

COVER SHEET

PHILIPPINE SEVEN CORPORATION
(Company's Full Name)

7th 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 2nd Tuesday of June of each year
(Annual Meeting)

AMENDMENT TO THE
AMENDED ARTICLES OF INCORPORATION
(FORM TYPE)

August 16, 2004
(Date)

(Amendment Designation if Applicable)

(Secondary License Type, if any)

LCU

Cashier

DTU

108476
S.E.C. Reg. No.

Central Receiving Unit

File Number

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 June 30, 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: (SEC Use Only)
7. Address of registrant's principal office : 7TH 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

	No. of Shares of Common Stock
Shares Outstanding - Common :	237,252,000
Warrants	-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: 
YEONG-HSIANG YEH
President

Date: August 15, 2004

Signature and Title: 
REBECCA R. ARAGO
Comptroller

Date August 15, 2004

August 15, 2004

SECURITIES AND EXCHANGE COMMISSION

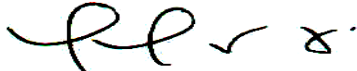
SEC Building
EDSA, Quezon City

Dear Sirs:

In connection with the financial statements of Philippine Seven Corporation as of June 30, 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 non-compliance.



REBECCA R. ARAGO
Comptroller



7th Floor, The Columbia Tower, Ortigas Avenue,
Mandaluyong City 1501 Metro Manila, Philippines

Telephone Nos. 724-44-41 to 59

P.O. Box 12757, Ortigas Center Assn. Bldg., Emerald Ave., Pasig City, Metro Manila

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 June 30, 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.


VICENTE T. PATERNO
Chairman of the Board


YEONG-HSIANG YEH
President


REBECCA R. ARAGO
Comptroller

SECOND QUARTER 2004

Management Discussion and Analysis of Financial Condition and Results of Operations

Philippine Seven Corporation takes the big lead in the C-store business in terms of number of store outlets with the successful re-opening of ex-Binggo stores under its banner. It is recalled that 35 Binggo stores were purchased by the company from Jollimart Philippines Corp. during the 1Q of the year.

The 2Q 2004 began with 202 stores in operation, inclusive of 6 franchise stores. During the quarter, 38 stores were opened composing of 36 company stores (including 33 ex-Binggo stores) and 2 franchise stores but closed 2 unprofitable stores, bringing the total number of operational stores from previous quarter-end with 202 to 238. New sites were negotiated and expected to operate next quarter. The company is optimistic that it will achieve its target of having 260 operational stores by end of the year.

New products and services were made available to stores during the second quarter. Few of these were the rice meals which were being sold during breakfast, the power bread, new cake variants and dessert cups.

REVENUES AND GROSS MARGINS

Total sales for 2Q 2004 bounced up by 26.2%, to ₱976.8 million compared with ₱773.8 million in same period last year due to the huge increase in operational days contributed by the new stores.

The company has been successful in pulling up its gross profit rate through the execution of more aggressive marketing programs especially on items with higher margins and were fast selling. The company invested for major promotions like Gulp 3-on-3 and Spider-man 2 Peel-A-Prize to boost the sales of slurpee and post-mix products. Gross profit rate for merchandise sales climbed to 32.9% in 2Q 2004, 1.6% better than 2Q 2003. The good outcome in gross profit rate plus the large increase in total sales raised the total gross profit pesos to ₱321.0 million, more than last year's ₱241.8 million, or by 32.8% year-on-year.

EXPENSES AND NET INCOME

Store operating and selling expenses summed up to ₱260.8 million, over by ₱69.1 million vis-à-vis last year's ₱191.7 million. The incremental costs were due to the cost of operating more stores.

Store's average spending per month for operating expenses stemmed to P254.6 thousand for 2Q 2004 from P245.7 thousand of 2Q 2003 reflecting an increase of 3.6%. The increase is traceable to higher expenses incurred for inventory variation and bad merchandise. Bad merchandise rose because of the increasing number of fresh foods available in the store and some changes made on the agreement between the company and the suppliers regarding returnable items.

The ratio of selling expenses to net sales slightly grew to 9.7% during 2Q 2004, or higher by 0.5% than comparable period last year. Rental expense for post-mix machines increased during the period because of the considerable lift in sales of post-mix products and slurpee. Depreciation and amortization expense increased by 33.8% as expected because of the accelerated opening of more stores.

The significant growth in other income which includes marketing support fund covered up for the interest expense which doubled up from ₱3.0 million in 2Q 2003 to ₱6.7 million in 2Q 2004 due to additional borrowings used to fund the purchase of Binggo stores.

The company closed the second quarter with a net income of ₱8.2 million, a 13.8% improvement over the ₱7.2 million posted during the same period last year.

FINANCIAL CONDITION

In the 1H 2004, net cash provided by operating activities decreased by ₱11.9 million when compared with the same period last year. The decline is attributable to the minimal increase in other current liabilities compared to 1H 2003.

Net cash used in investing activities was increased to ₱198.4 million for 1H 2004, as compared to only ₱71.8 million during last year's 1H. During the period, payments for the capital expenditures reached ₱201.8 million against ₱70.0 million last year. Capital expenditures for the period were used to construct new stores, remodeling of older stores, purchase of additional store equipment, and acquisition of Binggo stores.

Net cash provided by financing activities was ₱49.0 million composed of ₱130.0 million long-term loans minus payments made for short term loans and interest payments. The long term loan was used to settle the Binggo stores, half of which was borrowed during the 1Q 2004 and the other half during 2Q 2004.

Overall, cash and cash equivalents at the end of 1H 2004 decreased to ₱141.4 million from ₱273.1 million balance as of beginning of 2004.

Current assets increased by 12.4% to ₱735.6 million. The increase was mainly due to the large increase in accounts receivable, substantial portion of which was due to advances for phone cards and receivable from suppliers for marketing support fund. On the other hand, inventories decreased during 1H due to continuous improvement in merchandise procurement and distribution system that lowers inventory level per store. Current ratio for the 2Q 2004 stood in the same level as previous quarter at 0.99 to 1.0, this is lower than last year's 1.03 to 1.0.

Stockholders' equity during the quarter accounted for 39.0% of total assets compared to 46.6% at the end of year 2003. Debt-to-equity ratio was at 1.6 to 1.0 from 1.1 to 1.0 last year.


Yeong-Hsiang Yeh
President

**PHILIPPINE SEVEN CORPORATION
AND SUBSIDIARIES**

*CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2004 AND DECEMBER 31, 2003
AND FOR EACH OF THE TWO PERIODS ENDED JUNE 30, 2004*

**PHILIPPINE SEVEN CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEET

	JUNE 30 (UNAUDITED)	DECEMBER 31 (AUDITED)
	2004	2003
<u>ASSETS</u>		
CURRENT ASSETS		
Cash (Note 2)	P 141,408,463	P 273,072,264
Receivables, net (Notes 2 and 3)	279,887,546	58,388,959
Inventories (Notes 2 and 4)	212,125,492	217,864,938
Prepayments and other current assets (Notes 5 and 6)	88,876,206	91,645,249
<i>Deferred income tax assets (Notes 2 and 6)</i>	13,359,006	13,359,006
<i>Total current assets</i>	735,656,713	654,330,416
NON-CURRENT ASSETS		
Property and equipment, net (Notes 2, and 7)	696,906,863	561,500,187
Deferred income tax assets (Notes 2 and 6)	15,998,471	23,829,272
Other assets (Notes 2, 8 and 19)	102,503,142	96,537,652
Total non-current assets	815,408,476	681,867,111
Total assets	P1,551,065,189	P1,336,197,527
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
<i>Trade accounts payable</i>	P509,093,560	P 337,344,438
<i>Loans payable (Note 9)</i>	69,853,160	140,031,222
<i>Accrued expenses (Note 10)</i>	77,581,304	81,384,744
Income tax payable (Note 2 and 6)	17,341,200	16,158,349
Other current liabilities (Note 11)	66,493,118	63,247,174
<i>Total current liabilities</i>	740,362,342	638,165,927
LOANS PAYABLE (Note 9)	200,000,000	70,000,000
<i>Total liabilities</i>	940,362,342	708,165,927
OTHER INTEREST (Note 2 and 12)	6,000,000	6,000,000
STOCKHOLDERS' EQUITY (Notes 13 and 14)	604,702,847	622,031,600
<i>Total liabilities and stockholders' equity</i>	P1,551,065,189	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 JUNE 30, 2004 , 2003 AND DECEMBER 31, 2003

	JUNE 30 (UNAUDITED)	JUNE 30 (UNAUDITED)	DECEMBER 31 (AUDITED)
	2004	2003	2003
CAPITAL STOCK (Notes 13 and 14)	P237,938,250	P237,938,250	P237,938,250
<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
RETAINED EARNINGS (Note 13)			
Beginning	93,491,559	102,026,992	84,221,666
Net income (loss) for the year	(17,328,753)	(8,215,787)	9,269,893
End	76,162,806	93,811,205	93,491,559
	607,626,083	625,274,492	624,954,846
<i>TREASURY STOCK (Notes 2 and 13)</i>	(2,923,246)	(2,923,246)	(2,923,246)
Balance for the period	P604,702,847	P622,351,246	P622,031,600

(See accompanying notes to consolidated financial statements)

**PHILIPPINE SEVEN CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30	
	2004	2003
REVENUE FROM MERCHANDISE SOLD (Note 2)	1,784,841,191	1,497,719,163
COST OF MERCHANDISE SOLD (Note 2)	1,209,113,825	1,047,005,205
	575,727,366	450,713,958
<i>GROSS PROFIT</i>		
OTHER OPERATING INCOME (Note 2)		
<i>Commission on services</i>	22,858,754	23,996,522
TOTAL GROSS PROFIT	598,586,120	474,710,480
<i>OPERATING EXPENSES (Notes 2)</i>		
<i>Selling (Notes 7)</i>	176,761,591	144,469,982
<i>Store operations</i>	312,021,420	242,126,203
<i>General and administrative (Notes 7)</i>	142,878,360	114,440,614
TOTAL OPERATING EXPENSES	631,661,371	501,036,799
LOSS FROM OPERATIONS	(33,075,251)	(26,326,319)
OTHER INCOME (EXPENSES) (Note 2)		
Interest income	1,564,944	744,469
Interest expense (Note 15)	(10,804,341)	(5,772,699)
Others, net	34,124,394	26,151,051
	24,884,997	21,122,821
LOSS BEFORE INCOME TAX	(8,190,254)	(5,203,498)
NET LOSS CARRY OVER (NOLCO)		
PROVISION FOR INCOME TAX	8,857,266	3,012,289
NET INCOME / (LOSS) BEFORE OTHER OUTSIDE INTEREST	(17,047,520)	(8,215,787)
OTHER OUTSIDE INTEREST	281,233	-
NET INCOME / (LOSS) FOR THE PERIOD	(17,328,753)	(8,215,787)
EARNINGS PER SHARE (Notes 2 and 17)		
Basic and Diluted	P (0.07)	P (0.03)

(See accompanying notes to consolidated financial statements)

**PHILIPPINE SEVEN CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30	
	2004	2003 (As restated)
REVENUE FROM MERCHANDISE SOLD (Note 2)	976,760,546	773,766,035
COST OF MERCHANDISE SOLD (Note 2)	655,721,207	532,002,986
<i>GROSS PROFIT</i>	321,039,339	241,763,049
OTHER OPERATING INCOME (Note 2)		
<i>Commission on services</i>	11,991,067	11,478,632
TOTAL GROSS PROFIT	333,030,406	253,241,681
<i>OPERATING EXPENSES (Notes 2)</i>		
<i>Selling (Notes 7)</i>	94,968,708	71,593,055
<i>Store operations</i>	165,868,399	120,102,510
General and administrative (Notes 7)	77,962,110	66,266,696
TOTAL OPERATING EXPENSES	338,799,217	257,962,259
LOSS FROM OPERATIONS	(5,768,811)	(4,720,579)
OTHER INCOME (EXPENSES) (Note 2)		
Interest income	585,002	470,795
Interest expense (Note 15)	(6,737,806)	(3,020,423)
Others, net	25,248,036	16,019,247
	19,095,232	13,469,618
INCOME / (LOSS) BEFORE INCOME TAX	13,326,421	8,749,040
NET LOSS CARRY OVER (NOLCO)		
PROVISION FOR INCOME TAX	(5,002,496)	(1,569,719)
NET INCOME / (LOSS) BEFORE OTHER OUTSIDE INTEREST	8,323,925	7,179,321
OTHER OUTSIDE INTEREST	150,793	-
NET INCOME / (LOSS) FOR THE PERIOD	8,173,132	7,179,321
EARNINGS PER SHARE (Notes 2 and 17)		
Basic and Diluted	P 0.03	P 0.03

(See accompanying notes to consolidated financial statements)

**PHILIPPINE SEVEN CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CASH FLOWS

	SIX MONTHS ENDED JUNE 30	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(8,190,254)	
Loss after income tax		(8,215,788)
Adjustments for:		
Depreciation and amortization	58,959,087	49,276,438
Loss on sale of equipment	7,479,838	-
Income of other interest	(281,233)	
Interest expense	10,804,341	5,772,699
Interest income	(1,564,944)	(744,469)
Operating income before working capital changes	67,206,835	46,088,879
Changes in current assets and liabilities:		
(Increase) decrease in current assets:		
Receivables	(221,498,587)	23,394,564
Inventories	5,739,446	18,175,986
Prepayments and other current assets	2,769,043	7,697,397
Increase (decrease) in current liabilities:		
Trade accounts payable	171,749,122	(87,855,899)
Accrued expenses	(3,803,440)	-
Other current liabilities	3,245,944	36,288,630
<i>Cash generated from operations</i>	25,408,363	43,789,557
<i>Income taxes payable</i>		(14,144,787)
<i>Provision for income tax</i>	(7,674,415)	
<i>Net cash provided by operating activities</i>	17,733,948	29,644,770
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(201,845,601)	(70,001,765)
Increase in other assets	1,865,311	(2,578,999)
Interest received	1,564,944	744,469
<i>Net cash used in investing activities</i>	(198,415,346)	(71,836,295)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from loans payable	59,821,938	(10,730,828)
Interest paid	(10,804,341)	(5,299,921)
<i>Net cash provided by (used in) financing activities</i>	49,017,597	(16,030,749)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(131,663,801)	(58,222,273)
CASH AND CASH EQUIVALENTS		
January 1	273,072,264	237,113,506
June 30	141,408,463	178,891,233

(See accompanying notes to consolidated financial statements)

**PHILIPPINE SEVEN CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CASH FLOWS

	THREE MONTHS ENDED JUNE 30	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	13,326,421	
Loss after income tax		7,179,321
Adjustments for:		
Depreciation and amortization	31,150,802	25,710,521
Loss on sale of equipment	7,343,419	-
Income of other interest	(150,793)	
Interest expense	4,066,535	3,020,423
Interest income	(979,942)	(470,796)
Operating income before working capital changes	54,756,442	35,439,468
Changes in current assets and liabilities:		
(Increase) decrease in current assets:		
Receivables	(149,839,932)	10,899,658
Inventories	(492,212)	1,066,027
Prepayments and other current assets	10,742,909	6,471,573
Increase (decrease) in current liabilities:		
Trade accounts payable	149,764,901	(15,912,340)
Accrued expenses	(15,065,544)	-
Other current liabilities	(55,062,746)	56,130,294
<i>Cash generated from operations</i>	(5,196,182)	94,094,680
<i>Income taxes payable</i>		(14,133,901)
<i>Provision for income tax</i>	(4,343,613)	
<i>Net cash provided by operating activities</i>	(9,539,795)	79,960,779
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(115,394,496)	(41,600,956)
Increase in other assets	4,430,191	5,353,956
Interest received	979,942	3,870,796
<i>Net cash used in investing activities</i>	(109,984,363)	(32,376,204)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from loans payable	44,976,702	(30,366,409)
Interest paid	(4,066,535)	(2,547,645)
<i>Net cash provided by (used in) financing activities</i>	40,910,167	(32,914,054)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(78,613,991)	14,670,522
CASH AND CASH EQUIVALENTS		
January 1	220,022,454	164,220,711
June 30	141,408,463	178,891,233

(See accompanying notes to consolidated financial statements)

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2004 AND DECEMBER 31, 2003
AND FOR EACH OF THE TWO PERIODS ENDED JUNE 30, 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 7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City. It has 953 and 1,019 regular employees as of June 30, 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 straight-line 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 non-cancellable 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 June 30 and December 31 consist of:

	Note	2004	2003
Receivables from suppliers		P 274,647,722	P 46,930,087
Receivables from employees		3,829,356	6,535,076
Receivables on subleased spaces	19f	2,981,614	4,308,545
Receivable from PCSC		-	3,953,026
Interest receivable		3,437,333	3,400,000

Insurance	484,881	142,636
Others	3,954,688	2,567,637
	289,335,594	67,837,007
Less - allowance for doubtful accounts	9,448,048	9,448,048
	P 279,887,546	P 58,388,959

Note 4 - Inventories

Receivables at June 30 and December 31 consist of:

	2004	2003
Store merchandise	P122,339,914	P141,096,219
Warehouse merchandise and others	89,785,578	76,768,719
	P212,125,492	P217,864,938

Note 5 - Prepayments and other current assets

Prepayments and other current assets at June 30 and December 31 consist of:

	2004	2003
Minimum corporate income tax (MCIT), net of allowance for unrecoverable portion of P17,805,326 in 2002	P53,084,036	P54,107,658
Input value-added tax (VAT)	6,017,522	14,009,146
Rent	8,615,179	11,217,295
Creditable withholding taxes	6,335,419	3,742,943
Prepaid realty taxes	7,198,660	3,141,525
Insurance	6,617	980,014
Supplies	1,971,152	765,524
Others	5,647,621	3,681,144
	P88,876,206	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 June 30 and December 31 follow:

	2004	2003
Current		
Accrued pension cost	P10,403,864	P10,403,864
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	P -	P 18,032,137
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 P11,667,948. 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.

Note 7 - Property and equipment

Details of property and equipment at June 30 consist of:

	Land	Leasehold improvements	Store furniture and equipment	Buildings and improvements	Office furniture and equipment	Transportation Equipment	Computer Equipment	Construction in progress	Total
Cost									
January 1, 2004	39,866,864	P299,456,403	281,929,880	110,121,263	112,154,408	11,157,425	43,179,431	7,316,072	905,181,748
Additions	-	72,149,946	39,410,543	-	20,205,221	375,000	8,840,600	60,864,291	201,845,601
Disposals	-	(10,642,741)	-	-	(163,377)	-	(18,878)	-	(10,824,996)
Reclassification	-	68,012,972	591,546	-	45,327	-	40,455	(68,180,364)	509,936
June 30, 2004	39,866,864	P428,976,580	321,931,969	110,121,263	132,241,579	11,532,425	52,041,608	-	1,096,712,288
Accumulated depreciation									
January 1, 2004	-	58,519,252	158,991,253	30,206,137	71,364,714	7,586,165	17,014,038	-	343,681,560
Depreciation	-	25,880,766	15,796,603	2,466,675	6,582,475	924,299	7,308,269	-	58,959,087
Disposals	-	(3,190,081)	-	-	(140,314)	-	(14,763)	-	(3,345,158)

Reclassification	-	509,531	515	-	(2,401)	-	2,291	-	509,936
June 30, 2004	-	81,719,468	174,788,371	32,672,812	77,804,475	8,510,464	24,309,835	-	399,805,425
Net book values at June 30, 2004	P39,866,864	P347,257,112	P147,143,598	P77,448,451	P54,437,104	P3,021,961	P27,731,773	P-	P696,906,863
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 June follow:

	2004	2003	2002
		P 40,190,344	P48,348,907
<i>Selling</i>	48,124,955		
General and administrative	10,834,132	9,086,094	-
	P58,959,087	P 49, 276,438	P48,348,907

Note 8 - Other assets

Other assets at June 30 and December 31 consist of:

	Note	2004	2003
Deposits			
Rental	19e	P69,643,150	P63,479,981
Utilities		14,536,256	14,150,196
Suppliers		6,163,173	5,181,532
Computer software, net of accumulated amortization of P10,829,471 (2003 – P9,382,839)		5,762,237	7,208,869
Investments, telephone rights and other assets		6,398,326	6,517,074
		P102,503,142	P96,537,652

Note 9– Loans Payable

Current loan payable represents short-term borrowings from local bank, payable in lump sum in 2004 with interest rates at 9.0% p.a.

Non-current loan payable represents a P130million 2-year term loan and P70.0 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 ranging from 10.5% to 11.67% p.a., for the entire term. The long-term loans are also guaranteed by PCSC in Taiwan.

As of June 30, 2004 the Parent Company has the following available loan facilities:

Short-term loan facilities	Php	70,000,000
Long-term loan facilities	Php	200,000,000

Note 10 - Accrued expenses

Accrued expenses at June 30 and December 31 consist of :

	Note	2004	2003
Retirement	16	P37,582,650	P33,122,050
Marketing		1,560,471	11,300,772
Utilities		6,974,792	7,893,163
Employee benefits		7,665,794	4,445,825
Security services		2,701,466	3,750,177
Insurance		-	3,200,252
Others		21,096,131	17,672,505
		P77,581,304	P81,384,744

Note 11 - Other current liabilities

Other current liabilities at June 30 and December 31 consist of:

	Notes	2004	2003
Non-trade accounts payable		35,806,721	P25,110,360
Deposits payable		18,606,358	13,743,667
Withholding taxes payable		7,287,794	6,936,004
Royalty payable	19a	1,539,236	6,635,466
Payable / (receivable) to franchisees, net	19b, 19c	(3,671,716)	4,183,385
Retention payable		4,140,753	3,081,809
Dividends payable		287,280	527,807
Advance lease rentals	19f	597,761	325,800
Output VAT		(2,645,885)	-
Others		4,544,816	2,702,876
		66,493,118	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 June 30 and December 31 follow:

	No. of shares	Amount
--	---------------	--------

<i>Capital stock - P1 par value</i>		
<i>Authorized</i>	400,000,000	<i>P400,000,000</i>
<i>Issued and outstanding</i>	237,252,000	237,252,000
Treasury stock	686,250	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
	<u>237,938,250</u>

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 June 30 follow:

	Notes	2004	2003
Interest expense	2, 9	P(10,804,341)	P (5,772,699)
Interest income		1,564,944	744,469
		P (9,239,397)	P(5,028,230)

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 13th month pay per year of credited service paid in lump-sum. 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 (17,328,753)	P (8,215,787)
Average number of common shares	13	237,252,000	237,252,000
Per share		P (0.07)	P (0.03)

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:

- 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 phonecards 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	P227,131,074
Later than 1 year but not later than 5 years	944,171,988
Later than five years	398,274,700

- 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 20th 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
JUNE 30, 2004

PARTICULARS	Balance December 31, 2003 (Audited)	Additions	Disposals	Other Charges Additions/ (Deductions)	Balances March 31, 2004 Unaudited
Land	39,866,864	-	-	-	39,866,864
Leasehold Improvements	299,456,403	72,149,946	(10,642,741)	68,012,972	429,870,820
Store and Office Equipment	281,929,880	39,410,543	-	591,546	321,931,969
Building and Improvements	110,121,263	-	-	-	110,121,263
Store and Office Furniture and Fixtures	112,154,408	20,205,221	(163,377)	54,327	132,241,579
Transportation Equipment	11,157,426	375,000	-	-	11,532,426
Computer IT and Related Equipment	43,179,431	8,840,600	(18,878)	40,455	52,041,608
Construction in Progress	7,316,072	60,864,291	-	(68,180,364)	-
Total	905,181,748	201,845,601	(10,824,996)	509,936	1,096,712,288

PHILIPPINE SEVEN CORPORATION
SCHEDULE B: PROPERTY AND EQUIPMENT - ACCUMULATED DEPRECIATION
JUNE 30, 2004

PARTICULARS	Balance December 31, 2003 (Audited)	Additions	Disposals	Other Charges Additions/ (Deductions)	Balances March 31, 2004 Unaudited
Land	-	-	-	-	-
Leasehold Improvements	58,519,254	25,880,766	(3,190,081)	509,531	81,719,468
Store and Office Equipment	158,991,253	15,796,603	-	515	174,788,371
Building and Improvements	30,206,137	2,466,675	-	-	32,672,812
Store and Office Furniture and Fixtures	71,364,715	6,582,475	(140,314)	(2,401)	77,804,475
Transportation Equipment	7,586,165	924,299	-	-	8,510,464
Computer IT and Related Equipment	17,014,038	7,308,269	(14,763)	2,291	24,309,835
Total	343,681,560	58,959,087	(3,345,158)	509,936	399,805,425

**PHILIPPINE SEVEN
CORPORATION
SCHEDULE C: RECEIVABLES
JUNE 30, 2004**

Name and Designation of Debtor	Balance Dec 31, 2003 Audited	Addition	Deduction (amounts collected)	Balance June 30, 2004 (Unaudited)
Receivable from Suppliers	46,930,087	333,584,095	(105,866,460)	274,647,722
Receivable from Employees	6,535,076	5,191,885	(7,897,605)	3,829,356
Receivable from subleased	4,308,545	12,551,049	(13,877,980)	2,981,614
Receivable from PCSC	3,953,026	-	(3,953,026)	-
Interest Receivable	3,400,000	37,333	-	3,437,333
Insurance	142,636	342,245	-	484,881
Others	2,567,637	149,809,580	(148,422,529)	3,954,688
	67,837,007	501,516,187	(280,017,600)	289,335,594
Less - allowance for doubtful accounts	9,448,048			9,448,048
	58,388,959			279,887,546

PHILIPPINE SEVEN CORPORATION
SCHEDULE D: OTHER ASSETS
JUNE 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 June 2004
Refundable Deposit	63,479,981	6,400,327	(237,158)	-	-	69,643,150
Utilities	14,150,196	386,060	-	-	-	14,536,256
Suppliers	5,181,532	4,093,656	(3,112,015)	-	-	6,163,173
Computer software, net of accumulated amortization	7,208,869	-	(1,446,632)	-	-	5,762,237
Investment, telephone rights and other assets	6,517,074	-	(118,748)	-	-	6,398,326
Total	96,537,652	10,880,043	(4,914,553)	-	-	102,503,142

Philippine Seven Corporation						
Receivables from Suppliers						
As of June 30, 2004						
PAYEE	JUNE Balance	1 - 90 DAYS	91 - 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	TOTAL
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	-			12,300	12,300
ARMIS CAKES & PASTRIES	19,618	-			19,618	19,618
Arnotts Phils. Inc.	-	-			-	-
ASB Industrial Sales	-	-			-	-
ASIA BREWERY INC., BUDWEISER	118,480	-			118,480	118,480
Asia/Pacific Circulation Exponents Inc.	-	-			-	-
ASIAN IMEX ENTERPRISES	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.	-	-			-	-
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.	-	-	-	-
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.	215,967	134,501	81,466	215,967
CENTRAL DISTRIBUTION SERVICES INC.	2,309,262	42,894	2,200,636	2,309,262
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	-	5,941,246	5,941,246
Colgate Palmolive Phils. Inc.	-	-	-	-
Columbia International Food Products Inc.	-	-	-	-
Columbus Seafoods Corporation	2,393	-	2,393	2,393
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.	-	-	-	-
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
Federated Distributors Inc.	-	-	-	-
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.	241,075,276	145,397,444	87,113,465	8,564,367	241,075,276
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
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
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.	-	-	-	-	-
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
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	(9,464)	(30,448)	20,984	(9,464)
LIWAYWAY MARKETING CORPORATION	-	-	-	-
LSK General Wax and Candle Commercial	-	-	-	-
LTE Philippines Incorporatd	(75,000)	-	(75,000)	(75,000)
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	8,030	7,212	818	8,030
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.	-	-		-	-
M'Sakay Printing Press	-	-		-	-
MULTI-LINK IMPORT EXPORT	1,837	-		1,837	1,837
NEETON TRADING	-	-		-	-
Nestle Phils.	(3,717)	-	(3,717)	-	(3,717)
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.	3,646	1,200	2,446	-	3,646
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	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	-	-		-	-
PRESTIGE UMBRELLA	26	-		26	26
PRIME ALLIANCE MARKETING CORP.	45,357	-		45,357	45,357
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	-	-	-	-	-
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
RJ Robles Technology Builders					
	15,773	15,773		-	15,773
S POINT PRODUCTS, INC.	131,326	-	-	131,326	131,326
Sabrosa Foods Inc.	-	-	-	-	-
San Miguel Corporation	262,845	-	324,262	(61,417)	262,845
SANCANCO CANNING CORP.	2,015	-	-	2,015	2,015
Sanitary Care Products Asia Inc.	-	-	-	-	-
SCA Hygiene Product Corp.	-	-	-	-	-
Scanasia Overseas, Inc	159	-	-	159	159
S-CHILD MARKETING	440,617	-	-	440,617	440,617
F	-	-	-	-	-
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	94,911	50,402	31,263	13,247	94,911
SOUTH ASIA FOOD INC.	3,495	-	-	3,495	3,495
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.	2,611,433	284,015	427,649	1,899,770	-	2,611,433
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
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
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
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
Receivable others	9,905,988	9,905,988			-	9,905,988
Adjustment	436,423	-		429,773	6,650	436,423
Grand Total	274,647,723	155,808,980	89,372,121	14,681,883	14,784,740	274,647,723
LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	9,448,048					9,448,048
NET RECEIVABLE FROM SUPPLIERS	265,199,675					265,199,676