Inc.	-					-
ASIAN IMEX ENTERPRISES						

## MA-095

	1,500		1,500	1,500
Asset Marketing Corporation	(50,000)	(50,000)		(50,000)
AVRAM PUBLICATIONS & DISTRIBUTION, INC.	29,705		29,705	29,705
AZITSOROG	88,973		88,973	88,973
BASIC DISTRIBUTORS, INC.	71,309		71,309	71,309
Beauty Lines Trading International	(1,256)	(1,256)		(1,256)
BEEHIVE GENERAL MERCHANDISE	1,933		1,933	1,933
Beljar Traders Inc.	-			-

PAYEE	MARCH Balance	1 - 90 DAYS	91 - 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	TOTAL
Belman Laboratories Inc.	16,600				16,600	16,600
BENBY ENTERPRISES	-	-				-
BESUTO FOOD CORPORATION	3,274				3,274	3,274
BIG "E" FOOD PRODUCTS	65,146				65,146	65,146
BIZ ASIA TRADING INC	-					-
Blue Lanes Trading	20,000		20,000			20,000
Body Needs & Basics Inc.	(300,000)	(300,000)				(300,000)
BONHEUR MARKETING CORPORATION	1,893,270				1,893,270	1,893,270
BON'S VARIETY PRODUCTS	5,200				5,200	5,200
BOON ENTERPRISES CO.	533				533	533
BREAD CONNECTION, INC.	58,197				58,197	58,197
BREWMASTER INT'L	-	-				-
British American Tobacco	20,100		20,100			20,100
BUSINESS PEOPLE, INC.	51,881				51,881	51,881
California Manufacturing Company Lipton	-					-
Camellia Food Manufacturing	-					-
Canasia Traders, Inc.	-					-

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CARLO PUBLISHING HOUSE INC.	65			65	65
CDO Foodsphere Inc.	18,162	18,162			18,162
CENTENNIAL GAMING CORP.	217,026			217,026	217,026
Convenience Distribution Inc.	81,466	81,466			81,466
CENTRAL DISTRIBUTION SERVICES INC.	2,266,368	2,200,636	65,731		2,266,368
Century Canning Corporation	-				-
CHAMIAN COMMERCIAL	1,283			1,283	1,283
Charyn Food Manufacturing Corp.	-				-
Cherry Hills Food Company	-				-
Classic Red Enterprise	29,000		29,000		29,000
Classic Umbrella Industries Inc	3,000			3,000	3,000
C-LITE TRADING AND MFG.	11,057			11,057	11,057
Coca Cola Bottlers Phils. Inc.	5,941,246		591,920	5,349,326	5,941,246
Colgate Palmolive Phils. Inc.	-				-
Columbia International Food Products Inc.	-				-
Columbus Seafoods Corporation	2,393			2,393	2,393

<b>PAYEE</b>	<b>MARCH Balance</b>	<b>1 - 90 DAYS</b>	<b>91 - 180 DAYS</b>	<b>181 - 360 DAYS</b>	<b>OVER 360 DAYS</b>	<b>TOTAL</b>
Comark International Corp.	-					-
Commonwealth Food Inc.	-					-
Consolidated Dairy & Frozen Food Corp.	-					-
Convoy Marketing Corporation	65,000	65,000				65,000
COOL ICE TRADING	-					-
Colgate Palmolive Phils. Inc.	-	-				-
COSMOS BOTTLING CORPORATION	169,382				169,382	169,382
CPR MARKETING, INC.	168				168	168
Creative Bakers Company Inc.						

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	-					-
CREATIVE SOURCE, INC.	22,471			22,471		22,471
Croley Food Manufacturing Corporation	-					-
CROLEY FOOD MFG.	5,208			5,208		5,208
DALE STARR ENTERPRISES	-					-
Del Monte Philippines Inc.	-					-
Dental - B	50,000		50,000			50,000
Detpak Packaging philippines Inc.	-					-
DIAGEM PACKAGING SYSTEM	-					-
Diageo Philippines Inc.	-					-
DKT INTERNATIONAL, INC.	5,239			5,239		5,239
Dole Philippines Inc.	761			761		761
DPL MERCHANDISING	26,333			26,333		26,333
DSS TRADING	-					-
Durex International Marketing Inc..	-					-
EAC MARKETING SERVICES	606			606		606
East Valley Enterprises, Inc.	-					-
EASTERN TELECOM PHILS.	24,678			24,678		24,678
ECCO FOOD CORPORATION	-					-
ED-LUS GEN MERCHANDISE	42,703			42,703		42,703
EMERALD HEADWAY DISTRIBUTORS, INC.	12,580			12,580		12,580
EMERGING CHANNELS INC.	-					-
EPOCH TROPICAL FRUITS CORP.	80,203			80,203		80,203
EVEREADY BATTERY CO. PHILS., INC.	4,597			4,597		4,597

PAYEE	MARCH	1 - 90	91 - 180	181 - 360	OVER 360	TOTAL
	Balance	DAYS	DAYS	DAYS	DAYS	
Federated Distributors Inc.	-					-

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Felcro	50,000		50,000		50,000
FILIA FOODS INC.,	4,017			4,017	4,017
Filstar Distribution Corporation	-				-
FIRST CHOICE FOOD CORPORATION	-				-
First Enterprises	10,000		10,000		10,000
FIRST SHERIDAN CORP.	210			210	210
FITRITE INCORPORATED	114			114	114
FIVE BEARS CORP.	2,000			2,000	2,000
FOOD FABRICATORS INC.	-				-
FOODSERIES	-				-
FOODWORLD MFG. CORP.	9,217			9,217	9,217
Foxhound Trading	-				-
FRAMARON (H. RAMOS)	-				-
Fry & pop food Inc.	-				-
Future Trade Intl. Inc.	-				-
GALLERY MARKETING CORPORATION	3,456			3,456	3,456
Gandour	300,000		300,000		300,000
Gardenia Bakeries Phils.	-				-
Gate Distribution Enterprise Inc.	95,677,832	87,113,465	8,564,367		95,677,832
GDM INTERNAT'L & GOLDEN RICH	108,913			108,913	108,913
General Milling Corporation	-				-
GENIE FOOD CORP.	13,313			13,313	13,313
Geo Foods Corporation	-				-
GETZ BROS. PHILIPPINES INC.	2,927		2,927		2,927
GILBERT EMERSON MARKETING CORP.	1,350		1,350		1,350
GLOBE TELECOM	247,500			247,500	247,500
GMAT CREDIT COOPERATIVE	208			208	208

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GNP Trading Corporation	-	-	-
GOLD FISH RESOURCES INC.	326	326	326
GOLDEN LOAF INC.	4,962	4,962	4,962
GOMICO TRADING	6,330	6,330	6,330
GOODWAY INTERNATIONAL TRADING CORP.	57,307	57,307	57,307

<b>PAYEE</b>	<b>MARCH Balance</b>	<b>1 - 90 DAYS</b>	<b>91 - 180 DAYS</b>	<b>181 - 360 DAYS</b>	<b>OVER 360 DAYS</b>	<b>TOTAL</b>
GRAND CLASSIC	-					-
GRAND CLASSIC CORPORATION	1,000				1,000	1,000
Grand Dragon Enterprises	-					-
Green Cross Incorporated	-					-
GYMBOREE MARKETING INT'L, INC.	6,255				6,255	6,255
H & Y MKTG. PHIL. INC.	69,370				69,370	69,370
HAITSAN COMMERCIAL	30,042				30,042	30,042
HEARTY PLUS ENTERPRISES	310,443				310,443	310,443
HIDDEN SPRING	-					-
HONAI FOODS	167,199				167,199	167,199
HOPE SUPER STATIONERY	60,185				60,185	60,185
Ideal Macaroni & Spaghetti Factory	-					-
IMGAME	31,798				31,798	31,798
INTERTRADE REALTY & DEV. CORP.	1,968				1,968	1,968
JACKPOT PUBLICATION	3,746				3,746	3,746
JAID ENTERPRISES	334,812				334,812	334,812
JAKA DIST. INC.	0					-
JANISSA BUSINESS VENTURES	-					-
JDH-Kraft Foods Inc.	-					-
Johnson & Johnson Philippines Inc.	-					-

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JOLLYANT	-	-	-
JO-NAS INT'L PHIL.	35,406	35,406	35,406
JPLIM DESIGN AND CRAFTS	98,898	98,898	98,898
JT International Philippines Inc.	-	-	-
KAT TRADING CORPORATION	338	338	338
KEANSBURG MARKETING	14,362	14,362	14,362
KIMBERLY CLARK PHILS.	26,489	26,489	26,489
KIMSON METAL INDUSTRIES	-	-	-
King Koa Corp.	-	-	-
KING'S DIMSUM	17,663	17,663	17,663
KISLAP PUBLISHING INC.	5,000	5,000	5,000
LA FLOR DE LA ISABELA, INC.	-	-	-
LA PACITA BAKERY	16,023	16,023	16,023

PAYEE	MARCH	1 - 90	91 - 180	181 - 360	OVER 360	TOTAL
	Balance	DAYS	DAYS	DAYS	DAYS	
LA TONDENA DISTILLERS INC.	4,805				4,805	4,805
LABATT ASIA INCORPORATED	11,411				11,411	11,411
Lam Hua Paper Product	-					-
Lamoiyan	25,000		25,000			25,000
Lebenz Enterprises	-					-
LE-DA BAKESHOP	186				186	186
LEO LITE MARKETING INTERNATIONAL, INC.	1,864				1,864	1,864
Leslie Corporation	50,000		50,000			50,000
LINK IMPORT EXPORT ENT., INC	20,984				20,984	20,984
LIWAYWAY MARKETING CORPORATION	-					-
LSK General Wax and Candle Commercial	-					-
LTE Philippines Incorporatd	(75,000)	(75,000)				(75,000)

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M. V. FOODS INDUSTRIES	1,007		1,007	1,007
M.Y. SAN BISCUITS INC.	3,334		3,334	3,334
MACROPACK MARKETING	-			-
MAGNOLIA	4,913	4,913		4,913
MAINTENANCE TECHNOLOGIES	818		818	818
Marby Food Ventures Corporation	5,348		5,348	5,348
Marketline Dist. Corp.	-			-
Marketreach Distributors Inc.	-			-
Marrbont Mercantile	-			-
MARTA MARKETING CORPORATION	958		958	958
MASTERFOOD PHILS., INC.	200,000	200,000		200,000
McKenzie Distribution Company Inc.	-			-
Mega Market Incorporation	-			-
MELY'S PURE CHOCOLATE	2,153		2,153	2,153
Metro Biscuit Corporation	-			-
METRO PAPER INDUSTRY	-			-
METRO TRADE, INCORPORATED	3,981		3,981	3,981
METROLAB INDUSTRIES, INC.	22,583		22,583	22,583
MICROSEP	4,200		4,200	4,200
MISTER FOOD PRODUCTS	1,185		1,185	1,185
Monde Nissin Corp.	-			-

PAYEE	MARCH Balance	1 - 90 DAYS	91 - 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	TOTAL
M'Sakay Printing Press	-					-
MULTI-LINK IMPORT EXPORT	1,837				1,837	1,837
NEETON TRADING	-					-
Nestle Phils.	(3,717)	(3,717)				(3,717)

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New Zealand Milk Phils.	(48,870)			(48,870)	(48,870)
NEWBORN FOOD PRODUCTS, INC.	909			909	909
NG MERCHANDISE	-				-
NUGGET FOOD CORP.	154			154	154
Nutri-licious Marketing Corporation	-				-
NUTRITIVE SNACK FOOD INC. (NSF)	500			500	500
NUTRITIVO INC.	-				-
OMF LITERATURE	1,263			1,263	1,263
One Day Express Delivery, Inc	-				-
OVERLAND MARKETING	1,256		1,256		1,256
Pacific Meat Company inc.	-				-
PACIFICAR PLASTIC PRODUCT	-				-
Palmafil Trading Co.	-				-
PAPER LINE AND GRAPHICS	12,002		12,002		12,002
Papertech Inc.	-				-
PDPC	5,072		5,072		5,072
Pepsi Cola Products Phils. Inc.	2,446		2,446		2,446
Perfect Circle Industrial Supply Company	-				-
PHIL. BEVERAGE PARTNERS	-				-
Philand Industries, Inc.	-				-
PHILIP MORRIS	925,875		778,635	147,240	925,875
PHILIPPINE DAIRY PRODUCTS, CORP.	1,950			1,950	1,950
PHILIPPINE LONG DISTANCE TELEPHONE	63,491	830	48,146	14,515	63,491
Philusa Corporation	(5,000)	(5,000)			(5,000)
PINAKAMASARAP CORPORATION	-				-
Precious Pages Corporation	442,800		342,000	100,800	442,800
Premiere Wines and Spirits	-				-

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PRESTIGE UMBRELLA	26	26	26
PRIME ALLIANCE MARKETING CORP.	45,357	45,357	45,357

PAYEE	MARCH Balance	1 - 90 DAYS	91 - 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	TOTAL
PROCTOR GAMBLE/COLGATE PALMOLIVE	2,000				2,000	2,000
PROJUICE SYSTEMS DISTRIBUTION	200,000				200,000	200,000
Purefoods Hormel Company Inc.	-					-
Qualiguard Security	6,500	6,500				6,500
QUANTUM FOODS	17,775		1,175		16,600	17,775
Quantum Foods Inc.	550		550			550
Republic Chemical Industries Inc.	-					-
Resourceful International Marketing, Inc.	-					-
RFM CORPORATION	3,312				3,312	3,312
RFM PRESIDENT ENTERPRISES CORP	63,667		63,667			63,667
RICHMARSH INDUSTRIAL TRADE CORP	399,708				399,708	399,708
Right Goods Philippines Inc.	-					-
RODMAC ENTERPRISES	1,200				1,200	1,200
Rodzon Marketing Corporation	-					-
ROGEMSON	-					-
Rothschild Research Corporation	-					-
RS LYRIC SALES CORPORATION	445				445	445
S POINT PRODUCTS, INC.	131,326				131,326	131,326
Sabrosa Foods Inc.	-					-
San Miguel Corporation	262,845		324,262	(2,820)	(58,597)	262,845
SANCANCO CANNING CORP.	2,015				2,015	2,015
Sanitary Care Products Asia Inc.	-					-
SCA Hygiene Product Corp.	-					-

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Scanasia Overseas, Inc	159			159	159
S-CHILD MARKETING	440,617			440,617	440,617
SELECTA WALLS	-				-
SERGS PRODUCTS, INC.	1,547			1,547	1,547
SHANG LI PLASTIC CORPORATION	56,465			56,465	56,465
Sharmila Inc.	-				-
SMACKERS BAKESHOP	31,245			31,245	31,245
SOCIETY PUBLISHING INCORPORATED	770			770	770
SODEXHO PASS	44,509	31,263	13,247		44,509
SOUTH ASIA FOOD INC.	3,495			3,495	3,495

PAYEE	MARCH	1 - 90	91 - 180	181 - 360	OVER 360	TOTAL
	Balance	DAYS	DAYS	DAYS	DAYS	
Splash	75,000		75,000			75,000
ST. ESSENCE MFG.,CO. INC.,	45				45	45
STARCREST ASIA CORPORATION	1,500				1,500	1,500
STATELINE	1,733				1,733	1,733
STEAM SHOP	-					-
STERLING PAPER PRODUCTS	131,975				131,975	131,975
STERLING TRANSTRADE CORP.	1,688				1,688	1,688
STORE SITES HOLDING INC.	2,327,419	427,649	1,899,770			2,327,419
STYLES & CLASSICS PHIL., INC.	503				503	503
SUGARLAND	2,000				2,000	2,000
SUMMIT PUBLISHING CO. INC.	56,488				56,488	56,488
Superdough Food & Catering	-					-
Sweetie Shoppe Inc.	-					-
SYSU INTERNATIONAL	500,000		500,000			500,000
TEOPE COMMERCIAL	19,734				19,734	19,734

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TGC Officemates	-				-
THE ANDRESONS GROUP, INC.	71,200		71,200		71,200
THE BAMBOO OVEN	-				-
The First Enterprises.	(10,000)	(10,000)			(10,000)
THE FOOD PEOPLE, INC.	2,196			2,196	2,196
TOBI MARKETING, INC.	645			645	645
Traditional Food Corp.	-				-
TVP Dental B	(50,000)	(50,000)			(50,000)
Unilever Philippines Inc.	(5,780)		(5,780)		(5,780)
Uni-President Foods Corporation	110,933		110,933		110,933
UNITED LABORATORIES INC.	814			814	814
Universal Canning Incorporated	-				-
Universal Robina Corporation	13,342	(176)		13,518	13,342
VARIDEL SALES CORP.	-				-
VAYAO WAX MANUFACTURING, INC.	59,572			59,572	59,572
VIRGINIA FOOD INC.	33,673			33,673	33,673
Viva Video Inc.	-				-
VLADIMIR CHICHARON & SNACKS	674			674	674

PAYEE	MARCH	1 - 90	91 - 180	181 - 360	OVER 360	TOTAL
	Balance	DAYS	DAYS	DAYS	DAYS	
Wade Inc.	-					-
WATERS UNLIMITED	1,861				1,861	1,861
WATSON WYATT PHIL., INC.	27,273				27,273	27,273
WELLA PHILIPPINES. INC.	405				405	405
WELLTUNED ENGINEERING SERVICES	3,379		3,379			3,379
WELUP TRADE	23,986				23,986	23,986
WHISTLES INCORPORATED	8,814				8,814	8,814

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WILMINGTON IMEX, INC.	57,019			57,019	57,019	
WORLDWIDE FOODS & WINES, INC.	130,833			130,833	130,833	
Wrigleys Phil	50,000	50,000			50,000	
YOUNGSTROT TRADING	13,225			13,225	13,225	
YS COMMERCIAL ENTERPRISES, INC.	7,472			7,472	7,472	
Zest - O Corporation	-				-	
ZUELLIG PHILS. INC.	35,573	35,573			35,573	
Adjustment	436,423	429,773		6,650	436,423	
<b>Grand Total</b>	<b>118,845,243</b>	<b>89,378,621</b>	<b>14,681,883</b>	<b>85,826</b>	<b>14,698,913</b>	<b>118,845,243</b>
<b>LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS</b>					<b>9,448,048</b>	<b>9,448,048</b>
<b>NET RECEIVABLE FROM SUPPLIERS</b>	<b>118,845,243</b>	<b>89,378,621</b>	<b>14,681,883</b>	<b>85,826</b>	<b>5,250,865</b>	<b>109,397,196</b>