COVER SHEET

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S.E.C Registration Number

PHILIPPINE SEVEN CORPORATION

(Company's full Name)

7th Flr. The Columbia Tower Ortigas Ave. Mandaluyong City

(Business Address: No. Street City / Town / Province)

Atty. Evelyn S. Enriquez
Corporate Secretary

Contact Person

724-44-41 to 51

Company Telephone Number

1 2	3 1
Month	Day

Fiscal Year

FORM TYPE

0 7	3rd Thursday
Month	Day

Annual Meeting

1ST QUARTER REPORT

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purpose

SECURITIES AND EXCHANGE COMMISSION

FORM 17-Q

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

1. For the quarterly period ended March 31, 2017

2. Commission identification number: 108476

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

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
   1550

8. Telephone number : (632) 724-44-41 to 53

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

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	:	458,435,323
Warrants	:	-0-

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

    Yes [**X**]   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 [**X**]   No [   ]

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

Yes [X] 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: **JOSE VICTOR P. PATERNO**
President and CEO

Date: May 12, 2017

Signature and Title: **PING-HUNG CHEN**
Treasurer and CFO

Date: May 12, 2017

May 12, 2017

SECURITIES AND EXCHANGE COMMISSION
SEC Building
EDSA, Quezon City

Gentlemen:

In connection with the financial statements of Philippine Seven Corporation as of March 31, 2017, 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.

PING-HUNG CHEN
Treasurer and CFO

PHILIPPINE SEVEN CORPORATION
7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City 1550 Philippines
Telephone Nos. (632) 724-44-41 to 53 / 705-52-00
www.7-eleven.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Philippine Seven Corporation is responsible for all information and representations contained in the consolidated unaudited financial statements for the quarter ended March 31, 2017. 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 judgment 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.

JOSE VICTOR P. PATERNO
President and CEO
TIN : 132-688-472

Date : May 12, 2017

PING-HUNG CHEN
Treasurer and CFO
TIN : 418-547-911

Date : May 12, 2017

SUBSCRIBED AND SWORN TO BEFORE ME ON ___ DAY OF ___ 20__ AT ___ 12 MAY 2017 HIS / HER RES ___ NO. ___ ISSUED ON ___ AT ___

LAWRENCE M. DE LEON
Head of Finance
TIN : 198-167-019

Date : May 12, 2017

DOC. NO. 361
PAGE NO. 74
BOOK NO. ___
SERIES OF 2017

ATTY. BENJAMIN ... ALFONSO
NOTARY PUBLIC
UNTIL ... 2017
PTR. NO. 38... QUEZON CITY
IBP NO. 1030... QUEZON CITY
ADM. MATTER ... (2017-2018)
ADD.: NO.34 ASS... HILL., PROJ.8,Q.C.
MCLE NO. ... OCT. 29,2011

Part 1 – FINANCIAL INFORMATION

Item1. Financial Statements

The consolidated financial statements accompany this form 17-Q and the following is the table of contents.

Item2. Management's Discussion and Analysis of Results of Operations and Financial Condition (Pages i – ix)

SELECTED FINANCIAL DATA

	For the period ending March 31,		
	2017	2016	2017 vs. 2016
SYSTEM WIDE SALES	**8,376,850**	7,342,649	14.1%
Statement of Income Data:			
Revenues and other income			
Revenue from merchandise sales	**7,030,477**	6,466,581	8.7%
Franchise revenue	**731,139**	663,599	10.2%
Marketing income	**195,706**	91,506	113.9%
Cost and expenses			
Cost of merchandise sales	**5,233,191**	4,939,368	5.9%
General & administrative expenses	**2,609,880**	2,087,118	25.0%
Interest expense	**13,792**	10,011	37.8%
Net income	**158,097**	182,371	-13.3%
Earnings per share (EPS)	**0.34**	0.40	-15.0%
Cash Flow Data:			
Net cash (used in) from operating activities	**234,575**	468,239	-49.9%
Net cash (used in) from investing activities	**(445,287)**	(493,028)	-9.7%
Net cash (used in) from financing activities	**81,603**	62,319	30.9%
Balance Sheet Data:	**As of March 31, 2017**	**As of December 31, 2016**	
Total assets	**11,678,655**	12,351,256	-5.4%
Total liabilities	**6,479,191**	7,309,624	-11.4%
Total stockholders' equity	**5,199,464**	5,041,632	3.1%

** Amount in thousands of Pesos, except EPS*

OVERVIEW

We operate the largest convenience store network in the country. We acquired from Southland Corporation (now Seven Eleven Inc.) of Dallas, Texas the area license to operate 7-Eleven convenience stores in the Philippines in December 1982.

We opened our first store in February 1984 at the corner of Kamias Road and EDSA Quezon City, and grew slowly as the economy struggled. Expansion was stepped up in 1993, followed by an IPO in 1998. President Chain Store Corporation of Taiwan took a majority stake in 2000 at management's invitation, providing technology transfer from a more advanced market.

After a period of consolidation of organization and improvement of processes and systems, the rate of expansion was stepped up further in 2007 through the franchise business model and close collaboration with business partners. This was backed by a strong logistics and head office support.

It took us twenty-six long years from our first store in 1984 to reach the 500th store milestone in 2010. In contrast, it required only three years to double our store count as we surpassed the 1,000th store mark in 2013 and another three years to achieve 2,000 stores. We believe that the market is ready and the organization is structured to support the opening of 300 to 400 new stores yearly, moving forward.

At the end of March 31, 2017, we have 2,031 7-Eleven convenience stores, mainly in Metro Manila and in major towns and cities in Luzon. At the end of the quarter, there were 1,649 7-Eleven stores in Luzon, 811 of which are in Metro Manila, 261 in the Visayas and 121 in Mindanao.

The rest of the country is relatively uncontested in comparison. We are virtually the only competitor with the critical mass to build out proper supply chains in areas logistically unreachable from GMA. Such supply chains come at a medium term cost in terms of underutilized warehouses. We expanded our existing distribution centers and opened new warehouses in 2015 and 2016. To put such costs in perspective, operators in contiguous territories typically serve 1000 stores per DC. We wager that first movers, especially on islands that cannot sustain more than one or two warehouses, will be rewarded with unusually dominant share.

Our retail chain of convenience stores is sustained by a manpower complement of 8,019 employees engaged in corporate store operations and in support service units. Despite of growing competition, we maintain our leadership in the CVS industry.

We seek to meet the needs of our customers and maintain a leadership position in the C-store industry by taking advantage of economies of scale, technology, people and a widely recognized brand. Our vision is to be the best retailer of convenience for emerging markets.

First Quarter Financial Condition and Results of Operations

Results of Operations

For the First Quarter

The net income of the Company during the first quarter decreased by 13.3 percent to ₱ 158.1 million from ₱ 182.4 million generated in the same period in 2016. This was due to the 2.5% decline in same-store sales attributed to the high base registered in 2016. First quarter same-store sales last year rose by 8.3%, boosted by election related spending and timing of the Holy Week.

System-wide sales, which represent sales of all corporate and franchise-operated stores, rose by 14.1 percent to ₽ 8.4 billion during the quarter. Revenue from merchandise sales, which pertains to retail sales of corporate stores and merchandise sold to franchised stores, grew by 8.7 percent in the first quarter.

The quarter ended with 2,031 stores, up by 22.7 percent from 1,655 stores by the end of Q1 2016. Total number of new stores that opened during the first three months of the year reached 46 against 10 store closures.

Gross margin improved to 25.6 percent of revenue from merchandise sales in the first quarter from 23.6 percent during the same period in 2016.

Earnings per share (EPS) decreased by 15.0 percent to ₽0.34 per share.

PSC continued to dominate the convenience retail sector by opening new stores all throughout the country. It capitalized on its first-mover advantage and economies of scale in widening its lead against competitors. The capacity building expenditures made in the form of establishing new distribution centers and regional headquarters are starting to produce favorable results."

The Company aims to further expand its product offering, remodel existing stores and implement its market development plan over the next five years to enable us to achieve new milestones. PSC shall take advantage of the improving economy and changing consumer preference towards innovation and convenience, and this shall serve as its guide in the pursuit of its vision of becoming the best retailer of convenience for emerging markets."

Further, new operators boosted franchise store count to 1,107 franchisees from 950 a year ago. As a result, total franchise revenues went up by 10.2 percent to P 731.1 million as a result of the higher number of franchisees.

Marketing income continued to enhance the bottom-line by generating P195.7 million, an increase of almost 113.9 percent, as 7-Eleven expanded brand building opportunities for vendor partners, and the increase in volume made it easier to secure more equitable treatment vis-à-vis other channels.

Moreover, commissions surged 92.3 percent as new merchants were accredited including E-money issuers G-Cash and Paymaya. Commissions reached 0.4 percent of sales from 0.2 percent in 2016 and flows directly to the bottom-line because of low marginal cost associated with the services category where it is derived.

Total selling, general and administrative expenses (SG & A) increased as a percentage of revenues from 32.3 percent in 2016 to 37.1 percent this year.

EBITDA (earnings before interest, taxes, depreciation and amortization) slightly rose by 7 percent from ₽ 579.8 million in 2016 to ₽ 620.3 million at the end of March 2017 while EBITDA margin has decreased to 8.8 as percentage of revenue from merchandise sales from 9.0 in 2016. Operating margin likewise decreased to 3.4 percent from 4.2 percent in 2016.

Stock price ranged from ₽ 130.00-197.00 per share during the first quarter.

Revenue and Gross Margin

The Company closed the quarter with total revenue from merchandise sales of ₱7.0 billion, an increase of 8.7 percent compared to ₱ 6.5 billion in 2016. Cost of merchandise sold rose by ₱ 293.8 million to ₱ 5.2 billion as at March 31, 2017.

Gross Profit stood at ₱ 1.8 billion, an increase of 17.7 percent from last year of ₱ 1.5 billion.

Commission income surged by 92.3 percent as a result of the increasing bill payment merchants accredited at the stores.

	Q1 2017	**Q1 2016**	**Increase (Decrease)**	
			Value	Percentage
Revenue from merchandise sales	**7,030,477**	**6,466,581**	458,303	8.7
Cost of merchandise sales	**5,233,191**	**4,939,368**	293,824	5.9
Gross profit	**1,797,286**	**1,527,213**	270,073	17.7
Commission income	**25,553**	**13,291**	12,263	92.3
(amount in thousand Pesos)				

Other Income

Other income mainly consists of franchise revenues, marketing and rental income. The Company's total other income increased by ₱ 209.2 million, to 1.0 billion as a result of the following:

Franchise revenues went up by 10.2 percent to P 731.1 million due to the increase in the number of franchisees from 950 in Q1 of 2016 to 1,107 in Q1 of 2017.

In order to conform reporting of financial performance to the practice of listed local and international retailers, some components of cost of goods sold were reclassified to marketing income beginning 2014.

Moreover, total discounts, rebates and marketing income grew both in absolute terms and as percentage of revenues owing to the increase in sales volume and due to increased supplier-supported ad and promo spending, driven by system innovations that allow an increasing number of options for our supplier partners to build their brands in our stores.

The goal is to leverage in the convenience of store locations and the interconnectedness of systems to become the preferred venue for manufacturer's brand building needs. Increased volume made it easier to seek a fairer share of manufacturer's trade spend vis-à-vis other channels such as supermarkets.

Moreover, rent income related to the stores' subleased spaces increased by 32.0 percent to ₱ 19.7 million and can be attributed to the increase in occupancy rate.

Other income rose by 61.2 percent to ₱ 86.2 million partly due to penalties imposed on suppliers, which incurred low inbound fill rate and delayed deliveries.

No significant element of income came from sources other than the result of the Company's continuing operations.

	Q1 2017	Q1 2016	Increase (Decrease)	
			Value	Percentage
Franchise revenue	**731,139**	**663,599**	67,540	10.2
Marketing income	**195,706**	**91,506**	104,200	113.9
Rental income	**19,657**	**14,897**	4,760	32.0
Other income	**86,200**	**53,483**	32,717	61.2
Total	**1,032,702**	**823,485**	209,217	25.4
(amount in thousand Pesos)				

Selling, General and Administrative Expense

Selling, general and administrative (SG & A) expenses which is comprised of store operating, selling and headquarters' expenses went up by 25.0 percent or almost ₽ 522.8 million to ₽ 2.6 billion in the first quarter of 2017.

Rent was the highest contributor in the increase of SG & A, as percentage of sales went up to 6.3 percent and increased by 19.4 percent from same period last year. The increase was due to the opening of new stores and higher number of stores, which are waiting to open.

Communication, light and water rose by 31.8 percent to ₽ 404.1 million, while as percentage to sales grew from 4.7 percent last year to 5.7 percent this year, owing to higher electricity rates.

Depreciation and amortization expense went up by 22.9 percent or P 71.2 million from last year. Percentage to sales was higher from 4.8 percent to 5.4 percent this year. The increase in depreciation was a result of opening of new stores and renovation of existing stores.

The Company continued to employ outsourced manpower on its new corporate stores and warehouse facilities. Outside services expenses increased by 18.9 percent to ₽ 403.0 million or 5.7 as to percentage to sales.

All other expense types went up over preceding year's level as a result of the increased number of stores. The said growth is considered to be incidental and commensurate as PSC continues to grow its asset base.

There are no significant nor unusual expense incurred during the calendar year and is considered to be in the normal course of business.

	Q1 2017	Q1 2016	Increase (Decrease)	
			Value	Percentage
Rent	**443,665**	371,614	72,051	19.4%
Communication, light and water	**404,076**	306,698	97,378	31.8%
Outside services	**402,968**	339,048	63,920	18.9%
Depreciation and amortization	**382,195**	311,020	71,175	22.9%
Personnel costs	**235,796**	167,314	68,483	40.9%
Trucking services	**121,551**	95,752	25,799	26.9%
Others	**118,870**	92,517	26,353	28.5%
Repairs and maintenance	**93,097**	48,770	44,327	90.9%
Advertising and promotion	**87,859**	87,269	590	0.7%
Royalties	**83,271**	73,136	10,135	13.9%
Warehousing services	**81,488**	67,309	14,179	21.1%
Taxes and licenses	**66,595**	48,371	18,223	37.7%
Supplies	**65,981**	63,024	2,957	4.7%
Transportation and travel	**19,454**	12,493	6,961	55.7%
Entertainment and amusement	**3,015**	2,782	232	8.4%
Total	**2,609,880**	2,087,118	522,763	25.0%
(amount in thousand Pesos)				

Interest Expense

Interest incurred to service debt rose 37.8 percent to ₱ 13.8 million. Outstanding loan balance at the end of the first quarter was pegged at ₱ 1.8 billion, up by ₱ 128.3 million or 7.6 percent from the start of the year. Proceeds were mainly used to fund expansion and increase in inventory.

Net Income

Net income in the first quarter of 2017 was lower by ₱ 24.3 million or 13.3 percent to ₱ 158.1 million. This was primarily due to decline in same store sales in Q1 of 2017 as compared to same period last year.

The net income generated during the quarter translated into a 1.9 percent return on system wide sales, lower compared with 2.5 percent in 2016, while return on equity decreased to 3.1 percent from 4.3 percent. Moreover, EPS reached ₱ .34 per share at the end of the quarter, decreased from ₱ .40 in 2016.

Financial Condition

Total assets went down by ₱ 672.6 million or 5.4 percent to ₱ 11.7 billion at the end of the first quarter of 2017.

This was mainly driven by the decrease in receivables and inventories by 37.9 percent and 13.4 percent to end the quarter with ₱ 715.8 million and ₱ 1.8 billion, respectively.

Cash and cash equivalents likewise decreased by 8.3 percent to ₱ 1.4 billion from ₱ 1.6 billion at the end of 2016.

Property and equipment, net of accumulated depreciation slightly increased by 0.6 percent mainly due to capital expenditure spent in relation to store expansion and investment in store equipment to support new product lines.

Also, rental and utilities deposits made to acquire new sites increased by 3.5 percent and reached ₱ 712.9 million at the end of the quarter.

On the other hand, current liabilities went down by ₱ 801.3 million or 12.4 percent owing to the decrease in accounts payable and accrued expenses and other current liabilities. Current loan balance is higher by 13.9 percent from last year.

The Company operates on a negative working capital position, which is manifested by a current ratio of 0.82:1 from 0.83:1 at the end of 2016. This is because cash proceeds from retail sales are invested in long-term assets and at the same time utilizing credit term extended by trade suppliers.

Stockholders' equity at the end of the quarter comprises 44.5 percent of total assets, compared to 40.8 percent at the beginning of the year.

Liquidity and Capital Resources

The Company obtains majority of its working capital and capital expenditure requirements from cash generated by retailing operations and franchising activities and short-term borrowings under the revolving facility extended by banks

PSC believes that operating activities and available working capital sources will provide sufficient liquidity in 2017 as it continues to expand its store base. This will enable the Company to fund its capital expenditures, pay dividends and other general corporate purposes.

Management believes that this trend will be favorable in the long term, as rate of store expansion will be entering a more rapid stage augmented by improving economic outlook and prevailing positive investor sentiment in the country.

The following are the discussion of the sources and uses of cash in the first quarter.

Cash Flows from Operating Activities

Net cash flow from operating activities at the end of Q1 2017 totaled to ₱ 234.6 million, 49.9 percent lower compared to net cash flow from operating activities of ₱ 468.2 million in 2016. The decrease in operating cash flow can be attributed to the decrease in accounts payable and accrued expenses.

Cash Flows from Investing Activities

Net cash used in investing activities, primarily for capital expenditures, slightly declined by 9.7 percent to ₱ 445.3 million. There were 46 new stores opened in the first quarter of the year compared to 55 stores opened last year.

Cash Flows from Financing Activities

Net cash from financing activities amounted to ₱ 81.6 million representing net availment of new short-term and medium-term loans in the amount of ₱ 98.8 million, higher compared to the net availment of loan last year of ₱ 95.5 million.

We expect to take advantage of our working capital and utilizing the short to medium term line extended by leading local banks in funding our growth strategies.

Discussion of the Company's Key Performance Indicators

- ***System Wide Sales***
  System-wide sales represents the overall retail sales to customers of corporate and franchise-operated stores.

- ***Revenue from Merchandise Sales***
  Revenue from merchandise sales corresponds to the retail sales of corporate owned stores plus sales to franchisees.

- ***Net Income Margin***
  Measures the level of profitability generated by continuing operations relative to sales and is calculated by dividing net income over revenue from merchandise sales.

- ***EBITDA Margin***
  The ratio of earnings before interest, taxes, depreciation and amortization over revenue from merchandise sales. This measures the level of free cash flow generated by retail operations and is a main indicator of profitability.

- ***Return on Equity (ROE)***
  The amount of net income returned as a percentage of equity. ROE measures profitability by revealing how much profit a company generates with the money shareholders have invested. This is computed by dividing net income over equity.

Financial Highlights (Amount in Php millions except store count and EPS)	For the 1st Quarter Ended March 31,		
	2017	2016	% Change
Store count	2,031	1,655	22.7
System-wide sales	8,376.8	7,342.5	14.1
Revenue from merchandise sales	7,030.5	6,466.6	8.7
Operating income	238.1	268.7	-11.4
EBITDA	620.3	579.8	7.0
Net income	158.1	182.4	-13.3
EPS	0.34	0.40	-13.3
EBIT % *	3.4%	4.2%	
EBITDA % *	8.8%	9.0%	
Net margin *	2.2%	2.8%	

** Margin are calculated based on revenue from merchandise sales*

- System wide sales generated by all 7-Eleven stores continued with its upward trail by posting growth of 14.1 percent to ₽ 8.4 billion at the end of the quarter.
- The increase in total sales can be attributed to the opening of new stores.
- At the end of the quarter, 7-Eleven stores in the Philippines totaled to 2,031, up by 376 stores or 22.7 percent from same period in 2016.
- EBITDA margin declined to 8.8 percent of revenue from merchandise sales from 9.0 in 2016. As percentage of system-wide sales, EBITDA also declined to 7.4 percent from 7.9 percent.
- Operating income or EBIT margin stood at 3.4 percent of revenues from 4.2 percent in 2016.
- Net income decreased by 13.3 percent to ₽ 158.1 million, translating into a net margin and EPS of 2.2 percent and ₽ 0.34, respectively.

<u>Financial Soundness Indicator</u>

Quarter 1	Formula	2016	2015
Liquidity Ratio			
Current ratio	Current Assets/Current Liabilities	**0.82**	0.83
Quick ratio	Cash + Receivables/Current Liabilities	**0.38**	0.42
Financial Leverage			
Debt ratio	Total Debt/Total Assets	**0.55**	0.59
Debt to equity ratio	Total Debt/Total Equity	**1.25**	1.45
Interest coverage	EBIT/Interest charges	**17.27**	26.84
Asset to equity ratio	Total Assets/Total Equity	**2.25**	2.45
Profitability Ratio			
Gross profit margin	Gross profit/Revenue from merchandise sales	**25.56%**	23.62%
Net profit margin	Net income/Revenue from merchandise sales	**2.25%**	2.82%
Return on assets	Net income/Total Assets	**1.35%**	1.48%
Return on equity (annualized)	Net income/Average Equity	**25.70%**	26.66%
Price/earnings ratio	Stock price/EPS	**69**	45

Discussion and Analysis of Material Events and Uncertainties

1. There are no known trends, events and uncertainties that will have a material impact on liquidity after the balance sheet date.

2. There are no material off-balance sheet transactions, arrangements and obligations of the Company with unconsolidated entities during the reporting period.

3. All of the Company's income was earned in the ordinary course of business.

4. There are no seasonal aspects that have a potentially material effect on the financial statements.

5. The Company's financial risk management objectives and policies are discussed in Note 29 of the March 31, 2017 Notes to Unaudited Consolidated Financial Statements.

SIGNATURE

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

Registrant: **PHILIPPINE SEVEN CORPORATION**

JOSE VICTOR P. PATERNO
President and CEO

Date : May 12, 2017

PING-HUNG CHEN
Treasurer and CFO

Date : May 12, 2017

LAWRENCE M. DE LEON
Head of Finance

Date : May 12, 2017

Philippine Seven Corporation and Subsidiaries

Unaudited Consolidated Financial Statements
As atMarch 31, 2017 and December 31, 2016 (Audited)
and for the Quarters Ended March 31, 2017 and 2016

COVER SHEET

1 0 8 4 7 6

SEC Registration Number

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

(Company's Full Name)

7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City

(Business Address: No. StreetCity/Town/Province)

Steve Chen	**705-5200**
(Contact Person)	(Company Telephone Number)

0 3 *Month* **3 1** *Day*	**A A C F S**	*Month* *Day*
(Calendar Year)	(Form Type)	(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

–	**–**
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

615	**₱1.973**	**–**
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEETS

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 28 and 29)	**₱1,421,864,592**	₱1,550,972,673
Short-term investment (Notes 4, 28 and 29)	**11,083,578**	11,083,577
Receivables (Notes 5, 28 and 29)	**715,771,961**	1,151,815,969
Inventories (Note 6)	**1,844,976,320**	2,131,441,288
Prepayments and other current assets (Notes 7, 28 and 29)	**643,059,495**	526,869,047
Total Current Assets	**4,636,755,946**	5,372,182,554
Noncurrent Assets		
Property and equipment (Note 8)	**5,747,538,731**	5,711,671,416
Deposits (Notes 9, 28 and 29)	**712,930,852**	689,019,786
Deferred income tax assets – net (Note 26)	**114,915,516**	114,915,514
Goodwill and other noncurrent assets (Notes 10 and 29)	**466,513,866**	463,466,466
Total Noncurrent Assets	**7,041,898,965**	6,979,073,182
TOTAL ASSETS	**₱11,678,654,911**	₱12,351,255,736

LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 11, 28 and 29)	**₱1,390,000,000**	₱1,220,000,000
Current portion of long term debt (Notes 9, 28 and 29)	**166,666,667**	196,166,667
Accounts payable andaccrued expenses (Notes 12, 28 and 29)	**2,875,846,849**	3,466,836,585
Income tax payable	**307,931,215**	241,635,470
Other current liabilities (Notes 13, 28 and 29)	**931,811,305**	1,348,926,460
Total Current Liabilities	**5,672,256,036**	6,473,565,182
Noncurrent Liabilities		
Long term debt – net of current portion (Notes 11, 28 and 29)	**416,666,667**	458,333,333
Deposits payable (Note 14)	**247,287,870**	239,439,957
Net retirement obligations (Note 24)	**120,736,943**	117,038,962
Deferred income tax liability (Note 26)	**7,936,841**	7,936,841
Cumulative redeemable preferred shares (Notes 15, 28 and 29)	**6,000,000**	6,000,000
Deferred revenue - net of current portion (Note 16)	**8,306,608**	7,309,433
Total Noncurrent Liabilities	**806,934,929**	836,058,526
Total Liabilities	**₱6,479,190,965**	₱7,309,623,708

(Forward)

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Equity		
Common stock (Notes 17 and 30) - ₱1 par value		
Authorized - 600,000,000 shares		
Issued - 459,121,573 shares	**₱459,121,573**	₱459,121,573
Additional paid-in capital (Note 30)	**293,525,037**	293,525,037
Retained earnings (Notes 17 and 30)		
Appropriated	**3,350,000,000**	3,350,000,000
Unappropriated	**1,102,120,805**	944,288,887
Other comprehensive income (loss):		
Remeasurements loss on net retirement obligations - net of deferred income tax asset	**(20,899,518)**	(20,899,518)
Revaluation increment on land - net of deferred income tax liability (Note 8)	**18,519,295**	18,519,295
	5,202,387,192	5,044,555,274
Cost of 686,250 shares held in treasury (Note 17)	**(2,923,246)**	(2,923,246)
Total Equity	**5,199,463,946**	5,041,632,028
TOTAL LIABILITIES AND EQUITY	**₱11,678,654,911**	₱12,351,255,736

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended March 31	
	2017	2016
REVENUES		
Revenue from merchandise sales	**₱7,030,477,253**	₱6,466,580,818
Franchise revenue (Note 31)	**731,139,328**	663,598,565
Marketing income (Note 20)	**195,705,677**	91,506,028
Commission income (Note 31)	**25,553,493**	13,290,554
Rental income	**19,657,430**	14,896,888
Interest income (Notes 4and 22)	**1,903,852**	976,593
Other income	**84,295,971**	52,505,966
	8,088,733,005	7,303,355,412
EXPENSES		
Cost of merchandise sales (Note 18)	**5,233,191,495**	4,939,367,579
General and administrative expenses (Notes 19 and 31)	**2,609,880,105**	2,087,117,565
Interest expense (Notes 11, 15 and 21)	**13,792,313**	10,011,172
Other expenses	**7,531,927**	8,135,747
	7,864,395,840	7,044,632,063
INCOME BEFORE INCOME TAX	**224,337,165**	258,723,349
PROVISION FOR INCOME TAX	**66,240,092**	76,352,370
NET INCOME	**158,097,073**	182,370,979
OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO PROFIT AND LOSS IN SUBSEQUENT PERIODS	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱158,097,073**	₱182,370,979
BASIC/DILUTED EARNINGS PER SHARE (Note 27)	**₱0.34**	₱0.40

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016(UNAUDITED)

	Three Months Ended March 31, 2017							
				Other Comprehensive Income (Loss)				
	Common Stock (Note 17)	Additional Paid-in Capital	Retained Earnings (Note 17)	Remeasurements Loss on Net Retirement Obligations - Net of Tax	Revaluation Increment on Land - Net of Tax	Total	Treasury Stock (Note 17)	Total
At January 1, 2017	**₱459,121,573**	**₱293,525,037**	**₱4,294,023,732**	**(₱20,899,518)**	**₱18,519,295**	**₱5,044,290,119**	**(₱2,923,246)**	**₱5,041,366,873**
Net income for the period	**–**	**–**	**158,097,073**	**–**	**–**	**158,097,073**	**–**	**158,097,073**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**158,097,073**	**–**	**–**	**158,097,073**	**–**	**158,097,073**
Stock dividends (Note 17)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cash dividends (Note 17)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balances at March 31, 2017	**₱459,121,573**	**₱293,525,037**	**₱4,452,120,805**	**(₱20,899,518)**	**₱18,519,295**	**₱5,202,387,192**	**(₱2,923,246)**	**₱5,199,463,946**

	Three Months Ended March 31, 2016							
				Other Comprehensive Income (Loss)				
	Common Stock (Note 17)	Additional Paid-in Capital	Retained Earnings (Note 17)	Remeasurements Loss on Net Retirement Obligations - Net of Tax	Revaluation Increment on Land - Net of Tax	Total	Treasury Stock (Note 17)	Total
At January 1, 2016	₱459,121,573	₱293,525,037	₱3,370,957,924	(₱21,905,502)	₱18,519,295	₱4,120,218,327	(₱2,923,246)	₱4,117,295,081
Net income during the Quarter	–	–	182,370,979	–	–	182,370,979	–	182,370,979
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	182,370,979	–	–	182,370,979	–	182,370,979
Stock dividends (Note 17)	–	–	–	–	–	–	–	–
Cash dividends (Note 17)	–	–	–	–	–	–	–	–
Balances at March 31, 2016	₱459,121,573	₱293,525,037	₱3,553,328,903	(₱21,905,502)	₱18,519,295	₱4,302,589,306	(₱2,923,246)	₱4,299,666,060

See accompanying Notes to Unaudited Consolidated Financial Statements.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

See accompanying Notes to Unaudited Consolidated Financial Statements

	Three Months Ended March 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱224,337,165**	₱258,723,349
Adjustments for:		
Depreciation and amortization (Notes 8 and 19)	**382,194,554**	311,019,991
Net retirement benefits cost	**3,697,981**	1,863,730
Interest expense (Note 21)	**13,792,313**	10,011,172
Interest income (Note 22)	**(1,903,852)**	(976,593)
Amortization of:		
Deferred revenue on exclusivity contract	**–**	(18,750,000)
Software and other program costs	**266,636**	413,201
Operating income before working capital changes	**622,384,797**	562,304,851
Decrease (Increase) in:		
Receivables	**436,044,007**	112,315,125
Inventories	**286,464,968**	126,104,503
Prepayments and other current assets	**(116,190,448)**	(139,344,285)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(588,402,420)**	198,868,722
Other current liabilities	**(416,383,131)**	(403,315,676)
Deposits payable	**7,847,913**	10,245,292
Cash generated from operations	**231,765,687**	467,233,694
Income taxes paid	**905,857**	29,116
Interest received	**1,903,852**	976,593
Net cash provided by operating activities	**234,575,396**	468,239,403
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 8)	**(418,061,869)**	(443,541,477)
Software and other program costs	**240,676**	**–**
Decrease (Increase) in:		
Deposits	**(23,911,066)**	(52,373,086)
Goodwill and other noncurrent assets	**(3,554,712)**	2,886,899
Net cash used in investing activities	**(445,286,971)**	(493,027,664)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Bank loans (Note 11)	**300,000,000**	400,000,000
Long-term debt (Note 11)	–	495,500,000
Payments of: bank loans (Note 11)		
Bank loans (Note 11)	**(130,000,000)**	(800,000,000)
Long-term debt (Note 11)	**(71,166,666)**	–
Interest paid	**(17,229,839)**	(33,180,633)
Net cash provided by financing activities	**81,603,495**	62,319,367
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(129,108,081)**	37,531,106
CASH AND CASHEQUIVALENTS AT BEGINNING OF YEAR	**1,550,972,673**	875,978,073
CASH AND CASHEQUIVALENTS AT END OF YEAR	**₱1,421,864,592**	₱913,509,179

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorizationfor Issuance of the Consolidated Financial Statements

Corporate Information

Philippine Seven Corporation (the Company or PSC) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 24, 1982. The Company and its subsidiaries (collectively referred to as the "Group"), are primarily engaged 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 foodstuff, beverages, drinks and all kinds of consumer needs or requirements and in connection therewith, operating or maintaining warehouses, storages, delivery vehicles and similar or incidental facilities. The Group is also engaged in the management, development, sale, exchange, and holding for investment or otherwise of real estate of all kinds, including buildings, houses and apartments and other structures.

The Company is controlled by President Chain Store (Labuan) Holdings, Ltd., an investment holding company incorporated in Malaysia, which owns 52.22%of the Company's outstanding shares. The remaining 47.78% of the shares are widely held. The ultimate parent of the Company is President Chain Store Corporation (PCSC), which is incorporated in Taiwan, Republic of China.

The Company has its primary listing on the Philippine Stock Exchange. As at March 31, 2017 and 2016, the Company has615 and622 equity holders, respectively.

The registered business address of the Company is 7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City.

Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements were authorized for issue by the Board of Directors (BOD) on February 10, 2017.

2. Summary of Significant Accounting Policiesand Financial Reporting Practices

Basis of Preparation

The consolidated financial statements are prepared under the historical cost basis, except for parcels of land, which arecarried at revalued amount. The consolidated financial statements are presented in Philippine Peso (Peso), which is the Group's functional currency and all amounts are rounded to the nearest Peso except whenotherwise indicated.

Statement of Compliance

The consolidated financial statementsare prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except thatthe Group has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have any significant impact on the Group's financialposition or performance unless otherwise indicated.

- Amendments to PFRS 10, PFRS 12 and Philippine Accounting Standards (PAS) 28,*Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11*, Accounting for Acquisitions of Interests in Joint Operations*

- PFRS 14*, Regulatory Deferral Accounts*
- Amendments to PAS 1*, Disclosure Initiative*
- Amendments to PAS 16 and PAS 38*, Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41*, Agriculture: Bearer Plants*
- Amendments to PAS 27*, Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012–2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19*, Discount Rate: Regional Market Issue*
  - Amendment to PAS 34*, Disclosure of Information 'Elsewhere in the Interim Financial Report*

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Groupdoes not expect that the future adoption of the said pronouncements to have a significant impact onthe consolidated financial statements. The Group intends to adopt the following pronouncementswhen they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12,*Clarification of the Scope of the Standard (Part of AnnualImprovements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that the disclosure requirements in PFRS 12, other than those relatingto summarized financial information, apply to an entity's interest in a subsidiary, a joint ventureor an associate (or a portion of its interest in a joint venture or an associate) that is classified (orincluded in a disposal group that is classified) as held for sale.

The amendments do not have any impact on the Group's financial position and results ofoperation.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financialstatements to evaluate changes in liabilities arising from financing activities, including bothchanges arising from cash flows and non-cash changes (such as foreign exchange gains orlosses). On initial application of the amendments, entities are not required to providecomparative information for preceding periods. Early application of the amendments ispermitted.

Application of amendments will result in additional disclosures in the 2017 consolidatedfinancial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for UnrealizedLosses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources oftaxable profits against which it may make deductions on the reversal of that deductibletemporary difference. Furthermore, the amendments provide guidance on how an entity shoulddetermine future taxable profits and explain the circumstances in which taxable profit mayinclude the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial applicationof the amendments, the change in the opening equity of the earliest comparative period may berecognized in opening retained earnings (or in another component of equity, as appropriate),without allocating the change between opening retained earnings and other components ofequity. Entities applying this relief must disclose that fact. Early application of the amendmentsis permitted.

These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-basedPayment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on themeasurement of a cash-settled share-based payment transaction; the classification of a share-basedpayment transaction with net settlement features for withholding tax obligations; and theaccounting where a modification to the terms and conditions of a share-based paymenttransaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, butretrospective application is permitted if elected for all three amendments and if other criteria aremet. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Group.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, withPFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financialinstruments standard before implementing the forthcoming insurance contracts standard. Theyallow entities to choose between the overlay approach and the deferral approach to deal withthe transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatilitythat could arise when PFRS 9 is applied before the new insurance contracts standard is issued.On the other hand, the deferral approach gives entities whose activities are predominantlyconnected with insurance an optional temporary exemption from applying PFRS 9 until theearlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has notpreviously applied PFRS 9.

The amendments are not applicable to the Group.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contractswith customers. Under PFRS 15, revenue is recognized at an amount that reflects theconsideration to which an entity expects to be entitled in exchange for transferring goods orservices to a customer. The principles in PFRS 15 provide a more structured approach tomeasuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Eithera full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currentlyassessing the impact of adopting this standard.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, FinancialInstruments: Recognition and Measurement, and all previous versions of PFRS 9. The standardintroduces new requirements for classification and measurement, impairment, and hedgeaccounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative informationis not compulsory. For hedge accounting, the requirements are generally applied prospectively,with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of theGroup's financial assets and impairment methodology for financial assets, but will have noimpact on the classification and measurement of the Group's financial liabilities. The adoptionwill also have an effect on the Group's application of hedge accounting and on the amount ofcredit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of AnnualImprovements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifyingentity, may elect, at initial recognition on an investment-by-investment basis, to measure itsinvestments in associates and joint ventures at fair value through profit or loss. They also clarifythat if an entity that is not itself an investment entity has an interest in an associate or jointretain the fair value measurement applied by that investment entity associate or joint venture tothe investment entity associate's or joint venture's interests in subsidiaries. This election ismade separately for each investment entity associate or joint venture, at the later of the date onwhich (a) the investment entity associate or joint venture is initially recognized; (b) the associateor joint venture becomes an investment entity; and (c) the investment entity associate or jointventure first becomes a parent. The amendments should be applied retrospectively, with earlierapplication permitted.

These amendments are not expected to have any impact on the Group.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property underconstruction or development into, or out of investment property. The amendments state that achange in use occurs when the property meets, or ceases to meet, the definition of investmentproperty and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annualreporting period in which the entity first applies the amendments. Retrospective application isonly permitted if this is possible without the use of hindsight.

These amendments are not expected to have any impact on the Group.

- Philippine Interpretation International Financial Reporting Interpretations Committee*(IFRIC) 22, Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initialrecognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetaryasset or non-monetary liability relating to advance consideration, the date of thetransaction is the date on which an entity initially recognizes the non-monetary asset or nonmonetaryliability arising from the advance consideration. If there are multiple payments orreceipts in advance, then the entity must determine a date of the transactions for each paymentor receipt of advance consideration. The interpretation may be applied on a fully retrospectivebasis. Entities may apply the interpretation prospectively to all assets, expenses and income inits scope that are initially recognized on or after the beginning of the reporting period in whichthe entity first applies the interpretation or the beginning of a prior reporting period presentedas comparative information in the consolidated financial statements of the reporting period inwhich the entity first applies the interpretation.

The Group is currently assessing the impact of adopting IFRIC 22.

Effective beginning on or after January 1, 2019

- PFRS 16*, Leases*

Under the new standard, lessees will no longer classify their leases as either operating or financeleases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Underthis model, lessees will recognize the assets and related liabilities for most leases on theirbalance sheet, and subsequently, will depreciate the lease assets and recognize interest on thelease liabilities in their profit or loss. Leases with a term of 12 months or less or for which theunderlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward theprinciples of lessor accounting under PAS 17. Lessors, however, will be required to disclosemore information in their financial statements, particularly on the risk exposure to residualvalue.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospectiveapproach, with options to use certain transition reliefs. The Group is currently assessing theimpact of adopting PFRS 16.

The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

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

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

On January 13, 2016, the Financial Reporting Standards Council postponed the originaleffective date of January 1, 2016 of the said amendments until the International AccountingStandards Board has completed its broader review of the research project on equity accountingthat may result in the simplification of accounting for such transactions and of other aspects ofaccounting for associates and joint ventures.

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to the December 31, 2016 consolidated financial statements. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

<u>Basis of Consolidation</u>

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.Control is achieved when the Groupis exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Groupcontrols an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

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

The consolidated financial statements include the accounts of the Company and the following whollyowned subsidiaries:

	Country of Incorporation	Principal Activity	Percentage of Ownership
Convenience Distribution, Inc. (CDI)	Philippines	Warehousing and Distribution	100
Store Sites Holding, Inc. (SSHI)	Philippines	Holding	100

SSHI's capital stock, which is divided into 40% common shares and 60% preferred shares are owned by the Company and by Philippine Seven Corporation-Employees Retirement Plan (PSC-ERP) through its trustee, Bank of the Philippines Islands-Asset Management and Trust Group (BPI-AMTG), respectively. These preferred shares which accrue and pay guaranteed preferred dividends and are redeemable at the option of the holder are recognized as a financial liability in accordance with PFRS (see Note 15). The Company owns 100% of SSHI's common shares, which, together with common key management, gives the Company control over SSHI.

The financial statements of the subsidiaries are prepared for the same financial reporting period as the Company, using uniform accounting policies. Intercompany transactions, balances and unrealized gains and losses are eliminated in full.

Cash and Cash Equivalents

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

Financial Instruments

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument.

Initial Recognition and Measurement

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL).

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date the Group commits to purchase or sell the financial asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation in the market place.

The Group classifies its financial assets as financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets or loans and receivables. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the financial assets and financial liabilities were acquired. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates classification at every balance sheet date.

As at March 31, 2017 and December 31, 2016, the Group's financial instruments include loans and receivables and other financial liabilities.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL, HTM investments or AFS financial assets. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment. The amortization is included as part of interest income in the consolidated statement of comprehensive income. Losses arising from impairment are recognized in the consolidated statement of comprehensive income. Loans and receivables are classified as current assets if maturity is within 12 months from balance sheet date. Otherwise, these are classified as noncurrent assets.

The Group's loans and receivables consists of cash and cash equivalents, short-term investment, receivables and deposits(excluding rent deposits) as at March 31, 2016 and December 31, 2015 (see Notes4,5,9 and 10).

Other Financial Liabilities

This category pertains to financial liabilities that are neither held-for-trading nor designated as at FVPL upon the inception of the liability. Other financial liabilities are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Other financial liabilities are classified as current liabilities if maturity is within the normal operating cycle of the Company and it does not have unconditional right to defer settlement of the liability for at least 12 months from balance sheet date. Otherwise, these are classified as noncurrent liabilities.

The Group's other financial liabilities consist of bank loans, accounts payable and accrued expenses, other current liabilities (excluding statutory liabilities), and cumulative redeemable preferred shares as at March 31, 2017 and December 31, 2016 (see Notes11, 12, 13 and 15).

Classification of Financial Instruments between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

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

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Determination of Fair Value

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

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

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

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

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

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

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired.

Financial Assets Carried at Amortized Cost

The Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant and collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of

contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually or collectively assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continue to be recognized are not included in a collective assessment of impairment. The impairment assessment is performed at each balance sheet date. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.
If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced by the impairment loss, which is recognized in profit or loss.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Cost of inventories is determined using the first-in, first-out method. NRV is the selling price in the ordinary course of business, less the estimated cost of marketing and distribution.

Prepayments and Other Current Assets

Prepayments and other current assets are primarily comprised of advances to suppliers, deferred input value-added tax (VAT), prepaid rent and prepaid store expenses. Prepayments and other current assets that are expected to be realized for no more than 12 months after the balance sheet date are classified as current assets; otherwise, these are classified as other noncurrent assets. These are recorded as assets and expensed when utilized or expired.

Advances to suppliers are downpayments for acquisitions of property and equipment not yet received. Once the property and equipment are received, the asset is recognized together with the corresponding liability. These are stated at cost less any impairment in value.

Property and Equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, are recognized in profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the assets.

Construction in-progress includes cost of construction and other direct costs and is stated at cost less any impairment in value. Construction in-progress is not depreciated until such time the relevant assets are completed and put into operational use.

Depreciation and amortization commence once the assets are available for use. It ceases at the earlier of the date that it is classified as noncurrent asset held-for-sale and the date the asset is derecognized.

Depreciation is computed on a straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings and improvements	10 to 12
Store furniture and equipment	5 to 10
Office furniture and equipment	3 to 5
Transportation equipment	3 to 5
Computer equipment	3

Leasehold improvements are amortized over the estimated useful life of the improvements, ranging from five to ten years, or the term of the lease, whichever is shorter.

The assets' estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment. When assets are retired or otherwise disposed of, the cost or revalued amount and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss. The revaluation increment in equity relating to the revalued asset sold is transferred to retained earnings.

Fully depreciated assets are retained in the books until disposed.

Land is carried at revalued amount less any impairment in value. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the financial reporting period. When the fair value of a revalued land differs materially from its carrying amount, a further revaluation is required.

A revaluation surplus is recorded in OCI and credited to the “Revaluation increment on land - net of deferred income tax liability” account in equity. However, to the extent that the Group reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit or loss. A revaluation deficit is recognized in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in “Revaluation increment on land -net of deferred income tax liability” account in equity.

Deposits

Deposits are amounts paid as guarantee in relation to noncancelable lease agreements entered into by the Group. These deposits are recognized at cost and can be refunded or applied to future billings.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment loss, if any. Internally-generated intangible assets, if any, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and amortization method for an intangible asset with a finite useful life is reviewed at least at each balance sheet date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortizationperiod or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in theexpense category consistent with the function of the intangible asset. Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level and are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite useful life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Software and Program Cost

Software and program cost, which are not specifically identifiable and integral to a specific computer hardware, are shown under “Goodwill and other noncurrent assets” in the consolidated balance sheet. These are carried at cost, less accumulated amortization and any impairment in value. Amortization is computed on a straight-line method over their estimated useful life of five years.

Goodwill

Goodwill, included in “Goodwill and other noncurrent assets” account in the consolidated balance sheet, represents the excess of the cost of an acquisition over the fair value of the businesses acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment ofNon-financial Assets

The Group assesses at each balance sheet date whether there is an indication that its non-financial assets such as property and equipment, rent deposits and intangible assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. For land, the asset's recoverable amount is the higher of the land's net selling price, which may be obtained from its sale in an arm's-length transaction, and its value-in-use. For goodwill, the asset's recoverable amount is its value-in-use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Impairment losses, if any, are recognized in profit or loss, except for revalued land when revaluation was taken to OCI. In this case, the impairment is also recognized in OCI up to the amount of any previous revaluation.

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

Goodwill is reviewed for impairment, annually or more frequently if event or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Deposits Payable

Deposits payable are amounts received from franchisees, store operators and sublessees as guarantee in relation to various agreements entered into by the Group. These deposits are recognized at cost and payable or applied to future billings.

Cumulative Redeemable Preferred Shares

Cumulative redeemable preferred shares that exhibit characteristics of a liability is recognized as a financial liability in the consolidated balance sheet, net of transaction cost. The corresponding dividends on those shares are charged as interest expense in profit or loss.

Deferred Revenue

Deferred revenue is recognized for cash received for income not yet earned. Deferred revenue is recognized as revenue over the life of the revenue contract or upon delivery of goods or services.

Equity

Common Stock

Common stock is measured at par value for all shares issued and outstanding.

Additional Paid-in Capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In casethe shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss and changes in accounting policy. When the retained earnings account has a debit balance, it is called “deficit.” A deficit is not an asset but a deduction from equity.

Stock Dividends
Stock dividends are distribution of the earnings in the form of own shares. When stock dividends are declared, the amount of stock dividends is transferred from retained earnings to capital stock.

Treasury Stock
Treasury stock is stated at acquisition cost and is deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group’s own equity instruments.

<u>OCI</u>
OCI comprises of items of income and expenses that are not recognized in profit or loss as required or permitted by other PFRS. The Group’s OCI pertains to actuarial gains and losses from pension benefits and revaluation increment on land which are recognized in full in the period in which they occur.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. The Group has assessed its revenue
arrangements against the criteria enumerated under PAS 18, *Revenue Recognition*, and concluded that it is acting as principal in all arrangements, except for its sale of consigned goods. The following specific recognition criteria must also be met before revenue is recognized:

Merchandise Sales
Revenue from merchandise sales is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue is measured at the fair value of the consideration received, excluding discounts, returns, rebates and sales taxes.

The Group operates a customer loyalty programme, Every Day! Rewards, which allows customers to accumulate points when they purchase products in the stores. The points can be redeemed for free products, subject to a minimum number of points being obtained.

Consideration received is allocated between the products sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is equal to the retail value of the products that can be redeemed multiplied by the redemption rate. The fair value of the points issued is deferred (included as part of “Other current liabilities” account in the consolidated balance sheet) and recognized as revenue when the points are redeemed.

Franchise
Franchise fee is recognized upon execution of the franchise agreement and performance of initial services required under the franchise agreement. Franchise revenue is recognized in the period earned.

Marketing
Marketing income is recognized when service is rendered. In case of marketing support funds, revenue is recognized upon start of promotional activity for the suppliers.

Rental
Rental income is accounted for on a straight-line basis over the term of the lease.

Commission
Commission income is recognized upon the sale of consigned goods.

Interest
Interest income is recognized as it accrues based on the effective interest rate method.

Other Income
Other income is recognized when there are incidental economic benefits, other than the usual business operations, that will flow to the Group and can be measured reliably.

Costs and Expenses Recognition
Costs of merchandise sold are recognized in profit or loss at the point of sale. Expenses are recognized in profit or loss upon utilization of the services or when they are incurred.

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

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

Net retirement benefits cost comprises the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

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

The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination Benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either an entity’s decision to terminate an employee’s

employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Leases
Finance leases, which transfer to the lessee substantially all the risks and rewards of ownership of the asset, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the interest income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable. Interest income is recognized directly in profit or loss.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating leases are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement; or
b. a renewal option is exercised or extension is granted, unless the term of the renewal or extension was initially included in the lease term; or
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstance gave rise to the reassessment for scenarios (a), (c) or (d) above, and the date of renewal or extension for scenario (b).

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign Currency-denominated Transactions
The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency. All subsidiaries evaluate their primary economic and operating environment and determine their functional currency. Transactions in foreign currency are initially recorded at the exchange rate at the date of transaction. Outstanding foreign currency-denominated monetary assets and liabilities are translated using the applicable exchange rate at balance sheet date. Exchange differences arising from translation of foreign

currency monetary items at rates different from those at which they were originally recorded are recognized in profit or loss.

<u>Taxes</u>

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the balance sheet date.

Deferred Income Tax

Deferred income tax is recognized for all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

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

VAT

Input VAT is the 12% indirect tax paid by the Group in the course of the Group’s trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered entity. For acquisition of capital goods over ₱1,000,000, the related input taxes are deferred and amortized over the useful life of the asset or 60 months, whichever is shorter, commencing on the date of acquisition.Deferred input VAT which is expected to be utilized for more than 12 months after the balance sheet date is included under “Goodwill and other noncurrent assets” account in the consolidated balance sheet.

Output VAT pertains to the 12% tax due on the sale of merchandise and lease or exchange of taxable goods or properties or services by the Group.

If at the end of any taxable month the output VAT exceeds the input VAT, the excess shall be paid by the Group. Any outstanding balance is included under “Other current liabilities” account in the consolidated balance sheet. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding month or months. Excess input VAT is included under “Prepayments and other current assets” account in the consolidated balance sheet. Input VAT on capital goods may, at the option of the Group, be refunded or credited against other internal revenue taxes, subject to certain tax laws.

Revenue, expenses and assets are recognized net of the amount of VAT.

Earnings Per Share
Basic earnings per share is calculated by dividing the net income or 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 for the year attributable to common shareholders by the weighted average number of shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potential dilutive common shares, if any.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retrospectively.

Segment Reporting
Operating segments are components of an entity for which separate financial information is available and evaluated regularly by management in deciding how to allocate resources and assessing performance. The Group considers the store operation as its primary activity and its only business segment. Franchising, renting of properties and commissioning on bills payment services are considered an integral part of the store operations.

Provisions
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events after the Balance Sheet Date
Post year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Use of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at balance sheet date. Future events may occur which can cause the assumptions used in arriving at those judgments, estimates and assumptions to change. The effects of any changes will be reflected in the consolidated financial statements of the Group as they become reasonably determinable.

Judgments

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

Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine Peso.
The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the revenue, costs and expenses of the Group.

Classification of Financial Instruments

The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, liability or equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, liability or equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

Financial assets are classified as financial assets at FVPL, HTM investments, AFS financial assets and loans and receivables. Financial liabilities, on the other hand, are classified as financial liabilities at FVPL and other financial liabilities.

The Group classifies the cumulative redeemable preferred shares as liability in accordance with the redemption features contained in the shareholders agreement (see Note 15). The cumulative redeemable preferred shares are redeemable at the option of the holder.

The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every balance sheet date.

The Group's financial instruments consist of loans and receivables and other financial liabilities (see Note 28).

Classification of Leases

a. Finance lease as lessor
   The Group entered into a sale and leaseback transaction with an armored car service provider where it has determined that the risks and rewards related to the armored vehicles leased out will be transferred to the lessee at the end of the lease term. As such, the lease agreement was accounted for as a finance lease (see Note 26).

b. Operating lease as lessee
   The Group entered into various property leases, where it has determined that the risks and rewards related to the properties are retained with the lessors. As such, the lease agreements were accounted for as operating leases (see Note 26).

c. Operating lease as lessor
   The Company entered into property subleases on its leased properties. The Company determined that it retains all the significant risks and rewards of these properties which are leased out on operating leases (see Note 26).

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities follow:

Determination of Fair Values

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which observable market prices exist, options pricing models, and other relevant valuation models.

Note 28 presents the fair values of the financial instruments and the methods and assumptions used in estimating their fair values.

Impairment of Loans and Receivables
The Group reviews its loans and receivables at each balance sheet date to assess whether a provision for impairment should be recognized in profit or loss or loans and receivables balance should be written off. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Moreover, management evaluates the presence of objective evidence of impairment which includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial re-organization.

In addition to specific allowances against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration the credit risk characteristics such as customer type, payment history, past due status and term.

Decline in Inventory Value
Provisions are made for inventories whose NRV are lower than their carrying cost. This entails determination of replacement costs and costs necessary to make the sale. The estimates are based on a number of factors, such as but not limited to the age, status and recoverability of inventories.

Impairment of Non-financial Assets Other than Goodwill
The Group assesses whether there are any indicators of impairment for all non-financial assets, other than goodwill, at each balance sheet date. These non-financial assets (property and equipment, rent deposits, and software and program cost) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business;
- significant negative industry or economic trends; and
- decline in appraised value.

The carrying values of these non-financial assets are as follows:

	Mar. 31, 2017	Dec. 31, 2016
Property and equipment (Note 8)	**₱5,747,538,731**	₱5,711,671,416
Rent deposits (Note 9)	**564,430,135**	462,997,009
Software and program cost (Note 10)	**2,933,289**	3,440,601

Estimation of Useful Lives of Property and Equipment and Software and Program Cost

The Group estimates the useful lives of its property and equipment and software and program cost based on a period over which the assets are expected to be available for use and on collective assessment of industry practices, internal evaluation and experience with similar arrangement. The estimated useful lives of property and equipment and software and program cost are revisited at the end of each financial reporting period and updated if expectations differ materially from previous estimates.

Revaluation of Land
The Group's parcels of land are carried at revalued amounts, which approximate its fair values at the date of the revaluation, less any subsequent accumulated impairment losses. The valuations of land are performed by independent appraisers. Revaluations are made every three to five years or more frequently as necessary, to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at balance sheet date.

Impairment of Goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGUs to which the goodwill is allocated. Estimating the value-in-use amount requires management to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Based on the assessment made by the Group, there is no impairment of goodwill as the recoverable amount of the CGUs exceeds the carrying amount of the unit, including goodwill as at March 31, 2017 and December 31, 2016.The carrying value of goodwill amounted to ₱65,567,524as at March 31, 2017 and December 31, 2016 (see Note 10). No impairment losses were recognized in 2017, 2016 and 2015.

Estimation of Retirement Benefits
The net retirement benefits cost and the present value of retirement obligations are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each financial reporting date.

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

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Provisions and Contingencies
The Group has pending legal cases. The Group's estimate of the probable costs for the resolution of these legal cases has been developed in consultation with in-house and outside legal counsels and is based upon the analysis of the potential outcomes. It is possible, however, that future results of operations could be affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

Realizability of Deferred Income Tax Assets
Deferred income tax assets are recognized for all temporary deductible differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized. Management has determined based on business forecast of succeeding years that there is enough taxable profits against which the recognized deferred income tax assets will be realized.

4. **Cash and Cash Equivalents and Short-Term Investment**

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash on hand and in banks	**₱1,061,864,592**	₱1,450,972,673
Cash equivalents	**360,000,000**	100,000,000
	₱1,421,864,592	₱1,550,972,673

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest at the respective cash equivalent rates.

5. **Receivables**

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Suppliers	**₱413,261,813**	₱589,791,222
Franchisees (Note 31)	**270,245,958**	531,104,375
Employees	**23,624,709**	22,689,864
Store operators	**13,392,205**	15,735,708
Rent	**3,975,727**	2,977,397
Due from PhilSeven Foundation, Inc. (PFI) (Note 25)	**4,901,146**	4,725,698
Current portion of:		
Lease receivable - net of unearned interest income amounting to ₱5,773 as at March 31, 2016 and December 31, 2015 (Notes 10 and 26)	**3,747,773**	3,747,773
Notes receivable	**990,917**	990,917
Insurance receivable	**5,168,843**	3,749,206
Others	**8,401,179**	8,242,118
	747,710,270	1,183,754,278
Less allowance for impairment	**(31,938,309)**	(31,938,309)
	₱715,771,961	₱1,151,815,969

Impairment on receivables is based on individual assessment of accounts. Movements in allowance for impairment as at March 31, 2017 and December 31, 2016are as follows:

	Beginning balances	**Provision forthe year (Note 19)**	**Write-off**	**Ending balances**
Suppliers	**₱21,308,244**	**₱–**	**₱–**	**₱21,308,244**
Lease receivable	**3,747,773**	**–**	**–**	**3,747,773**
Franchisees	**2,192,904**	**–**	**–**	**2,192,904**
Rent	**2,007,087**	**–**	**–**	**2,007,087**
Employees	**1,325,583**	**–**	**–**	**1,325,583**
Note receivable	**990,917**	**–**	**–**	**990,917**
Store operators	**365,801**	**–**	**–**	**365,801**
Total	**₱31,938,309**	**₱–**	**₱–**	**₱31,938,309**

6. **Inventories**

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
At cost (Note 18):		
Warehouse merchandise	**₱989,573,315**	₱1,263,596,948
Store merchandise	**855,403,005**	867,844,340
	₱1,844,976,320	₱2,131,441,288

7. **Prepayments and Other Current Assets**

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Current portion of:		
Deferred input VAT	**₱242,436,981**	₱238,109,999
Deferred lease (Notes10 and 26)	**6,486,296**	5,251,131
Prepaid:		
Taxes	**157,961,986**	288,949
Rent	**71,720,791**	62,897,345
Store expenses	**16,894,513**	17,940,776
Uniform	**2,340,685**	2,345,339
Others	**21,259,261**	3,050,802
Advances to suppliers	**49,011,440**	68,723,390
Advances for expenses	**67,146,726**	83,363,744
Supplies	**2,011,079**	36,870,174
Others	**5,789,737**	8,027,398
	₱643,059,495	₱526,869,047

8. Property and Equipment

Movements in property and equipment are as follows:

	March 31, 2017 (Unaudited)								
	Land-at revalued Amount	Buildings and Improvements	Store Furniture and Equipment	Office Furniture and Equipment	Transportation Equipment	Computer Equipment	Leasehold Improvements	Construction In-Progress	Total
Costs/Revalued Amount									
Beginning balances	₱66,323,000	₱157,877,887	₱5,150,726,038	₱1,603,580,035	₱72,350,575	₱402,702,929	₱2,706,367,613	₱267,637,611	₱10,427,565,687
Additions	–	–	175,161,776	62,377,116	3,051,607	11,595,982	165,875,387	–	418,061,869
Retirements	–	–	(36,050,570)	(18,061,480)	–	(653,726)	(41,100,032)	–	(95,865,808)
Reclassifications	–	–	–	–	–	–	3,503,477	(3,503,477)	–
Ending balances	66,323,000	157,877,887	5,289,837,244	1,647,895,672	75,402,182	413,645,185	2,834,646,444	264,134,134	10,749,761,749
Accumulated Depreciation and Amortization									
Beginning balances	–	95,513,557	2,510,678,266	789,300,012	44,295,881	295,190,489	980,916,066	–	4,715,894,271
Depreciation and amortization (Note 19)	–	3,214,223	207,013,265	66,788,403	2,389,998	17,072,369	85,716,295	–	382,194,554
Retirements	–	–	(36,050,570)	(18,061,480)	–	(653,726)	(41,100,032)	–	(95,865,808)
Ending balances	–	98,727,780	2,681,640,962	838,026,936	46,685,879	311,609,131	1,025,532,330	–	5,002,223,017
Net Book Values	₱66,323,000	₱59,150,107	₱2,608,196,282	₱809,868,736	₱28,716,303	₱102,036,053	₱1,809,114,115	₱264,134,134	₱5,747,538,731

	December 31, 2016 (Audited)								
	Land-at revalued Amount	Buildings and Improvements	Store Furniture and Equipment	Office Furniture and Equipment	Transportation Equipment	Computer Equipment	Leasehold Improvements	Construction In-Progress	Total
Costs/Revalued Amount									
Beginning balances	₱66,323,000	₱156,326,344	₱4,049,487,830	₱1,276,678,042	₱61,465,034	₱377,736,733	₱2,180,950,373	₱278,691,801	₱8,447,659,157
Additions	–	1,632,088	1,247,613,373	384,405,440	12,400,541	35,835,739	236,386,649	405,123,891	2,323,397,721
Retirements	–	(80,545)	(146,219,361)	(57,659,252)	(1,515,000)	(10,869,543)	(127,147,490)	–	(343,491,191)
Reclassifications	–	–	(155,804)	155,804	–	–	416,178,081	(416,178,081)	–
Revaluation increment	–	–	–	–	–	–	–	–	–
Ending balances	66,323,000	157,877,887	5,150,726,038	1,603,580,034	72,350,575	402,702,929	2,706,367,613	267,637,611	10,427,565,687
Accumulated Depreciation and Amortization									
Beginning balances	–	87,145,837	1,911,011,323	599,938,088	35,752,395	238,046,924	822,094,322	–	3,693,988,889
Depreciation and amortization (Note 19)	–	8,448,265	745,904,481	247,002,999	10,058,486	68,013,108	285,969,234	–	1,365,396,573
Retirements	–	(80,545)	(146,219,361)	(57,659,252)	(1,515,000)	(10,869,543)	(127,147,490)	–	(343,491,191)
Reclassifications	–	–	(18,177)	18,177	–	–	–	–	–
Ending balances	–	95,513,557	2,510,678,266	789,300,012	44,295,881	295,190,489	980,916,066	–	4,715,894,271
Net Book Values	₱66,323,000	₱62,364,330	₱2,640,047,772	₱814,280,022	₱28,054,694	₱107,512,440	₱1,725,451,547	₱267,637,611	₱5,711,671,416

9. **Deposits**

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Rent	**₱564,430,135**	₱462,997,009
Utilities (Notes 28 and 29)	**89,856,951**	93,131,856
Refundable (Notes 28 and 29)	**47,446,323**	122,546,147
Others (Notes 28 and 29)	**11,197,443**	10,344,774
	₱712,930,852	₱689,019,786

10. **Goodwill and Other Noncurrent Assets**

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Noncurrent portion of:		
Deferred input VAT	**₱240,336,163**	₱240,336,163
Prepaid rent	**92,622,942**	88,624,467
Due from franchisees	**32,174,824**	32,751,738
Deferred lease (Note 26)	**26,252,390**	24,110,125
Intangible assets:		
Goodwill	**65,567,524**	65,567,524
Software and program cost	**2,933,289**	3,440,601
Garnished accounts	**6,149,799**	5,984,854
Others	**476,935**	2,650,994
	₱466,513,866	₱463,466,466

Deferred Lease

Deferred lease pertains to Day 1 loss recognized on refundable deposits on rent, which is amortized on a straight-line basis over the term of the related leases.

Movements in deferred lease are as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Beginning balance	**₱29,361,256**	₱22,615,407
Additions	**3,377,430**	11,689,595
Less amortization	**–**	(4,943,746)
Ending balance	**32,738,686**	29,361,256
Less current portion (Note 7)	**6,486,296**	5,251,131
Noncurrent portion	**₱26,252,390**	₱24,110,125

Goodwill

On March 22, 2004, the Group purchased the leasehold rights and store assets of Jollimart Philippines Corporation (Jollimart) for a total consideration of ₱130,000,000. The excess of the acquisition cost over the fair value of the assets acquired was recorded as goodwill amounting to ₱70,178,892. In 2008, the Group recognized an impairment loss in goodwill amounting to ₱4,611,368.

Garnished Accounts

Garnished accounts pertain to the amount set aside by the Group, as required by the courts, in order to answer for litigation claims should the results be unfavorable to the Group.

11. **Bank Loans and Long-term Debt**

Bank Loans

Bank loans represent unsecured Philippine Peso-denominated short-term borrowingsof PSC and CDI from various local banks, payable in lump-sum in 2017 and 2016 with annual interest rates ranging from 2.45% to 2.70% as at March 31, 2017 and December 31, 2016, which are repriced monthly based on market conditions. The proceeds of these loans were used for the operations of the Group.

Movements in bank loans are as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Beginning balance	**₱1,220,000,000**	₱1,150,000,000
Availments	**300,000,000**	1,470,000,000
Payments	**(130,000,000)**	(1,400,000,000)
Ending balance	**₱1,390,000,000**	₱1,220,000,000

Interest expense from these bank loans amounted to₱10,348,427₱35,447,909 and ₱32,135,465in 2017, 2016 and 2015, respectively (see Note 21). Interest payable amounted to ₱2,196,110 and ₱5,434,795 as at December 31, 2017 and 2016, respectively (see Note 12).

Long-term Debt

Long-term debt availed in 2016 and 2015 represent unsecured Philippine Peso-denominated borrowings of the Group from various local banks, payable as follows:

Maturity date	Payment schedule	Principal	Interest rate
March 30, 2021	20 quarterly payments	₱500,000,000	2.77% to 2.86% in 2016
December 9, 2019	36 monthly payments	200,000,000	3.10% in 2016
			2.90% to 3.20% in 2016
May 13, 2020	20 quarterly payments	90,000,000	3.14% to 3.22% in 2015

The interest rates of the long-term debt are subject to quarterly and monthly repricing based onmarket conditions.

In 2016, advance payments were made on the ₱90,000,000 long-term debt.

Movements in long-term debt are as follows:

	2017	2016
Beginning balance	**₱654,500,000**	₱81,000,000
Availments	–	700,000,000
Payments	**(71,166,666)**	(126,500,000)
	583,333,334	654,500,000
Less current portion	**166,666,667**	196,166,667
Noncurrent portion	**₱416,666,667**	₱458,333,333

Interest expense from these borrowings amounted to₱3,399,785,₱8,645,375, and ₱1,701,418 in 2017, 2016 and 2015, respectively (see Note 20). Interest payable amounted to nil and ₱1,769,535 as atMarch 31, 2017 and 2016, respectively (see Note 12).

The proceeds of the bank loans and long-term debt were used for the operations of the Group.

12. **Accounts Payable and Accrued Expenses**

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade payable	**₱2,312,260,495**	₱2,847,219,113
Rent (Note 26)	**110,509,747**	102,168,014
Utilities	**93,570,216**	96,504,939
Outsourced services	**70,079,347**	68,768,914
Employee benefits	**46,045,181**	103,186,803
Repairs and maintenance	**35,744,781**	36,161,341
Security services	**31,421,496**	27,903,068
Bank charges	**10,940,800**	18,726,700
Advertising and promotion	**8,586,931**	18,544,931
Interest (Notes 11 and 15)	**2,196,110**	5,434,795
Others	**154,491,745**	142,217,967
	₱2,875,846,849	₱3,466,836,585

13. **Other Current Liabilities**

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Non-trade accounts payable	**₱147,057,756**	₱553,234,034
Retention payable	**130,501,623**	126,790,021
Due to Franchisees	**292,941,483**	266,525,286
Output VAT	**147,108,531**	148,501,142
Withholding taxes	**61,640,013**	69,391,609
Current portion of deferred revenue on:		
Customer loyalty programme	**80,197,510**	74,116,373
Unearned revenue	**32,138,653**	37,222,608
Royalty	**26,279,048**	30,449,395
Service fees payable	**879,545**	2,142,409
Others	**13,067,143**	40,553,583
	₱931,811,305	₱1,348,926,460

Non-trade accounts payable pertains to payable to suppliers of goods or services that forms part of general and administrative expenses. These are noninterest-bearing and are due within one year.

14. **Deposits Payable**

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Franchisees	**₱137,293,672**	₱129,825,027
Service agreements	**92,588,090**	92,588,090
Rent	**17,406,108**	17,026,840
	₱247,287,870	₱239,439,957

15. **Cumulative Redeemable Preferred Shares**

Cumulative redeemable preferred shares, which are redeemable at the option of the holder, represent the share of PSC-ERP through its trustee, BPI-AMTG, 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.

16. **Deferred Revenue**

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Deferred revenue - others	**₱8,306,608**	₱7,309,433
	₱8,306,608	₱7,309,433

17. **Equity**

Common Stock

The Group was listed with the Philippine Stock Exchange on February 4, 1998 with total listed shares of 71,382,000 common shares consisting of 47,000,000 shares for public offering and 24,382,000 shares for private placement. The Group offered the share at a price of ₱4.40. Below is the Company's track record of the registration of securities:

Date of SEC order rendered effective or permit to sell/ Date of SEC approval	Event	Authorized Capital Stock	Issued shares	Issue price/ Par value
January 9, 1998	Outstanding commonshares	400,000,000	166,556,250	₱1.00
	Listed shares:			
February 4, 1998	Public offering	400,000,000	47,000,000	4.40
	Private placement	400,000,000	24,382,000	4.40
August 15, 2008	10% stock dividends	400,000,000	23,725,200	1.00
August 4, 2009	10% stock dividends	400,000,000	26,097,720	1.00
August 27, 2010	5% stock dividends	400,000,000	14,353,746	1.00
August 19, 2011	15% stock dividends	400,000,000	45,214,300	1.00
November 15, 2012	15% stock dividends	600,000,000	51,996,445	1.00
August 15, 2013	15% stock dividends	600,000,000	59,795,912	1.00
As at March 31,2017 and December 31,2016			459,121,573	

As at March 31, 2017 and December 31, 2016, the Company has a total of 615 and 626 shareholders on record.
The Philippine SEC approved the Company's application for the increase in its authorized capital stock on October 19, 2012.

Treasury Shares

There are 686,250 shares that are in the treasury amounting to ₱2,923,246 as at March 31, 2017 and December 31, 2016. There are no movement in the Group's treasury shares for the three months ended March 31, 2017.

18. **Cost of Merchandise Sales**

	Three Months Ended March (Unaudited)	
	2017	2016
Merchandise inventory, beginning	**₱2,131,441,288**	₱1,568,498,726
Net purchases	**4,946,726,527**	4,707,309,426
	7,078,167,815	6,381,761,802
Less merchandise inventory, ending	**1,844,976,320**	1,442,394,223
	₱5,233,191,495	₱4,939,367,579

19. **General and Administrative Expenses**

	Three Months Ended March 31, (Unaudited)	
	2017	2016
Rent (Note 26)	**₱443,664,867**	₱371,614,341
Communication, light and water	**404,076,049**	306,697,629
Outside services (Note 31)	**402,968,029**	339,048,145
Depreciation and amortization (Note 8)	**382,194,554**	311,019,991
Personnel costs (Notes 23 and 24)	**235,796,434**	167,313,730
Trucking services	**121,551,358**	95,752,317
Repairs and maintenance	**93,097,255**	48,770,289
Advertising and promotion	**87,858,959**	87,269,151
Royalties (Note 25)	**83,270,979**	73,136,071
Warehousing services	**81,487,513**	67,308,970
Taxes and licenses	**66,594,886**	48,371,490
Supplies	**65,980,517**	63,023,823
Inventory losses	**61,527,372**	49,095,327
Transportation and travel	**19,454,064**	12,492,771
Dues and subscription	**8,995,622**	4,108,572
Insurance	**7,541,592**	5,327,749
Entertainment and representation	**3,014,507**	2,782,191
Amortization of software and program costs (Note 10)	**266,636**	413,201
Others	**40,538,912**	33,571,807
	₱2,609,880,105	₱2,087,117,565

20. Marketing Income

	Three Months Ended March 31 (Unaudited)	
	2017	2016
Promotions	**₱152,309,647**	₱55,607,385
Marketing support funds	**43,396,030**	35,898,643
	₱195,705,677	₱91,506,028

21. Interest Expense

	Three Months Ended March 31(Unaudited)	
	2017	2016
Guaranteed preferred dividends (Note 15)	**₱44,101**	₱44,101
Interest on bank loans (Note 11)	**13,748,212**	9,967,071
	₱13,792,313	₱10,011,172

22. Interest Income

	Three Months Ended March 31 (Unaudited)	
	2017	2016
Bank deposits (Note 4)	**₱1,876,394**	₱976,593
Short term investment	**27,458**	–
	₱1,903,852	₱976,593

23. Personnel Costs

	Three Months Ended March 31 (Unaudited)	
	2017	2016
Salaries and wages	**₱127,904,568**	₱91,773,409
Employee benefits	**101,193,884**	70,176,591
Net retirement benefits cost (Note 24)	**6,697,982**	5,363,730
	₱235,796,434	₱167,313,730

24. **Retirement Benefits**

The Group maintains a trusteed, non-contributory defined benefit retirement plan covering all qualified employeesadministered by a trustee bank under the supervision of the Board of Trustees of the plan.The Board of Trustees is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Trustees delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which also consists of members of the Board of Trustees, a Director and a Controller. The Controller of the fund is the one who oversees the entire investment process.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

25. Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors or its stockholders.

Transactions with related parties consist of:

a. PSC and CDI have transactions with PFI, a foundation with common key management of the Group, consisting of donations and noninterest-bearing advances pertaining primarily to salaries, taxes and other operating expenses initially paid by PSC for PFI. Donations payable to PFI is presented under "Others" in the "Other current liabilities" in the consolidated balance sheets (see Note 13).

b. As at March 31, 2017 and December 31, 2016, the Group's defined benefit retirement fund has investments in shares of stock of the Parent Company with a cost of ₱122,417.

26. Leases

Operating Lease as Lessee

a. PSC has various lease agreements with third parties relating to its store operations. Certain agreements provide for the payment of rentals based on various schemes such as an agreed percentage of net sales for the month and fixed monthly rate.

b. In2012, CDI entered into a 2-year lease contract for the lease of a warehouse in Cebu commencing in April 2012 until April 2014. The lease has a renewal option and is subject to an annual escalation rate of 5%. Upon expiration in April 2014, CDI renewed the lease contract for another eight months from May to December 2014. On January 1, 2015, CDI again renewed the lease contract for one year from January to December 2015.

   In 2011, CDI entered into a 10-year lease contract for the lease of its warehouse extension effective March 2011. The lease is subject to an annual escalation rate of 4.0% starting on the second year of the lease. The lease contract was transferred to PSC on January 1, 2014 and rent expenses for this lease agreement were recorded by PSC.

   In 2005, CDI entered into a 15-year operating lease contract for the lease of its warehouse effective November 1, 2005.

   On June 30, 2007, PSC hasassumed the lease agreement for the warehouse and subleased the warehouse back to CDI. The lease has a renewal option and is subject to an escalation rate of 7.0% every after two years starting on the third year of the lease. In February 2013, CDI transferred the lease contract to PSC and the sublease was terminated. Rent expense related to the lease agreement was recorded by PSC.

27. **Basic/Diluted Earnings Per Share**

		Three Months Ended March 31 (Unaudited)	
		2017	2016
a.	Net income	**₱158,097,073**	₱182,370,979
b.	Weighted average number of shares issued	**459,121,573**	459,121,573
c.	Less weighted average number of shares held in treasury	**686,250**	686,250
d.	Weighted average number of shares outstanding **(b-c)**	**458,435,323**	458,435,323
e.	Basic/diluted earnings per share **(a/d)**	**₱0.34**	₱0.40

The Group does not have potentially dilutive common shares as atMarch 31, 2017 and December 31, 2016. Thus, the basic earnings per share is equal to the diluted earnings per share as at those dates.

28. **Financial Instruments**

The comparison of the carrying value and fair value of all of the Company's financial instruments (those with carrying amounts that are not equal to their fair values) as at March 31, 2017 and December 31, 2016 are as follows:

	March 31, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FINANCIAL ASSETS				
Loans and Receivables				
Receivables				
Lease receivable	**₱3,747,773**	**₱3,747,773**	₱3,747,773	₱ 3,747,773
Deposits				
Refundable	**47,446,323**	**47,446,323**	125,904,503	129,592,624
	₱51,194,096	**₱51,194,096**	₱129,652,276	₱133,340,397

Lease receivable and refundable deposits are categorized under level 3 in the fair value hierarchy.

Fair Value Information

Current Financial Assets and Financial Liabilities

Due to the short-term nature of the related transactions, the fair values of cash and cash equivalents, short-term investment, receivables (except for lease receivables), accounts payable and accrued expenses and other current liabilities approximates their carrying values as at balance sheet date.

Lease Receivable

The fair value of lease receivable is determined by discounting the sum of future cash flows using the prevailing market rates for instruments with similar maturities as at March 31, 2017 and December 31, 2016, which is 2.73%.

Utility and Other Deposits

The fair value of utility and other deposits approximates its carrying value as it earns interest based on repriced market conditions.

Refundable Deposits
The fair value of deposits is determined by discounting the sum of future cash flows using the prevailing market rates for instruments with similar maturities as at March 31, 2017 and December 31, 2016 ranging from 2.02% to 4.91%.

Bank Loans
The carrying value approximates fair value because of recent and monthly repricing of related interest based on market conditions.

Cumulative Redeemable Preferred Shares
The carrying value approximates fair value because corresponding dividends on these shares that are charged as interest expense in profit or loss are based on recent treasury bill rates repriced annually at year end.

<u>Fair Value Hierarchy</u>
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

As at March 31, 2017 and December 31, 2017, the Group has no financial instruments measured at fair value.

29. Financial Risk Management Objectives and Policies

The main risks arising from the Group's financial instruments are credit risk, liquidity risk,interest rate risk and foreign exchange risk. The BOD reviews and approves policies for managing each of these risks. The BOD also created a separate board-level entity,which is the Audit Committee, with explicit authority and responsibility in managing and monitoring risks. The Audit Committee, which ensures the integrity of internal control activities throughout the Group, develops, oversees, checks and pre-approves financial management functions and systems in the areas of credit, market, liquidity, operational, legal and other risks of the Group, and crisis management. The Internal Audit Department and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities.

Listed below are the summarized risk identified by the BOD.

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The receivable balances are monitored on an ongoing basis with the result that the Group's exposure to impairment is managed to a not significant level. The Group deals only with counterparty duly approved by the BOD.

The following tables provide information regarding the maximum credit risk exposure of the Group as at March 31, 2017 and December 31, 2016:

	March 31, 2017	December 31, 2016
	(Unaudited)	(Audited)
Cash and cash equivalents (excluding cash on hand)		
Cash in bank	₱897,163,892	₱1,137,432,406
Cash equivalents	360,000,000	100,000,000
	1,257,163,892	1,237,432,406
Short-term investment	11,083,578	11,083,577
Receivables		
Franchisees	268,053,054	528,911,471
Suppliers	391,953,569	568,482,978
Employees	22,299,126	21,364,281
Store operators	13,026,404	15,369,907
Rent	1,968,640	970,310
Due from PFI	4,901,146	4,725,698
Current portion of:		
Lease receivable	–	–
Notes receivable	–	–
Insurance receivable	5,168,843	3,749,206
Others	8,401,179	8,242,118
	715,771,961	1,151,815,969
Deposits (Note 9)		
Refundable Deposits	47,446,323	125,904,503
Utilities	89,856,951	93,131,856
Others	11,197,443	10,344,774
	148,500,717	229,381,133
Other noncurrent assets		
Noncurrent portion of:		
Due from franchisees	32,174,824	32,751,738
	₱2,164,694,972	₱2,662,464,823

The following tables provide information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of debtors:

	March 31, 2017 (Unaudited)			
	Neither Past Due nor Impaired			
		Standard	Past Due	
	High Grade	Grade	Or Impaired	Total
Cash and cash equivalents				
Cash in bank	₱897,163,892	₱–	₱–	₱897,163,892
Cash equivalents	360,000,000	–	–	360,000,000
	1,257,163,892	–	–	1,257,163,892
Short-term investment	11,083,578	–	–	11,083,578
Receivables				
Franchisees	–	254,780,849	15,465,109	270,245,958
Suppliers	–	284,396,074	128,865,739	413,261,813
Employees	–	22,299,126	1,325,583	23,624,709
Store operators	–	13,026,404	365,801	13,392,205
Rent	–	1,968,640	2,007,087	3,975,727
Due from PFI	–	4,901,146	–	4,901,146
Current portion of:				
Lease receivable	–	–	3,747,772	3,747,772
Notes receivable	–	–	990,917	990,917
Insurance receivable	–	5,168,843	–	5,168,843
Others	–	8,401,179	–	8,401,179
	–	594,942,261	152,768,009	747,710,270

	March 31, 2017 (Unaudited)			
	Neither Past Due nor Impaired			
		Standard	Past Due	
	High Grade	Grade	Or Impaired	Total
Deposits				
Utilities	**–**	**89,856,951**	**–**	**89,856,951**
Refundable	**–**	**47,446,323**	**–**	**47,446,323**
Others	–	**11,197,443**	**–**	**11,197,443**
	–	**148,500,717**	**–**	**148,500,717**
Other noncurrent asset				
Noncurrent portion of Due From Franchisees	**–**	**32,174,824**	**–**	**32,174,824**
	₱1,268,247,470	**₱775,617,802**	**₱152,768,009**	**₱2,196,633,281**

	December 31, 2016 (Audited)			
	Neither Past Due nor Impaired		Past Due	
		Standard	Or	
	High Grade	Grade	Impaired	Total
Cash and Cash Equivalents				
Cash in banks	₱1,137,432,406	₱–	₱–	₱1,137,432,406
Cash equivalents	100,000,000	–	–	100,000,000
	1,237,432,406	–	–	1,237,432,406
Short-term investment	11,083,577			11,083,577
Receivables				
Franchisees	–	508,456,603	22,647,772	531,104,375
• Suppliers	–	459,424,848	130,366,374	589,791,222
• Employees	–	21,364,281	1,325,583	22,689,864
• Store operators	–	15,239,454	496,254	15,735,708
Rent	–	970,310	2,007,087	2,977,397
Due from PFI	–	4,725,698	–	4,725,698
Current portion of:				
• Lease receivable	–	–	3,747,773	3,747,773
• Note receivable	–	–	990,917	990,917
• Insurance	–	3,749,206	–	3,749,206
• Others	–	8,242,118	–	8,242,118
		1,022,172,518	161,581,760	1,183,754,278
Deposits				
Refundable	–	125,904,503	–	125,904,503
Utilities	–	93,131,856	–	93,131,856
Others	–	10,344,774	–	10,344,774
	–	229,381,133	–	229,381,133
Other Noncurrent Asset				
Noncurrent portion of Due from Franchisees	–	32,751,738	–	32,751,738
	–	32,751,738	–	32,751,738
	₱1,248,515,983	₱1,284,305,389	₱161,581,760	₱2,694,403,132

The Group uses the following criteria to rate credit quality:

Class	Description
High Grade	Financial assets that have a recognized foreign or local third party rating or instruments which carry guaranty/collateral.
Standard Grade	Financial assets of companies that have the apparent ability to satisfy its obligations in full.

The credit qualities of the financial assets were determined as follow:

Cash in banks and cash equivalents and short-term investment are classified as high grade, since these are deposited or transacted with reputable banks which have low probability of insolvency.

Receivables, deposits and other noncurrent asset are classified as standard grade, since these pertain to receivables considered as unsecured from third parties with good paying habits.

The following tables provide the analysis of financial assets that are past due but not impaired and past due and impaired:

	March 31, 2017 (Unaudited)					
	Aging analysis of financial assets past due but not impaired				**Past due and**	
	31 to 60 days	**61 to 90 days**	**>90 days**	**Total**	**Impaired**	**Total**
Receivables:						
Suppliers	**₱32,216,605**	**₱53,327,662**	**₱22,013,228**	**₱107,557,495**	**₱21,308,244**	**₱128,865,739**
Franchisees	**1,766,957**	**1,786,975**	**9,718,274**	**13,272,205**	**2,192,904**	**15,465,109**
Lease receivable	**–**	**–**	**–**	**–**	**3,747,773**	**3,747,773**
Rent	**–**	**–**	**–**	**–**	**2,007,087**	**2,007,087**
Employees	**–**	**–**	**–**	**–**	**1,325,583**	**1,325,583**
Notes	**–**	**–**	**–**	**–**	**990,917**	**990,917**
Store operators	**–**	**–**	**–**	**–**	**365,801**	**365,801**
	₱33,983,562	**₱55,114,637**	**₱31,731,501**	**₱120,829,700**	**₱31,938,309**	**₱152,768,009**

	December 31, 2016 (Audited)					
	Aging analysis of financial assets past due but not impaired				Past due and	
	31 to 60 days	61 to 90 days	> 90 days	Total	Impaired	Total
Receivables:						
Suppliers	₱32,666,089	₱54,071,686	₱22,320,355	₱109,058,130	₱21,308,244	₱130,366,374
Franchisees	2,723,200	2,754,051	14,977,617	20,454,868	2,192,904	22,647,772
Lease receivable	–	–	–	–	3,747,773	3,747,773
Rent	–	–	–	–	2,007,087	2,007,087
Employees	–	–	–	–	1,325,583	1,325,583
Note receivable	–	–	–	–	990,917	990,917
Store operators	–	–	130,453	130,453	365,801	496,254
	₱35,389,289	₱56,825,737	₱37,428,425	₱129,643,451	₱31,938,309	₱161,581,760

Receivables from suppliers are noninterest-bearing and are generally on 30 day to 90 day terms. There are no significant concentrations of credit risk within the Group.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and service its maturing debts. To cover for its financing requirements, the Group intends to use internally generated funds and sales of certain assets.

As part of its liquidity risk management program, the Group regularly evaluates projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund raising initiatives. The Group uses historical figures and experiences and forecasts of collections and disbursements.

These initiatives may include drawing of loans from the approved credit line intended for working capital and capital expenditures purposes and equity market issues.

The tables below summarize the maturity profile of the financial assets of the Group:

	March 31, 2017 (Unaudited)				
	Three months or less	**More than three months to one year**	**More than one year to five years**	**More than five years**	**Total**
Cash and cash equivalents					
Cash on hand and in banks	**₱1,061,864,592**	**₱–**	**₱–**	**₱–**	**₱1,061,864,592**
Cash equivalents	**360,000,000**	**–**	**–**	**–**	**360,000,000**
	1,421,864,592	**–**	**–**	**–**	**1,421,864,592**
Short-term investment	**11,083,578**	**–**	**–**	**–**	**11,083,578**
Receivables:					
Franchisees	**268,053,054**	**–**	**–**	**–**	**268,053,054**
Suppliers	**284,396,074**	**107,557,495**	**–**	**–**	**391,953,569**
Employees	**22,299,126**	**–**	**–**	**–**	**22,299,126**
Store operators	**13,026,404**	**–**	**–**	**–**	**13,026,404**
Rent	**1,968,640**	**–**	**–**	**–**	**1,968,640**
Due from PFI	**4,901,146**	**–**	**–**	**–**	**4,901,146**
Insurance receivable	**–**	**5,168,843**	**–**	**–**	**5,168,843**
Others	**8,401,179**	**–**	**–**	**–**	**8,401,179**
	603,045,623	**112,726,338**	**–**	**–**	**715,771,961**
Deposits					
Utilities	**–**	**–**	**89,856,951**	**–**	**89,856,951**
Refundable	**–**	**–**	**47,446,323**	**–**	**47,446,323**
Others	**–**	**–**	**11,197,443**	**–**	**11,197,443**
	–	**–**	**148,500,717**	**–**	**148,500,717**
Other noncurrent asset					
Noncurrent portion of Due from Franchisees	**–**	**–**	**32,174,824**	**–**	**32,174,824**
	–	**–**	**32,174,824**	**–**	**32,174,824**
	₱2,035,993,793	**₱112,726,338**	**₱180,675,541**	**₱ –**	**₱2,329,395,672**

	December 31, 2016 (Audited)				
	Three Months or Less	More than Three Months to One Year	More than One Year to Five Years	More than Five Years	Total
Cash and Cash Equivalents					
Cash on hand and in banks	₱1,450,972,673	₱–	₱–	₱–	₱1,450,972,673
Cash equivalents	100,000,000				100,000,000
	1,550,972,673				1,550,972,673
Short-term investment	11,083,577	–	–	–	11,083,577
Receivables					
Franchisees	528,911,471	–	–	–	528,911,471
Suppliers	459,424,848	109,058,130	–	–	568,482,978
Employees	21,364,281	–	–	–	21,364,281
Store operators	15,369,907	–	–	–	15,369,907
Due from PFI	4,725,698	–	–	–	4,725,698
Insurance receivable	–	3,749,206	–	–	3,749,206
Rent	970,310	–	–	–	970,310
Others	8,242,118	–	–	–	8,242,118
	1,039,008,633	112,807,336	–	–	1,151,815,969
Deposits					
Refundable	–	3,358,356	122,546,147	–	125,904,503
Utilities	–	–	93,131,856	–	93,131,856
Others	–	–	10,344,774	–	10,344,774
	–	3,358,356	226,022,777	–	229,381,133
Other Noncurrent Asset					
Noncurrent portion of Due from Franchisees	–	–	32,751,738	–	32,751,738
	–	–	32,751,738	–	32,751,738
	₱2,601,064,883	₱116,165,692	₱258,774,515	₱–	₱2,976,005,090

The tables below summarize the maturity profile of the financial liabilities of the Group based on remaining undiscounted contractual obligations:

	March 31, 2016 (Unaudited)			
	Three months or less	More than three months to one year	More than one year	Total
Bank loans	**₱1,390,000,000**	**₱–**	**₱–**	**₱1,390,000,000**
Accounts payable and accrued expenses				
Trade payable	**₱2,312,260,495**	**–**	**–**	**₱2,312,260,495**
Rent	**110,509,747**	**–**	**–**	**110,509,747**
Utilities	**93,570,216**	**–**	**–**	**93,570,216**
Outsourced services	**70,079,347**	**–**	**–**	**70,079,347**
Employee benefits	**46,045,181**	**–**	**–**	**46,045,181**
Repairs and maintenance	**35,744,781**	**–**	**–**	**35,744,781**
Security services	**31,421,496**	**–**	**–**	**31,421,496**
Bank charges	**10,940,800**	**–**	**–**	**10,940,800**
Advertising and promotion	**8,586,931**	**–**	**–**	**8,586,931**
Interest	**2,196,110**	**–**	**–**	**2,196,110**
Others	**154,491,745**	**–**	**–**	**154,491,745**
	₱2,875,846,849	**–**	**–**	**₱2,875,846,849**
Other current liabilities				
Non-trade accounts payable	**22,926,508**	**124,131,248**	**–**	**147,057,756**
Retention payable	**–**	**130,501,623**	**–**	**130,501,623**
Due to Franchisees	**292,941,483**	**–**	**–**	**292,941,483**
Royalty	**26,279,048**	**–**	**–**	**26,279,048**
Service fees payable	**–**	**879,545**	**–**	**879,545**
Others	**–**	**13,067,143**	**–**	**13,067,143**
	342,147,039	**268,579,559**	**–**	**610,726,598**
Long-term debt	**71,166,667**	**95,500,000**	**416,666,667**	**583,333,334**
Cumulative redeemable preferred shares	**6,000,000**	**–**	**–**	**6,000,000**
	₱4,685,160,555	**₱364,079,559**	**416,666,667**	**₱5,465,906,781**

	December 31, 2016 (Audited)			
	Three months or less	More than three months to one year	More than one year	Total
Bank loans	₱1,220,000,000	₱–	₱–	₱1,220,000,000
Accounts payable and accrued expenses				
Trade payable	2,847,219,113	–	–	2,847,219,113
Employee benefits	103,186,803	–	–	103,186,803
Rent	102,168,014	–	–	102,168,014
Utilities	96,504,939	–	–	96,504,939
Outsourced services	68,768,914	–	–	68,768,914
Repairs and maintenance	36,161,341	–	–	36,161,341
Security services	27,903,068	–	–	27,903,068
Bank charges	18,726,700	–	–	18,726,700
Advertising and promotion	18,544,931	–	–	18,544,931
Interest	5,434,795	–	–	5,434,795
Others	142,217,967	–	–	142,217,967
	3,466,836,585	–	–	3,466,836,585
Other current liabilities				
Non-trade accounts payable	425,719,687	127,514,348	–	553,234,035
Due to Franchisees	266,525,286	–		266,525,286
Retention payable	–	126,790,021	–	126,790,021
Royalty	30,449,395	–	–	30,449,395
Service fees payable	–	2,142,409	–	2,142,409
Others	–	40,553,582	–	40,553,582
	722,694,368	297,000,360	–	1,019,694,728
Long-term debt	71,166,667	125,000,000	458,333,333	654,500,000
Cumulative redeemable preferred shares	6,000,000	–	–	6,000,000
	₱5,486,697,620	₱422,000,360	₱458,333,333	₱6,367,031,313

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's fair value and cash flows interest rate risk mainly arise from bank loans with floating interest rates. The Group is expecting to substantially reduce the level of bank loans over time. Internally generated funds coming from its cash generating units and from its franchising business will be used to pay off outstanding debts and consequently reduce the interest rate exposure.

The maturity profile of financial instruments that are exposed to interest rate risk are as follows:

	March 31,2017 (Unaudited)	December 31, 2016 (Audited)
Due in less than one year	**₱1,562,666,667**	₱1,402,166,667
Due in more than one year	**416,666,667**	458,333,333
Rate	**2.45%-3.20%**	2.45%-3.20%

Interest of financial instruments classified as floating rate is repriced at intervals of 30 days.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate borrowings):

	March 31, 2017 (Audited)		December 31, 2016 (Audited)	
	Increase/ Decrease in Basis Points	**Effect on Income Before Income Tax**	Increase/ Decrease in Basis Points	Effect on Income Before Income Tax
Bank loans - floating interest rate	**+100**	**(₱19,733,333)**	+100	(₱18,545,000)
	-100	**19,733,333**	-100	18,545,000

There is no other impact on the Group's equity other than those already affecting profit or loss.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group's foreign exchange exposure arises from holding foreign currency denominated rates, cash and cash equivalents, loans and receivables and merchandise sale to foreign entity. In order to balance this exposure, the Group has some sales denominated in foreign currency and maintains a foreign currency accounts in a reputable commercial bank. The Group does not enter into derivatives to hedge the exposure.

30. **Capital Management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

In the light of changes in economic conditions, the Group manages dividend payments to shareholders, pay-off existing debts, return capital to shareholders or issue new shares. The Group mainly uses financing from local banks.

The Group considers equity contributed by shareholders as capital. The Group manages its capital structure by keeping a net worth of between 30% to 50% in relation to its total assets. The Group's net worth ratio is 41% and 43% as at March 31, 2017 and 2016, respectively. No changes were made in the objectives, policies and processes during the year.

	March 31 (Unaudited)	
	2017	2016
Common stock	**₱459,121,573**	₱459,121,573
Additional paid-in capital	**293,525,037**	293,525,037
Retained earnings	**4,452,120,805**	3,553,328,903
	5,204,767,415	4,305,975,513
Less cost of shares held in treasury	**2,923,246**	2,923,246
	5,201,844,169	4,303,052,267
Total assets	**₱11,678,654,911**	₱9,635,930,287
Net worth	**45%**	**45%**

31. **Significant Agreements**

a. Franchise Agreements
The Group has various store franchise agreements with third parties for the operation of certain stores. The agreement includes a one-time franchise fee payment and an annual 7-Eleven charge for the franchisee, which is equal to a certain percentage of the franchised store's gross profit. Details follow:

	Three Months Ended March 31 (Unaudited)	
	2017	2016
Share in gross profit of franchisees	**₱521,109,866**	₱476,997,284
Rent, utilities and other expenses	**183,570,154**	152,401,281
Franchise fee	**26,459,308**	34,200,000
	₱731,139,329	₱663,598,565

b. Service Agreements
The Group has service agreements with third parties for the management and operation of certain stores. In consideration thereof, the store operator is entitled to a service fee based on a certain percentage of the store's gross profit and operating expenses as stipulated in the service agreement. Service fees included under outside services shown as part of "Outside services" in "General and administrative expenses" account.

c. Commission Income
The Group has entered into agreements with a phone card supplier and various third parties. Under the arrangements, the Group earns commission on the sale of phone cards and collection of bills payments based on a certain percentage of net sales and collections for the month and a fixed monthly rate. Commission income amounted to ₱11 million, and ₱8.9 millionfor the three months ended March 31, 2015 and 2014respectively.

d. 2014 Exclusivity Contract
In 2014, the Group has entered into a 3-year exclusivity contract with a third party ice cream distributor in the Philippines effective January 2014 to December 2016. The contract indicates that the third party ice cream distributor will exclusively supply all ice cream products of 7-Eleven stores.The Group received a one-time signing bonus amounting to ₱75,000,000 upon the effectivity of the exclusivity supply contract amortized over three years.

e. Memorandum of Agreement (MOA) with Chevron Philippines, Inc.
The Group has entered into MOA with Chevron Philippines, Inc. (CPI) on August 6, 2009, wherein CPI has granted the Group as authorized co-locator for a full term of three-years to establish operate and/or franchise its 7-Eleven stores in CPI service stations. Both parties have identified 22 CPI service stations, wherein the Group will give the Retailers of these service stations a Letter Offer to Franchise (LOF) 7-Eleven stores. Upon acceptance of the

Retailers of the LOF, the Retailers will sign a Store FranchiseAgreement (SFA) with the Group. If LOF is not accepted by one of the 22 original servicestations identified, that service station will be replaced with another mutually acceptable service station site.
Upon signing of the MOA, CPI executed a Caltex Retail Agreement with each of the 22 service station Retailers, which shall have a full term of three years and which will be co-terminus with the SFA.

32. **Segment Reporting**

The Group considers the store operations as its only business segment based on its primary business activity. Franchising, renting of properties and commissioning on bills payment services are considered an integral part of the store operations. The Group's identified operating segments below are consistent with the segments reported to the BOD, which is the Chief Operating Decision Maker of the Group.

The products and services from which the store operations derive its revenues from are as follows:

- Merchandise sales
- Franchise revenue
- Marketing income
- Rental income
- Commission income
- Interest income

The aforementioned revenues are all revenues from external customers.

The segment's relevant financial information is as follows:

	Three Months Ended March 31, (Unaudited)	
	2017	2016
Revenue		
Revenue from merchandise sales	**₱7,030,477,253**	₱6,466,580,818
Franchise revenue	**731,139,328**	663,598,565
Marketing income	**195,705,677**	91,506,028
Rental income	**19,657,430**	14,896,888
Commission income	**25,553,493**	13,290,554
Interest income	**1,903,852**	976,593
Other income	**84,295,972**	52,505,966
	8,088,733,006	7,303,355,412
Expenses		
Cost of merchandise sales	**5,233,191,495**	4,939,367,579
General and administrative expenses:		
Depreciation and amortization	**382,194,554**	311,019,991
Others	**2,227,685,551**	1,776,097,574
Interest expense	**13,792,313**	10,011,172
Other expenses	**7,531,928**	8,135,747
	7,864,395,841	7,044,632,063
Income Before Income Tax	**224,337,165**	258,723,349
Provision for Income Tax	**66,240,092**	76,352,370
Segment Profit	**158,097,073**	182,370,979
Segment Assets	**₱11,678,654,911**	9,635,930,287
Segment Liabilities	**₱6,479,190,965**	5,336,264,227

33. **Provisions andContingencies**

The Group is a party to various litigations and claims. All cases are in the normal course of business and are not deemed to be considered as material legal proceedings. Further, the cases are either pending in courts or under protest, the outcome 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 litigations and claims will not materially affect their financial position or financial performance.

34. **Note to Consolidated Statements of Cash Flows**

The principal non-cash transaction of the Group under financing activities pertains to the issuance of stock dividends (see Note 17).