

# 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)

**3<sup>rd</sup> QUARTERLY REPORT**  
**(SEC FORM 17-Q)**  
(FORM TYPE)

*November 16, 2004*  
(Date)

(Amendment Designation if Applicable)

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(Secondary License Type, if any)

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Cashier

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LCU

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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 September 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 : 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

	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 [  ]

<i>Stock Exchange:</i>	<i>Class/es of Securities listed</i>
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

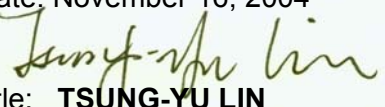
N/A

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: November 16, 2004

Signature and Title:   
**TSUNG-YU LIN**  
Chief Financial officer/Treasurer

Date November 16, 2004



**PHILIPPINE SEVEN CORPORATION**

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

November 16, 2004

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building  
EDSA, Quezon City

Dear Sirs:

In connection with the financial statements of Philippine Seven Corporation as of September 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.

A handwritten signature in dark ink, appearing to read "Tsung-Yu Lin", is positioned above the printed name and title. The signature is written in a cursive style.

**TSUNG-YU LIN**

Chief Financial Officer/Treasurer



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

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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 September 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

**TSUNG-YU LIN**

Chief Financial Officer/Treasurer

## **THIRD QUARTER 2004**

### **Management Discussion and Analysis Of Financial Condition and Results of Operations**

The Third Quarter of 2004 began with 238 stores in operation, six (6) of which were franchise stores. There were nine (9) new stores opened during the quarter, seven (7) of which were corporate while the other two (2) were franchise stores. These brought the total number of operational stores to 247 at quarter's end. The company is optimistic that it will be able to achieve one of its Key Performance Indicators (KPI), that of having 260 operational stores by year-end. New sites were already negotiated and are expected to be fully operational in the coming quarter.

In line with the company KPI's of increasing the Per Store Day Sales and increasing revenues from food service items, new products and services were made available to stores during the second quarter. Brisk sales for these products continued in the third quarter and the same trend is expected to occur in the last quarter of the year.

#### **REVENUES AND GROSS MARGINS**

Total Sales for the Third Quarter was 21.2% higher compared to the same period last year. Sales went up from P801.1 million to P971.3 million. The increase can be attributed mainly to the increase in operational days contributed by the new stores. Sales are expected to go up significantly in the last quarter of the year, owing to the seasonal increase in customer expenditures during the holidays.

Another company KPI is the achievement of a healthy Gross Profit. Total Gross Profit for the quarter was up by 17.4% compared to the same period last year, from P262.2 million in 2003 to P307.8 million in 2004. Gross Profit earned from merchandise sold was 18.2% higher than last year's while Gross Profit obtained from commissions on phone cards decline by 3.0% compared to the same period last year. Gross Profit Rate on merchandise sales for the third quarter was at 30.7%, 2.2% lower than the previous quarter's rate and 0.8% lower compared to the same period last year. The Company is working toward the attainment of its KPI through the execution of more aggressive marketing programs especially on higher margin and fast selling items as well as through the launching of new food service products and enhancing the over-all image of its stores.

#### **EXPENSES AND NET INCOME**

Total operating and selling expenses totaled P358.6 million, up P94.8 million or 35.9% from last year's total of P263.8 million. The incremental costs were attributed to the cost of operating more stores.

Store operating expense per month per store increased by 9.6% from P231.8 thousand in 3Q 2003 to P254.0 thousand in 2004. The increase is attributable to higher expenses incurred for inventory variation and bad merchandise. The rise in Bad merchandise can be traced to the fact that more fresh foods are available in the store and there were also changes made on the agreement between the company and the suppliers regarding returnable items which was implemented in the previous quarter. The company has been instituting measures to make sure that inventory variation and bad merchandise are kept to acceptable levels this being another company KPI.

Selling expenses was at 10.3% of Net Sales during the 3Q 2004, higher by 0.8% compared to the same period last year. Rental expense for post-mix machines increased significantly during the period because of the considerable lift in sales of post-mix products and slurpee. As accepted, depreciation and amortization expense increased by 19.6% due to the opening of more stores.

The significant growth in other income which includes marketing support fund was able to offset the significant increase in interest expense which was up by 181.1% from P2.6 million in the third quarter of 2003 to P7.4 million in the same period of 2004 owing to the additional borrowings availed to fund the purchase of Binggo stores.

The year's third quarter yielded a pre-tax net loss of P40.6 million. The company expects to bounce back in the last quarter of the year as said quarter traditionally is the strongest in terms of sales owing to the seasonal change in spending behavior of customers during the holidays.

No significant element of the company's income arose from sources other than the company's continuing operations.

### **FINANCIAL CONDITION**

As of September 30, 2004, net cash provided by operating activities decreased by P11.7 million compared to the same period last year mainly due to the significant increase in interest expense (P18.4 million in 2004 vs. P8.4 million in 2003).

Net cash used in investing activities increased to P239.5 million, compared to only P109.7 last year. Payments for capital expenditures reached P237.3 million against only P125 million last year. Capital expenditures for the period were used in the construction of new stores, renovation of older stores, purchase of additional store equipment, and the acquisition of Binggo stores.

Majority of the Company's commitments for capital expenditures for the year are for new stores construction and store renovations. Funds for these expenditures are expected to come from the anticipated increase in revenues/cashflows and from additional borrowings if the need for such may arise. Another KPI is to maximize the use of company resources, thus, austerity measures had also been put in place for the attainment of this objective.

Net cash provided by financing activities was P99.3 million composed of P130.0 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 were borrowed during the first quarter and the other half during the second quarter.

Overall, cash and cash equivalents at the end of the third quarter was at P163.0 million, a P110.0 million decrease from the P273.1 million balance at the beginning of 2004.

Current assets decreased by 17.4% to P540.6 million. The decrease can be directly linked to the decrease in cash of P110.0 million primarily brought about by the significant acquisitions of property and equipment owing to the increase in operational stores. On the other hand, inventories decreased as of the third quarter due to continuous improvements in the merchandise procurement and distribution system that lowers inventory level per store. Current ratio stood at 0.91 to 1.0, compared to last year's 1.03 to 1.0.

There are no known trends or events of uncertainties that may have a material impact on the company's liquidity.

Stockholders' equity during the quarter accounted for 41.2% of total assets compared to 46.6% 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 with the change owed to the increase in liabilities brought about by the Binggo stores acquisition.

A handwritten signature in black ink, appearing to read 'Yeong-Hsiang Yeh', with a long, sweeping horizontal stroke extending to the right.

**Yeong-Hsiang Yeh**  
**President**

**PHILIPPINE SEVEN CORPORATION  
AND SUBSIDIARIES**

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

**PHILIPPINE SEVEN CORPORATION  
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEET

	SEPT 30 (UNAUDITED)	DECEMBER 31 (AUDITED)
	2004	2003
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash (Note 2)	P 163,064,256	P 273,072,264
Receivables, net (Notes 2 and 3)	71,640,520	58,388,959
Inventories (Notes 2 and 4)	205,225,863	217,864,938
Prepayments and other current assets (Notes 5 and 6)	87,304,619	91,645,249
<i>Deferred income tax assets (Notes 2 and 6)</i>	13,359,006	13,359,006
<i>Total current assets</i>	540,594,264	654,330,416
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net (Notes 2, and 7)	692,933,685	561,500,187
Deferred income tax assets (Notes 2 and 6)	10,858,413	23,829,272
Other assets (Notes 2, 8 and 19)	111,697,369	96,537,652
Total non-current assets	815,489,467	681,867,111
<b>Total assets</b>	<b>P1,356,083,731</b>	<b>P1,336,197,527</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
<i>Trade accounts payable</i>	P 349,812,508	P 337,344,438
<i>Loans payable (Note 9)</i>	127,828,770	140,031,222
<i>Accrued expenses (Note 10)</i>	96,018,264	81,384,744
Income tax payable (Note 2 and 6)	782,329	16,158,349
Other current liabilities (Note 11)	16,555,991	63,247,174
<i>Total current liabilities</i>	590,997,862	638,165,927
<b>LOANS PAYABLE (Note 9)</b>	<b>200,000,000</b>	<b>70,000,000</b>
<i>Total liabilities</i>	790,997,862	708,165,927
<b>OTHER INTEREST (Note 2 and 12)</b>	<b>6,000,000</b>	<b>6,000,000</b>
<b>STOCKHOLDERS' EQUITY (Notes 13 and 14)</b>	<b>559,085,869</b>	<b>622,031,600</b>
<i>Total liabilities and stockholders' equity</i>	<b>P1,356,083,731</b>	<b>P1,336,197,527</b>

(See accompanying notes to consolidated financial statements)

**PHILIPPINE SEVEN CORPORATION  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE PERIOD ENDED SEPTEMBER 30, 2004 , 2003 AND DECEMBER 31, 2003

	SEPT 30 (UNAUDITED) 2004	SEPT 30 (UNAUDITED) 2003	DECEMBER 31 (AUDITED) 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	(62,945,731)	(11,899,226)	9,269,893
End	30,545,828	90,127,766	93,491,559
	562,009,115	621,591,053	624,954,846
<i>TREASURY STOCK (Notes 2 and 13)</i>	(2,923,246)	(2,923,246)	(2,923,246)
Balance for the period	P559,085,869	P 618,667,807	P622,031,600

(See accompanying notes to consolidated financial statements)

**PHILIPPINE SEVEN CORPORATION  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF INCOME  
(UNAUDITED)

	NINE MONTHS ENDED SEPT 30	
	2004	2003
REVENUE FROM MERCHANDISE SOLD (Note 2)		
	2,756,182,166	2,298,861,130
COST OF MERCHANDISE SOLD (Note 2)	1,882,476,403	1,587,645,921
	873,705,763	711,215,210
<i>GROSS PROFIT</i>		
OTHER OPERATING INCOME (Note 2)		
	32,715,239	34,153,459
<i>Commission on services</i>		
TOTAL GROSS PROFIT	906,421,002	745,368,669
<i>OPERATING EXPENSES (Notes 2)</i>		
<i>Selling (Notes 7)</i>	276,377,602	220,045,751
<i>Store operations</i>	487,266,861	370,927,531
General and administrative (Notes 7)	226,653,186	182,113,257
TOTAL OPERATING EXPENSES	990,297,649	773,086,539
LOSS FROM OPERATIONS	(83,876,647)	(27,717,870)
OTHER INCOME (EXPENSES) (Note 2)		
Interest income	2,161,052	1,140,081
Interest expense (Note 15)	(18,496,839)	(8,418,505)
Others, net	51,440,185	28,137,759
	35,104,398	20,859,335
LOSS BEFORE INCOME TAX	(48,772,249)	(6,858,535)
NET LOSS CARRY OVER (NOLCO)		4,458,320
PROVISION FOR INCOME TAX	13,748,609	191,051
NET INCOME / (LOSS) BEFORE OTHER OUTSIDE INTEREST	(62,520,858)	(11,507,906)
OTHER OUTSIDE INTEREST	424,873	391,320
NET INCOME / (LOSS) FOR THE PERIOD	(62,945,731)	(11,899,227)
EARNINGS PER SHARE (Notes 2 and 17)		
Basic and Diluted	P (0.27)	P (0.05)

(See accompanying notes to consolidated financial statements)

**PHILIPPINE SEVEN CORPORATION  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF INCOME  
(UNAUDITED)

	THREE MONTHS ENDED SEPT 30	
	2004	2003
REVENUE FROM MERCHANDISE SOLD (Note 2)		801,141,967
	<i>971,340,975</i>	
COST OF MERCHANDISE SOLD (Note 2)	673,362,564	540,640,716
	297,978,411	260,501,252
<i>GROSS PROFIT</i>		
OTHER OPERATING INCOME (Note 2)		10,156,937
<i>Commission on services</i>	9,856,485	
TOTAL GROSS PROFIT	307,834,896	270,658,189
<i>OPERATING EXPENSES (Notes 2)</i>		
<i>Selling (Notes 7)</i>	99,616,010	75,575,767
<i>Store operations</i>	175,245,441	128,801,328
General and administrative (Notes 7)	83,774,825	67,672,643
TOTAL OPERATING EXPENSES	358,636,276	272,049,738
LOSS FROM OPERATIONS	(50,801,380)	(1,391,551)
OTHER INCOME (EXPENSES) (Note 2)		
Interest income	340,645	395,612
Interest expense (Note 15)	(7,437,037)	(2,645,806)
Others, net	17,315,793	1,986,708
	10,219,400	(263,486)
INCOME / (LOSS) BEFORE INCOME TAX	(40,581,980)	(1,655,037)
NET LOSS CARRY OVER (NOLCO)		1,573,177
PROVISION FOR INCOME TAX	4,891,343	63,905
NET INCOME / (LOSS) BEFORE OTHER OUTSIDE INTEREST	(45,473,323)	(3,292,119)
OTHER OUTSIDE INTEREST	143,640	391,320
NET INCOME / (LOSS) FOR THE PERIOD	(45,616,963)	(3,683,439)
EARNINGS PER SHARE (Notes 2 and 17)		
Basic and Diluted	P 0.19	P 0.05

(See accompanying notes to consolidated financial statements)

**PHILIPPINE SEVEN CORPORATION  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CASH FLOWS

	NINE MONTHS ENDED SEPT 30	
	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(48,772,249)	(11,899,226)
Adjustments for:		
Depreciation and amortization	93,172,640	74,243,314
Loss on sale of equipment	14,922,655	-
Income of other interest	(424,873)	
Interest expense	18,496,839	8,418,505
Interest income	(2,161,049)	(1,140,081)
Operating income before working capital changes	75,233,963	69,622,512
Changes in current assets and liabilities:		
(Increase) decrease in current assets:		
Receivables	(13,251,561)	18,631,794
Inventories	12,639,075	13,936,103
Prepayments and other current assets	4,340,630	8,230,316
Increase (decrease) in current liabilities:		
Trade accounts payable	12,468,070	(92,000,325)
Accrued expenses	(14,633,520)	18,041,353
Other current liabilities	(17,424,143)	19,536,551
<i>Cash generated from operations</i>	59,372,51	55,998,304
<i>Income taxes payable</i>	(15,376,020)	(14,028,226)
<i>Provision for income tax</i>	(13,748,609)	
<i>Net cash provided by operating activities</i>	30,247,885	41,970,078
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(237,325,026)	(124,969,429)
Increase in other assets	(4,392,624)	14,170,955
Interest received	2,161,049	1,140,081
<i>Net cash used in investing activities</i>	(239,556,601)	(109,658,393)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from loans payable	117,797,548	(21,087,628)
Interest paid	(18,496,839)	(8,418,505)
		(29,506,133)
<i>Net cash provided by (used in) financing activities</i>	99,300,709	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(110,008,007)	(97,194,448)
<b>CASH AND CASH EQUIVALENTS</b>		
January 1	273,072,264	237,113,506
September 30	163,064,257	139,919,058

(See accompanying notes to consolidated financial statements)

**PHILIPPINE SEVEN CORPORATION  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CASH FLOWS

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(See accompanying notes to consolidated financial statements)

**PHILIPPINE SEVEN CORPORATION  
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF SEPTEMBER 30, 2004 AND DECEMBER 31, 2003  
AND FOR EACH OF THE TWO PERIODS ENDED SEPTEMBER 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 7<sup>th</sup> Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City. It has 937 and 1,019 regular employees as of September 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 September 30 and December 31 consist of:

	Note	2004	2003
Receivables from suppliers		P38,369,866	P 46,930,087
Receivables from employees		4,641,931	6,535,076
Receivables on subleased spaces	19f	3,197,847	4,308,545
Receivable from PCSC		1,737,036	3,953,026
Interest receivable		3,514,489	3,400,000
Insurance		1,210,784	142,636
Others		28,416,615	2,567,637
		81,088,568	67,837,007
Less - allowance for doubtful accounts		9,448,048	9,448,048
		P 71,640,520	P 58,388,959

### **Note 4 - Inventories**

Inventories at September 30 and December 31 consist of:

	2004	2003
Store merchandise	P 115,270,164	P141,096,219
Warehouse merchandise and others	89,955,699	76,768,719
	P205,225,863	P217,864,938

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

Prepayments and other current assets at September 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 (Prepaid MCIT)	P53,170,694	P54,107,658
Input value-added tax (VAT)	5,922,054	14,009,146
Rent	16,757,210	11,217,295
Prepaid Taxes	4,481,764	3,141,525
Insurance	803,132	980,014
Supplies	1,783,113	765,524
Others	4,386,653	7,424,087
	P 87,304,620	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 September 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)	12,464,176	25,435,035
Unamortized past service cost	1,594,728	1,594,728
Unamortized capitalized interest	(3,200,491)	(3,200,491)
	10,858,413	23,829,272
	P24,217,419	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 September 30 consist of:

	LAND	LEASEHOLD IMPROVEMENTS	STORE & OFC	BLDG AND IMPR	FURNITURE & FIXTURE	TRANSPORTAION EQUIPMENT	COMPUTER EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
<b>COST</b>									
JANUARY 1, 2004	39,866,864	299,456,403.00	281,929,880	110,121,263	112,154,407	11,157,425	43,179,431	7,316,072.93	905,181,746
Additions	-	86,421,212.65	50,833,137.57	-	23,434,637.05	375,000.00	14,716,838.15	61,544,200.48	237,325,026
Disposal	-	(20,791,460.23)	(612,267.68)	(28,357.25)	(989,290.95)	-	(358,022.30)	-	(22,779,398)
Reclassification	-	68,943,765.77	67,932.37	272,727.27	45,327.00	-	40,455.00	(68,860,273.41)	509,934
SEPT 30, 2004	39,866,864	434,029,921.19	332,218,682	110,365,633	134,645,080	11,532,425	57,578,702	-	1,120,237,307
<b>Accumulated Depreciation</b>									
JANUARY 1, 2004	-	(58,519,253.00)	(158,991,253.00)	(30,206,137.00)	(71,364,714.00)	(7,586,165.00)	(17,014,038.00)	-	(343,681,560)
Depreciation	-	(40,274,348.44)	(24,107,985.06)	(3,702,285.41)	(10,403,883.64)	(1,379,832.54)	(11,100,539.39)	-	(90,968,874)
Disposal	-	6,561,643.40	316,100.72	7,771.46	679,788.60	-	291,439.11	-	7,856,743
Reclassification	-	(526,982.78)	16,938.78	-	2,401.00	-	(2,291.00)	-	(509,934)
SEPT. 30, 2004	-	(92,758,940)	(182,766,199)	(33,900,651)	(81,086,408)	(8,965,998)	(27,825,429)	-	(427,303,625)
Per Book Values									
SEPT. 2004	39,866,864	341,270,980.37	149,452,484	76,464,982	53,558,672	2,566,427	29,753,273	-	692,933,683
DECEMBER 2003	39,866,864	240,937,150.00	122,938,627	79,915,126	40,789,693	3,571,260	26,165,393	7,316,072.93	561,500,186

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.

**Note 8 - Other assets**

Other assets at September 30 and December 31 consist of:

	Note	2004	2003
Deposits			
Rental	19e	P76,988,348	P63,479,981
Utilities		15,779,566	14,150,196
Suppliers		7,028,628	5,181,532
Computer software, net of accumulated amortization of P11,586,605 (2003 – P9,382,839)		5,413,022	7,208,869
Investments, telephone rights and other assets		6,487,805	6,517,074
		P111,697,369	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 ₱130million 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 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 September 30, 2004 the Parent Company has the following available loan facilities:

Short-term loan facilities	Php	0
Long-term loan facilities	Php	70,000,000

**Note 10 – Accrued Expenses**

Accrued expenses at September 30 and December 31 consist of :

	Note	2004	2003
Retirement	16	P39,832,950	P33,122,050
Marketing		4,519,981	11,300,772
Utilities		7,388,028	7,893,163
Employee benefits		5,885,963	4,445,825
Security services		2,194,495	3,750,177
Others		36,196,847	20,872,757
		P96,018,264	P81,384,744

### **Note 11 - Other current liabilities**

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

	Notes	2004	2003
Non-trade accounts payable		(6,233,367)	P25,110,360
Deposits payable		25,034,760	13,743,667
Withholding taxes payable		9,430,487	6,936,004
Royalty payable	19a	1,797,895	6,635,466
Payable / (receivable) to franchisees, net	19b, 19c	(10,219,969)	4,183,385
Retention payable		2,724,437	3,081,809
Dividends payable		430,920	527,807
Advance lease rentals	19f	467,386	325,800
Output VAT		1,315,732	-
Others		(8,192,291)	2,702,876
		P16,555,990	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 September 30 and December 31 follow:

	No. of shares	Amount
Capital stock - P1 par value		
<i>Authorized</i>	400,000,000	P400,000,000
Issued and outstanding	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
	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 September 30 follow:

	Notes	2004	2003
Interest expense	2, 9	P(18,496,839)	P (8,418,505)
Interest income		2,161,049	1,140,081
		P (16,335,790)	P(7,278,424)

### **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 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 (62,945,731)	P (11,899,227)
Average number of common shares	13	237,252,000	237,252,000
Per share		P (0.27)	P (0.05)

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 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 September 30, 2004 and 2003 under the above leases amounted to P166,215,646 and P132,012,154, respectively.

The future annual minimum rental commitments are as follows:

Not later than 1 year	P233,489,202
Later than 1 year but not later than 5 years	947,179,577
Later than five years	351,963,447

- 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 – 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**  
**SEPTEMBER 30, 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 Sept. 31, 2004 Unaudited</b>
Land	39,866,864	-	-	-	39,866,864
Leasehold Improvements	299,456,403	86,421,213	20,791,460	68,943,766	434,029,922
Store and Office Equipment	281,929,880	50,833,138	612,268	67,932	332,218,682
Building and Improvements	110,121,263	-	28,357	272,727	110,365,633
Store and Office Furniture and Fixtures	112,154,408	23,434,637	989,291	45,327	134,645,080
Transportation Equipment	11,157,426	375,000	-	-	11,532,425
Computer IT and Related Equipment	43,179,431	14,716,838	358,022	40,455	57,578,702
Construction in Progress	7,316,072	61,544,200	-	(68,860,273)	-
<b>Total</b>	<b>905,181,748</b>	<b>237,325,026</b>	<b>22,779,398</b>	<b>509,933</b>	<b>1,120,237,309</b>



**PHILIPPINE SEVEN CORPORATION**  
**SCHEDULE B: PROPERTY AND EQUIPMENT - ACCUMULATED DEPRECIATION**  
**SEPTEMBER 30, 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 Sept. 31, 2004 Unaudited</b>
Land	-	-	-	-	-
Leasehold Improvements	58,519,254	40,274,348	6,561,643	526,983	92,758,941
Store and Office Equipment	158,991,253	24,107,985	316,101	(16,939)	182,766,199
Building and Improvements	30,206,137	3,702,285	7,771	-	33,900,651
Store and Office Furniture and Fixtures	71,364,715	10,403,884	679,789	(2,401)	81,086,408
Transportation Equipment	7,586,165	1,379,833	-	-	8,965,998
Computer IT and Related Equipment	17,014,038	11,100,539	291,439	2,291	27,825,429
<b>Total</b>	<b>343,681,560</b>	<b>90,968,874</b>	<b>7,856,743</b>	<b>509,934</b>	<b>427,303,626</b>

**PHILIPPINE SEVEN  
CORPORATION  
SCHEDULE C: RECEIVABLES  
SEPTEMBER 31, 2004**

Name and Designation of Debtor	Balance Dec 31, 2003 Audited	Addition	Deduction (amounts collected)	Balance September 31, 2004 (Unaudited)
Receivable from Suppliers	46,930,087	467,567,789	476,128,010	38,369,866
Receivable from Employees	6,535,076	7,058,594	8,951,739	4,641,932
Receivable from subleased	4,308,545	18,307,056	19,417,755	3,197,846
Receivable from PCSC	3,953,026	6,643,708	8,859,698	1,737,036
Interest Receivable	3,400,000	114,489		3,514,489
Insurance	142,636	1,068,149		1,210,785
Others	2,567,637	215,002,632	189,153,655	28,416,614
	67,837,007	715,762,417	702,510,856	81,088,568
Less - allowance for doubtful accounts	9,448,048			9,448,048
	<b>58,388,959</b>			<b>71,640,520</b>

**PHILIPPINE SEVEN CORPORATION**  
**SCHEDULE D: OTHER ASSETS**  
**SEPTEMBER 31, 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 September 2004
Refundable Deposit	63,479,981	14,485,144	976,778	-	-	76,988,347
Utilities	14,150,196	2,403,760	774,390	-	-	15,779,566
Suppliers	5,181,532	325,218,082	323,370,986	-	-	7,028,628
Computer software, net of accumulated amortization	7,208,869	407,919	2,203,766	-	-	5,413,022
Investment, telephone rights and other assets	6,517,074	89,479	118,749	-	-	6,487,804
<b>Total</b>	<b>96,537,652</b>	<b>342,604,385</b>	<b>327,444,669</b>	<b>-</b>	<b>-</b>	<b>111,697,368</b>

**Philippine Seven Corporation**  
**Receivables from Suppliers**  
**As of September 30, 2004**

<b>PAYEE</b>	<b>SEPTEMBER 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>
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
BRAND-AID	961	961				961
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.	476,224	260,257	134,501	81,466	-	476,224
CENTRAL DISTRIBUTION SERVICES INC.	2,309,262		42,894	2,200,636	65,731	2,309,262
Century Canning Corporation	-	-			-	-
CHAMIAN COMMERCIAL	1,283	-			1,283	1,283
Charyn Food Manufacturing Corp.	-	-			-	-
Cherry Hills Food Company	-	-			-	-
CTIBANK	84	84				84
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
CUISON BUILDERS	10,390	10,390				10,390
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.	7,949,663	305	491,860	-	7,457,498	7,949,663
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
HONDA CARS	5,810	5,810			5,810
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.	-	-		-	-
JERON TRAVEL	75,594	75,594			75,594
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	2,810	2,810		-	2,810
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	3	-		3	3
LEO LITE MARKETING INTERNATIONAL, INC.	1,864	-		1,864	1,864
Leslie Corporation	50,000	-		50,000	50,000
LFD GENCON	14,632	14,632			14,632
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)
LUZON GLASS	10,200	10,200			10,200
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	6,087	(1,943)	7,212	818	6,087
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
ON-SITE BUILDERS	500	500	-	-	500
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	-	-	925,875	925,875
PHILIPPINE DAIRY PRODUCTS, CORP.	1,950	-	-	1,950	1,950
PHILIPPINE LONG DISTANCE TELEPHONE	63,491	-	-	830	63,491
Philusa Corporation	(5,000)	-	-	(5,000)	(5,000)
PINAKAMASARAP CORPORATION	-	-	-	-	-
Precious Pages Corporation	442,800	-	-	442,800	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	-	-	17,775	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	1,455	1,455			-	1,455
S POINT PRODUCTS, INC.	131,326	-			131,326	131,326
Sabrosa Foods Inc.	-	-			-	-
SAFETY CONSTRUCTION	17,049	17,049				17,049
San Miguel Corporation	262,845	-			262,845	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
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	131,341	36,430	50,402	31,263	13,247	131,342
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
ST. PEREGRINE	5,130	5,310				5,310
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.	2,910,653	299,219	284,015	427,649	1,899,770	2,910,653
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 ADVERTISING	26,860	26,860				26,860
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	7,459	4,080			3,379	7,459
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 (to be reclass next month)	6,000,000	(3,905,988)	9,905,988		-	6,000,000
Adjustment	436,423	-		429,773	6,650	436,423
<b>Grand Total</b>	<b>38,369,684</b>	<b>(3,135,985)</b>	<b>10,887,624</b>	<b>2,688,430</b>	<b>27,929,796</b>	<b>38,369,866</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>28,921,636</b>					<b>28,921,818</b>







