COVER SHEET

0	0	0	0	1	0	8	4	7	6

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		17 - Q		0 7	3rd Thursday
Month	Day		FORM TYPE		Month	Day
Fiscal Year					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 purposes

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, 2012

2. Commission identification number

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
   1501

8. Telephone number : (632) 724-44-41 to 51

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

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

		No. of Shares of Common Stock
Shares Outstanding - Common	:	**346-642-966**
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 14, 2012

Signature and Title: **PING-HUNG CHEN**
Chief Finance Officer

Date: May 14, 2012

SECURITIES AND EXCHANGE COMMISSION
SEC Building
EDSA, Quezon City

Gentlemen:

In connection with the financial statements of Philippine Seven Corporation as of March 31, 2012, 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
Chief Finance Officer

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, 2012. 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

PING-HUNG CHEN
Chief Finance Officer

Part 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

a.	Unaudited Consolidated Balance Sheet as of March 31, 2012 and Audited Balance Sheet as of December 31, 2011	7
b.	Unaudited Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2012 and 2011	9
c.	Unaudited Consolidated Statements of Changes in Stockholders' Equity for the Three Months Ended March 31, 2012 and 2011	10
d.	Unaudited Consolidated Statements of Cash Flow for the Three Months Ended March 31, 2012, 2011 and 2010	11
e.	Notes to Unaudited Consolidated Financial Statements	12
f.	ANNEX 1: Schedule of Receivables as of March 31, 2012	43

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Pages 44-49)

Philippine Seven Corporation
and Subsidiaries

Unaudited Consolidated Financial Statements
As of March 31, 2012 and 2011
and for the Quarters Ended March 31, 2012, 2011 and 2010

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	As of March 31, 2012 (Unaudited)	As of December 31, 2011 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱ 269,659,729**	₱394,696,749
Short-term investment	**10,409,907**	10,409,907
Receivables (Note 5)	**188,026,715**	239,289,287
Inventories - at cost (Note 6)	**524,875,399**	519,258,936
Prepayments and other current assets (Note 7)	**306,544,239**	161,522,138
Total Current Assets	**1,299,515,989**	1,325,177,017
Noncurrent Assets		
Property and equipment (Note 8)	**2,002,558,061**	1,946,032,976
Deposits (Note 9)	**217,984,404**	215,964,826
Deferred income tax assets - net (Note 27)	**40,662,814**	40,662,817
Goodwill and other noncurrent assets (Note 10)	**94,813,721**	206,461,345
Total Noncurrent Assets	**2,356,019,000**	2,409,121,964
TOTAL ASSETS	**₱ 3,655,534,989**	₱3,734,298,981

LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Note 11)	**372,666,667**	₱374,666,667
Accounts payable and accrued expenses (Note 12)	**1,163,120,255**	1,243,937,457
Income tax payable	**24,393,615**	73,922,196
Other current liabilities (Notes 13 and 25)	**273,518,860**	298,435,516
Total Current Liabilities	**1,833,699,397**	1,990,961,836
Noncurrent Liabilities		
Deposits payable (Note 14)	**203,595,074**	171,457,833
Net retirement obligations (Note 24)	**58,120,530**	65,192,720
Cumulative redeemable preferred shares (Note 15)	**6,064,688**	6,000,000
Deferred revenue - net of current portion (Note 16)	**1,081,573**	4,057,482
Total Noncurrent Liabilities	**268,861,864**	246,708,035
Total Liabilities	**2,102,561,261**	2,237,669,871

(Forward)

	As of March 31, 2012 (Unaudited)	As of December 31, 2011 (Audited)
Equity		
Capital stock (Note 17) - ₱1 par value Authorized - 400,000,000 shares Issued – 347,329,216 and 302,114,918 shares as of December 31, 2011 and 2010, respectively [held by 666 and 684 equity holders in 2011 and 2010, respectively (Note 1)]	**347,329,216**	₱347,329,216
Additional paid-in capital	**293,525,037**	293,525,037
Retained earnings (Note 17)	**911,812,825**	855,468,208
Other component of equity - revaluation increment on land [net of deferred income tax liability (Notes 8 and 27)]	**3,229,895**	3,229,895
	1,555,896,974	1,499,552,356
Cost of 686,250 shares held in treasury	**(2,923,246)**	(2,923,246)
Total Equity	**1,552,973,728**	1,496,629,110
TOTAL LIABILITIES AND EQUITY	**₱ 3,655,534,989**	₱3,734,298,981

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31 (Unaudited)		
	2012	2011	2010
REVENUE			
Revenue from merchandise sales	**₱ 2,675,757,345**	₱ 1,931,450,765	₱1,697,779,579
Franchise revenue (Note 32)	**142,253,365**	113,808,270	96,572,418
Marketing income (Note 20)	**99,674,388**	74,398,145	55,447,665
Rent income (Note 26)	**7,658,981**	9,799,774	8,199,848
Commission income (Note 32)	**12,261,429**	8,660,014	6,402,146
Interest income (Notes 9, 22 and 26)	**555,720**	612,675	682,091
Other income (Note 32)	**11,477,204**	21,667,064	8,376,917
	2,949,638,432	2,160,396,707	1,873,460,664
EXPENSES			
Cost of merchandise sales (Note 18)	**1,998,515,358**	1,417,792,031	1,237,755,777
General and administrative expenses (Note 19)	**862,551,254**	682,166,490	557,487,037
Interest expense (Notes 11, 15 and 21)	**3,574,075**	3,655,239	4,424,086
Other expenses	**4,505,433**	1,397,874	955,261
	2,869,146,121	2,105,011,633	1,800,622,162
INCOME BEFORE INCOME TAX	**80,492,312**	55,385,074	72,838,502
PROVISION FOR INCOME TAX (Note 27)	**24,147,695**	18,282,147	22,746,572
NET INCOME	**56,344,617**	37,102,927	50,091,930
OTHER COMPREHENSIVE INCOME			
Effect of change in tax rate in 2011			
TOTAL COMPREHENSIVE INCOME	**56,344,617**	37,102,927	50,091,930
BASIC/DILUTED EARNINGS PER SHARE (Note 28)	**0.16**	0.12	0.17

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 and 2009 AND FIRST QUARTERS ENDED 2012 AND 2011 (UNAUDITED)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Revaluation Increment on Land	Total	Treasury Stock	Total
BALANCES AS OF DECEMBER 31, 2009	**287,761,172**	**293,525,037**	**326,309,628**	**3,229,895**	**910,825,732**	**(2,923,246)**	**907,902,486**
Stock dividends (Note 17)	14,353,746	-	(14,353,746)	-	-	-	-
Cash dividends (Note 17)	-	-	(14,353,746)	-	(14,353,746)	-	(14,353,746)
Total comprehensive income for the year	-	-	276,880,248	-	276,880,248	-	276,880,248
BALANCES AS OF DECEMBER 31, 2010	**302,114,918**	**293,525,037**	**574,482,384**	**3,229,895**	**1,173,352,234**	**(2,923,246)**	**1,170,428,988**
Stock dividends (Note 17)	45,214,298		(45,214,298)				-
Cash dividends (Note 17)			**(30,142,867)**		**(30,142,867)**		(30,142,867)
Total comprehensive income for the year	-	-	356,342,989	-	356,342,989	-	356,342,989
BALANCES AS OF DECEMBER 31, 2011	**347,329,216**	**293,525,037**	**855,468,208**	**3,229,895**	**1,499,552,356**	**(2,923,246)**	**1,496,629,110**
Total comprehensive income for the Quarter			56,344,617		56,344,617		56,344,617
BALANCES AS OF MARCH 31, 2012	**347,329,216**	**293,525,037**	**911,812,825**	**3,229,895**	**1,555,896,973**	**(2,923,246)**	**1,552,973,727**
BALANCES AS OF MARCH 31, 2011	**302,114,918**	**293,525,037**	**611,585,311**	**3,229,895**	**1,210,455,161**	**(2,923,246)**	**1,207,531,915**

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**80,492,311**	55,385,074	72,838,502
Adjustments for:			
Depreciation and amortization	**115,766,354**	85,071,290	56,119,836
Interest expense	**3,574,075**	3,655,239	4,424,086
Interest income	**555,720**	(612,675)	(682,091)
Net retirement obligations	**(7,072,190)**	1,982,222	(2,836,378)
Amortization of:			
Software and other program costs	**372,619**	788,219	770,607
Operating income before working capital changes	**193,688,889**	146,269,368	**130,634,563**
Decrease (increase) in:			
Receivables	**51,262,572**	64,703,097	47,372,957
Inventories	**(5,616,463)**	68,546,045	30,598,270
Prepayments and other current assets	**(145,022,101)**	(46,788,729)	(144,611,490)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(80,817,202)**	(269,243,261)	(142,142,504)
Other current liabilities	**(26,443,637)**	(44,999,263)	31,759,434
Deposits payable	**32,137,241**	20,369,700	39,121,283
Cash generated from operations	**19,189,300**	(61,143,044)	(7,267,486)
Income taxes paid	**(73,676,275)**	0	(48,969)
Interest received	**(555,720)**	612,675	682,091
Net cash from operating activities	**(55,042,695)**	(60,530,368)	(6,634,364)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to (Amortization of):			
Property and equipment	**(172,291,439)**	(157,681,337)	(132,067,488)
Software and other program costs	**(372,619)**	(788,219)	(770,607)
Decrease (increase) in:			
Deposits	**(2,019,578)**	(18,295,987)	(10,277,316)
Goodwill and other noncurrent assets	**110,263,387**	5,347,684	(222,001)
Collection of lease receivable	**0**	397,820	543,931
Net cash used in investing activities	**(64,420,249)**	(171,020,039)	(142,793,481)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of bank loans		90,000,000	100,000,000
Payments of bank loans	**(2,000,000)**	-	(100,000,000)
Interest paid	**(3,574,075)**	(3,655,239)	(4,424,086)
Net cash used in financing activities	**(5,574,076)**	86,344,761	(4,424,086)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(125,037,020)**	(145,205,646)	(153,851,931)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**394,696,749**	358,729,534	448,830,888
CASH AND CASH EQUIVALENTS AT END OF FIRST QUARTER	**269,659,729**	213,523,888	294,978,957

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Authorization for Issuance of 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 29, 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 foodstuffs, 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 56.59% of the Company's outstanding shares. The remaining 43.41% of the shares are widely held. The ultimate parent of the Company is President Chain Store Corporation (PCSC, incorporated in Taiwan, Republic of China).

The Company has its primary listing on the Philippine Stock Exchange. As of December 31, 2011 and 2010, the Company has 666 and 684 equity holders, respectively.

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

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation

The consolidated financial statements are prepared under the historical cost basis, except for parcels of land, which are carried at revalued amount. The consolidated financial statements are presented in Philippine Peso (Peso), which is the Company's functional currency.

Statement of Compliance

The consolidated financial statements, which are prepared for submission to the SEC, are prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

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

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

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 change.

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.

Value-Added Tax (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 or 60 months, whichever is shorter, commencing on the date of acquisition. Deferred input VAT which is expected to be utilized 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 "Accounts payable and accrued expenses" 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.

Advances to Suppliers
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.

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

Land is carried at revalued amount less any impairment in value. The difference between cost and revalued amount goes to the equity section of the consolidated balance sheet. The revalued amount is determined by a professionally qualified independent appraiser.

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.

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.

Deposits

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

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill, included in "Goodwill and other noncurrent assets" 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.

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.

Equity

Capital Stock

Capital stock is measured at par value for all shares issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and number of 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 case the 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.

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

Revenue Recognition

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.

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 achievement of the minimum purchase requirement of 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.

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.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Retirement Benefits

Retirement benefits cost is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the present value of the retirement obligations and the fair value of the net plan assets as of that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

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

Income Tax

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 on 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 directly in equity is recognized in profit or loss.

Earnings (Loss) Per Share
Basic earnings (loss) per share is calculated by dividing the net income or (loss) for the year attributable to common shareholders by the weighted average number of shares outstanding during the year, excluding treasury shares.

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 of balance sheet date. Future events may occur which can cause the assumptions used in arriving at those judgments, estimates and assumptions to

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:

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 financial assets, 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 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 include loans and receivables, AFS financial assets and other financial liabilities (see Note 29).

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. SSHI also entered into lease agreements on properties which it owns. The Company and SSHI determined that it retains all the significant risks and rewards of these properties which are leased out on operating leases (see Note 26).

Impairment of Property and Equipment and Software and Program Costs

The Group determines whether its items of property and equipment and software and program costs are impaired on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the assets are allocated. The preparation of the estimated future cash flows in determining value-in-use involves significant judgment, estimation and assumption.

While management believes that the assumptions made are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

4.Cash and Cash Equivalents and Short-Term Investment

	MAR 2012	DEC 2011
Cash on hand and in banks	**₱269,659,729**	₱394,696,749
Cash equivalents	**–**	
	₱269,659,729	₱394,696,749

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**

	MAR 2012	DEC 2011
Suppliers	**₱ 58,843,901**	₱99,035,030
Franchisee	**71,029,780**	89,638,852
Insurance receivable	**319,208**	319,208
Employees	**13,877,975**	15,407,124
Store operators	**19,843,376**	₱15,683,186
Rent	**5,779,904**	7,068,009
Current portion of lease receivable - net of unearned interest income amounting to ₱291,204 and ₱378,850 as of December 31, 2011 and 2011, respectively (Note 26)	**902,256**	1,300,075
Deposits	**1,009,864**	1,009,864
Due from Philseven Foundation, Inc. (PFI) (Note 25)	**249,608**	173,945
Others	**23,609,327**	17,092,477
	195,465,199	246,727,770
Less allowance for impairment	**7,438,483**	7,438,483
	₱ 188,026,715	₱239,289,287

6. **Inventories**

	MAR 2012	DEC 2011
At cost (Note 18):		
Warehouse merchandise	**₱ 299,151,421**	₱271,683,488
Store merchandise	**225,723,977**	247,575,448
	₱ 524,875,399	₱519,258,936

7. **Prepayments and Other Current Assets**

	MAR 2012	DEC 2011
Deferred input VAT	**₱ 142,814,060**	₱43,844,078
Advances to suppliers	**50,865,327**	47,628,097
Prepaid rent	**39,779,374**	36,729,050
Advances for expenses	**16,837,894**	5,176,635

Prepaid uniform	**1,928,520**	2,145,413
Supplies	**935,268**	1,825,459
Current portion of deferred lease (Notes 10 and 26)	**2,425,557**	2,425,557
Others	**50,958,239**	21,747,849
	₱ 306,544,239	₱161,522,138

8. **Property and Equipment**

Movements in property and equipment are as follows:

	As of March 31, 2012								
	Land	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	44,481,000	110,179,849	1,307,026,502	454,106,297	38,988,602	176,359,215	978,634,236	72,806,750	3,182,582,451
Additions			83,214,215	35,129,504	252,500	8,240,867	44,431,565	1,022,788	172,291,439
Disposals									-
Reclassifications		-	-	-	-	-	-	-	-
Ending balances	44,481,000	110,179,849	1,390,240,717	489,235,801	39,241,102	184,600,082	1,023,065,801	73,829,538	3,354,873,890
Accumulated Depreciation									
and Amortization									
Beginning balances	-	64,958,094	425,110,107	194,721,454	15,683,194	105,282,852	430,793,774	-	1,236,549,475
Depreciation and								-	-
amortization (Note 19)	-	1,216,210	55,803,360	17,394,865	1,317,568	7,777,145	32,257,205	-	115,766,353
Disposals	-							-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Ending balances	-	66,174,304	480,913,467	212,116,319	17,000,762	113,059,997	463,050,979	-	1,352,315,828
Net Book Values	44,481,000	44,005,545	909,327,250	277,119,482	22,240,340	71,540,085	560,014,822	73,829,538	2,002,558,062

9. **Deposits**

	MAR 2012	DEC 2011
Rent	**₱ 157,980,357**	₱155,379,984
Utilities	**29,893,071**	29,267,868
Refundable	**26,789,004**	26,789,004
Others	**3,321,972**	4,527,970
	₱ 217,984,404	₱215,964,826

10. **Goodwill and Other Noncurrent Assets**

	MAR 2012	DEC 2011
Goodwill	**₱ 65,567,524**	₱ 65,567,524
Deferred input vat-net of current portion		103,958,618
Deferred lease - net of current portion (Note 26)	**15,266,788**	15,266,788
Garnished accounts	**5,208,160**	6,241,465
Software and program cost	**2,856,745**	2,484,126
Lease receivable - net of current portion (Note 26)	**3,747,773**	3,448,336
AFS financial assets	**-**	-
Others	**2,166,731**	9,494,488
	₱ 94,813,721	₱ 206,461,345

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.

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:

	MAR 2012	DEC 2011
Beginning balance	**₱17,692,345**	₱11,855,967
Additions	**-**	8,616,062
Amortization (Note 26)	**-**	(2,779,684)
Refunded	**-**	-
Ending balance	**17,692,345**	17,692,345
Less current portion	**2,425,557**	2,425,557
Noncurrent portion	**₱15,266,788**	₱15,266,788

Software and Program Cost

Movements in software and program cost are as follows:

	MAR 2012	DEC 2011
Cost		
Beginning balance	**₱ 14,661,985**	₱14,661,985
Acquisition	**-**	-
Ending balance	**14,661,985**	14,661,985
Accumulated Amortization		
Beginning balance	**12,177,859**	9,579,118
Amortization (Note 19)	**(372,619)**	2,598,741
Ending balance	**11,805,240**	12,177,859
Net Book Values	**₱ 2,856,745**	₱2,484,126

11. **Bank Loans**

Bank loans represent unsecured Peso-denominated short-term borrowings from various local banks, payable in lump-sum in 2011 and 2010 with annual interest rates ranging from 3.50% to 4.25%, 4.20% to 5.20% and 4.90% to 5.50% in 2011, 2010 and 2009, respectively, 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:

	MAR 2012	DEC 2011
Beginning balance	**₱ 374,666,667**	₱ 320,000,000
Availment	**-**	230,000,000
Payments	**(2,000,000)**	(175,333,333)
Ending balance	**₱ 372,666,667**	₱ 374,666,667

12. **Accounts Payable and Accrued Expenses**

	MAR 2012	DEC 2011
Trade payable	**₱ 976,403,656**	₱ 1,066,740,769
Rent (Notes 26 and 34)	**50,616,699**	47,263,813
Employee benefits	**17,358,790**	23,954,117
Utilities	**42,784,173**	38,219,462
Advertising and promotion	**25,901,793**	16,054,548
Outsourced services	**13,531,908**	12,461,025
Security services	**3,424,460**	3,054,419
Bank charges	**3,231,300**	2,278,700
Interest (Notes 11 and 15)	**752,463**	1,174,528
Others	**29,115,013**	32,736,076
	₱1,163,120,255	₱1,243,937,457

13. **Other Current Liabilities**

	MAR 2012	DEC 2011
Non-trade accounts payable	**₱ 203,098,576**	₱188,758,358
Output VAT	**(6,264,967)**	19,205,290
Withholding taxes	**20,714,004**	22,974,557
Retention payable	**15,896,399**	18,688,531
Service fees payable	**17,892,613**	19,370,472
Royalty (Note 25)	**10,047,415**	10,353,333
Current portion of deferred revenue on:		
Exclusivity contract (Notes 16 and 32)	**1,934,524**	1,934,524
Finance lease (Notes 16 and 26)	**589,567**	589,567
Others (Note 25)	**9,610,730**	16,560,884
	₱ 273,518,860	₱298,435,516

Non-trade accounts payable pertains to payable to suppliers of goods or services that are not directly related to the Company's ordinary course of business.

14. **Deposits Payable**

	MAR 2012	DEC 2011
Franchisees	**₱ 115,834,872**	₱ 88,795,094
Service agreements	**74,217,898**	69,260,533
Rent	**13,542,304**	13,402,206
	₱ 203,595,074	₱ 171,457,833

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.

The guaranteed annual dividends shall be calculated and paid in accordance with the Shareholder's Agreement dated November 16, 2000 which provides that the dividend shall be determined by the BOD of SSHI using the prevailing market conditions and other relevant factors. Further, the preferred shareholder shall not participate in the earnings of SSHI except to the extent of guaranteed dividends and whatever is left of the retained earnings be declared as dividends in favor of common shareholders. Guaranteed preferred dividends included under "Interest expense" in the consolidated statements of comprehensive income amounted to ₱ 327,000, ₱364,920 and ₱412,380 in 2011, 2010 and 2009, respectively (see Note 21). Interest payable included under "Accounts payable and accrued expenses" in the consolidated balance sheets amounted to ₱(64,688) and ₱327,000 as of March 31, 2012 and December 31, 2011, respectively.

16. **Deferred Revenue**

	MAR 2012	DEC 2011
Deferred revenue on exclusivity contract (Note 32)	**₱5,133,929**	₱ 1,264,881
Deferred revenue on finance lease (Note 26)	**1,277,397**	1,277,398
Deferred revenue - others	**(5,329,753)**	1,515,203
	₱1,081,573	₱ 4,057,482

17. **Equity**

On July 21, 2011, the Company's BOD and at least 2/3 of the Company's stockholders approved the recommendation for a stock dividend declaration corresponding to 15% of the outstanding common shares of the Company of 301,428,666. Record date of entitlement is August 19, 2011.

On the same date, the Company's BOD approved the declaration of cash dividend in the amount of 10 centavos per share on its outstanding 301,428,666 shares. The record date for entitlement to said cash dividend is August 19, 2011. Cash dividends amounted to ₱30,142,867.

On July 29, 2010, the Company's BOD and at least 2/3 of the Company's stockholders approved the recommendation for a stock dividend declaration corresponding to 5% of the outstanding common shares of the Company of 287,074,922 shares. Record date of entitlement is August 27, 2010.

On the same date, the Company's BOD approved the declaration of cash dividend in the amount of five centavos per share on its outstanding 287,074,922 shares. The record date for entitlement to said cash dividend is August 27, 2010. Cash dividends amounted to ₱14,353,746.

On June 25, 2009, the Company's BOD approved the recommendation for a stock dividend declaration corresponding to 10% of the outstanding common shares of the Company of 260,977,200. The stock dividends approved by the Company's BOD were approved by at least 2/3 of the Company's stockholders on July 16, 2009. Record date of entitlement is August 14, 2009.

There are 686,250 shares that are in the treasury amounting to ₱2,923,246 as of December 31, 2011 and 2010. There are no movement in the Group's treasury shares in 2011 and 2010.

The Company's retained earnings is restricted to the extent of ₱56,484,212 and ₱36,014,643 as of December 31, 2011 and 2010, respectively for the undistributed earnings of subsidiaries and ₱2,923,246 as of December 31, 2011 and 2010 for the cost of treasury shares.

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 Parent Company offered the share at a price of ₱4.40. As of December 31, 2011, the Parent Company has a total of 666 shareholders on record.

Movements in the number of shares issued are as follows:

	MAR 2012	DEC 2011
Beginning balance	**347,329,216**	**302,114,918**
Issuance of stock dividends	**-**	**45,214,298**
Ending balance	**347,329,216**	**347,329,216**

18. **Cost of Merchandise Sales**

	MAR 2012	MAR 2011	MAR 2010
Merchandise inventory, beginning	**₱ 519,258,936**	₱ 402,419,577	₱ 415,652,671
Net purchases	**2,004,131,821**	1,349,245,986	1,207,157,507
	2,523,390,757	1,751,665,563	1,622,810,178
Less merchandise inventory, ending	**524,875,399**	333,873,532	385,054,401
	₱ 1,998,515,358	₱ 1,417,792,031	₱ 1,237,755,777

19. **General and Administrative Expenses**

	MAR 2012	MAR 2011	MAR 2010
Communication, light and water	**₱180,704,823**	₱133,074,584	₱106,719,754
Outside services (Note 32)	**150,271,331**	110,878,953	81,645,242
Rent (Note 26)	**111,027,144**	97,325,422	83,927,780
Depreciation and amortization	**115,766,354**	85,071,290	56,119,844
Personnel costs (Note 23)	**75,054,029**	79,460,742	80,391,157
Advertising and promotion	**36,719,803**	23,060,662	18,963,000
Royalties (Note 25)	**30,566,438**	23,285,777	20,178,836
Trucking services	**1,585,543**	23,946,161	20,152,434
Repairs and maintenance	**24,657,927**	24,133,908	17,953,973
Supplies	**25,687,705**	17,261,145	14,825,357
Taxes and licenses	**14,166,245**	20,374,629	18,284,103
Warehousing services	**55,423,417**	14,509,537	13,713,966
Entertainment, amusement and recreation	**1,383,521**	1,774,766	1,886,135
Transportation and travel	**8,293,193**	4,333,715	4,891,768
Inventory losses	**16,897,744**	12,292,837	9,364,159
Dues and subscription	**1,841,972**	1,390,919	1,086,858
Insurance	**2,001,278**	1,220,216	1,268,377
Amortization of software and program costs	**619,816**	788,219	770,607
Provision for impairment of receivables	**-**	-	-
Others	**9,882,971**	7,983,006	5,343,687
	₱862,551,254	₱682,166,490	₱ 557,487,037

20. **Marketing Income**

	MAR 2012	MAR 2011	MAR 2010
Display charges	**₱ 46,129,955**	₱ 42,462,133	**₱ 40,708,064**
Promotions	**41,073,228**	10,826,712	9,951,774
Marketing support funds	**12,471,205**	21,109,300	4,787,827
	₱ 99,674,388	₱ 74,398,145	₱ 55,447,665

21. **Interest Expense**

	MAR 2012	MAR 2011	MAR 2010
Interest on Bank loans	**₱ 3,599,388**	₱ 3,594,419	₱ 4,332,856
Guaranteed preferred dividends	**(25,313)**	60,820	91,230
	₱ 3,574,075	₱ 3,655,239	₱ 4,424,086

22. **Interest Income**

	MAR 2012	MAR 2011	MAR 2010
Interest on:			
Bank deposits (Note 4)	**₱ 555,720**	₱ 612,675	₱ 682,091
Finance lease (Note 26)	-	-	-
Accretion of refundable deposits	-	-	-
Accretion of notes receivable	-	-	-
	₱555,720	₱ 612,675	₱ 682,091

23. **Personnel Costs**

	MAR 2012	MAR 2011	MAR 2010
Salaries and wages	**₱ 36,555,713**	₱ 42,565,768	₱ 43,688,522
Employee benefits	**36,104,395**	34,378,051	34,554,713
Retirement benefits cost (Note 24)	**2,393,922**	2,516,922	2,147,922
	₱ 75,054,029	₱ 79,460,742	**₱ 80,391,157**

24. **Retirement Benefits**

The Group maintains a trusteed, non-contributory defined benefit retirement plan covering all qualified employees. Normal retirement benefits are equal to the employee's retirement pay as defined in Republic Act No. 7641 multiplied by the years of service. Normal retirement date is the attainment of age 60 and completion of at least five years of service.

The following tables summarize the components of net retirement benefits cost recognized in profit or loss and the funding status and amounts recognized in the consolidated balance sheets:

a. Net retirement benefits cost for the year are as follows:

	2011		
	PSC	**CDI**	**Total**
Current service cost	**₱4,637,501**	**₱351,324**	**₱4,988,825**
Interest cost	**7,377,255**	**540,217**	**7,917,472**
Expected return on plan assets	**(645,048)**	**(31,373)**	**(676,421)**
Net actuarial losses	**138,525**	**–**	**138,525**
Net retirement benefits cost	**₱11,508,233**	**₱860,168**	**₱12,368,401**

	2010		
	PSC	CDI	Total
Current service cost	₱3,706,434	₱705,342	₱4,411,776
Interest cost	6,749,595	520,065	7,269,660
Expected return on plan assets	(430,680)	(30,255)	(460,935)
Net retirement benefits cost	₱10,025,349	₱1,195,152	₱11,220,501

b. Net retirement obligations recognized by the Group are as follows:

	2011		
	PSC	**CDI**	**Total**
Present value of retirement obligations	**₱96,296,328**	**₱6,764,360**	**₱103,060,688**
Less fair value of net plan assets	**12,239,143**	**565,547**	**12,804,690**
Unfunded retirement obligation	**84,057,185**	**6,198,813**	**90,255,998**
Unrecognized net actuarial gain (losses)	**(25,368,578)**	**305,300**	**(25,063,278)**
Net retirement obligations	**₱58,688,607**	**₱6,504,113**	**₱65,192,720**

	2010		
	PSC	CDI	Total
Present value of retirement obligations	₱72,897,778	₱5,615,558	₱78,513,336
Less fair value of net plan assets	10,750,804	522,878	11,273,682
Unfunded retirement obligation	62,146,974	5,092,680	67,239,654
Unrecognized net actuarial gain (losses)	(10,337,337)	551,265	(9,786,072)
Net retirement obligations	₱51,809,637	₱5,643,945	₱57,453,582

c. Changes in the present value of the retirement obligations are as follows:

	2011		
	PSC	**CDI**	**Total**
Beginning balances	**₱72,897,778**	**₱5,615,558**	**₱78,513,336**
Current service cost	**4,637,501**	**351,324**	**4,988,825**
Interest cost	**7,377,255**	**540,217**	**7,917,472**
Benefits paid	**(4,018,237)**	**–**	**(4,018,237)**
Actuarial losses	**15,402,031**	**257,261**	**15,659,292**
Ending balances	**₱96,296,328**	**₱ 6,764,360**	**₱103,060,688**

	2010		
	PSC	CDI	Total
Beginning balances	₱62,438,440	₱4,864,964	₱67,303,404
Current service cost	3,706,434	705,342	4,411,776
Interest cost	6,749,595	520,065	7,269,660
Benefits paid	(6,248,673)	–	(6,248,673)
Actuarial losses (gains)	6,251,982	(474,813)	5,777,169
Ending balances	₱72,897,778	₱5,615,558	₱78,513,336

d. Changes in the fair value of net plan assets are as follows:

	2011		
	PSC	**CDI**	**Total**
Beginning balances	**₱10,750,804**	**₱522,878**	**₱11,273,682**
Expected return on plan assets	**645,048**	**31,373**	**676,421**
Contribution	**4,629,263**	**–**	**4,629,263**
Benefits paid	**(4,018,237)**	**–**	**(4,018,237)**
Actuarial gains	**232,265**	**11,296**	**243,561**
Ending balances	**₱12,239,143**	**₱565,547**	**₱12,804,690**

	2010		
	PSC	CDI	Total
Beginning balances	₱7,178,008	₱504,251	₱7,682,259
Expected return on plan assets	430,680	30,255	460,935
Contribution	9,434,042	–	9,434,042
Benefits paid	(6,248,673)	–	(6,248,673)
Actuarial losses	(43,253)	(11,628)	(54,881)
Ending balances	₱10,750,804	₱522,878	₱11,273,682

Breakdown of the Group's net plan assets are as follows:

	2011	2010
Investments in trust and mutual funds	**46.00%**	41.90%
Investments in equity securities	**54.00%**	58.10%
	100.00%	100.00%

Actual return on plan assets amounted to ₱877,313 in 2011 and ₱387,427 in 2010 for PSC and ₱42,669 in 2011 and ₱18,627 in 2010 for CDI.

The overall expected rate of return on plan assets is determined based on the market prices prevailing on the date applicable to the period over which the obligation is to be settled.

The Company expects to contribute ₱18,142,139 to its defined benefit plan in 2012.

The principal assumptions used in determining net retirement benefits cost for the Group's plan at the beginning of the year are as follows:

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. The Group executed a licensing agreement with Seven Eleven, Inc. (SEI), a stockholder organized in Texas, U.S.A. This grants the Group the exclusive right to use the 7-Eleven System in the Philippines. In accordance with the agreement, the Group pays, among others, royalty fee to SEI based on a certain percentage of monthly gross sales, net of gross receipts tax.

   Royalty fees recorded by the Group amounted to ₱30,566,438, ₱23,285,777 and ₱20,178,836 in March 31, 2012, 2011 and 2010, respectively. Royalty fees are paid on a monthly basis.

   Royalty payable included under "Other current liabilities" in the consolidated balance sheets amounted to ₱10,047,415 and ₱10,353,333 as of March 31, 2012 and December 31, 2011, respectively.

26. **Leases**

Finance Lease as Lessor

In March 2007, PSC entered into a five-year sale and leaseback finance lease agreement with an armored car service provider. The lease has no terms of renewal and no escalation clauses. Unguaranteed residual values accruing to the Company amounted to ₱300,000.

In March 2010, the Company amended its agreement with the armored car service provider extending the lease term for another five years from March 1, 2010 to February 1, 2015, imposing 7% interest per annum on the restructured loan obligation and reducing its monthly rental payments. The unguaranteed residual values accruing to the Company was retained. The restructuring resulted in the recognition of a gain on accretion amounting to ₱849,890 and is reported under "Other income" in the 2010 consolidated statement of comprehensive income.

Future minimum lease receivable under this lease as of December 31 are as follows:

	2011	2010
Within one year	**₱1,591,280**	₱1,591,280
After one year but not more than five years	**3,747,773**	5,339,053
Total minimum lease payments	**5,339,053**	6,930,333
Less unearned interest income	**590,642**	969,492
Present value of future minimum lease payments	**4,748,411**	5,960,841
Less current portion	**1,300,075**	1,212,430
Noncurrent portion	**₱3,448,336**	₱4,748,411

Collection of lease receivable amounted to ₱1,591,280 and ₱1,775,466 in 2011 and 2010, respectively.

Present value of lease receivable as of December 31 is as follows:

	2011	2010
Within one year	**₱1,300,075**	₱1,212,430
After one year but not more than five years	**3,448,336**	4,748,411
Total minimum lease payments	**4,748,411**	5,960,841
Less current portion	**1,300,075**	1,212,430
Present value of future minimum lease payments	**₱3,448,336**	₱4,748,411

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.

Rental expense related to these lease agreements amounted to ₱111,027,144, ₱97,325,422 and ₱83,927,780 in March 2012, 2011 and 2010, respectively. Of the total rent expense, ₱ 281,115 in 2012, 2011 and 2010 pertains to contingent rent of some stores based on percentage ranging from 1.5% to 3.0% of merchandise sales. Amortization of deferred lease amounted to ₱1,689,184, ₱324,200 and ₱385,024 in 2011, 2010 and 2009, respectively.

The approximate annual minimum rental payments of PSC under its existing lease agreements as of December 31 are as follows:

	2011	2010
Within one year	**₱52,930,899**	₱48,966,221
After one year but not more than five years	**114,077,970**	93,993,928
More than five years	**–**	3,131,450
	₱167,008,869	₱146,091,599

b. CDI entered into a 15-year operating lease contract for the lease of its warehouse effective November 1, 2005. The lease is subject to an escalation rate of 7.0% after every two years starting on the third year of the lease.

Rent expense related to this lease agreement amounted to ₱22,925,240 in 2011, 2010 and 2009. Amortization of deferred lease amounted to ₱1,090,500 in 2011, 2010 and 2009.

The approximate annual minimum rental payments of CDI under its existing lease contract as of December 31 are as follows:

	2011	2010
Within one year	**₱31,879,766**	₱21,058,664
After one year but not more than five years	**138,038,344**	92,747,776
More than five years	**152,413,780**	130,516,307
	₱322,331,890	₱244,322,747

27. **Income Tax**

a. The components of the Group’s provision for income tax are as follows:

	2011	2010	2009
Current:			
Regular corporate income tax	**₱161,398,364**	₱124,265,727	₱80,682,849
Final tax on interest income	**586,624**	693,335	627,617
	161,984,988	124,959,062	81,310,466
Deferred	**165,174**	3,796,610	(6,270,068)
	₱162,150,162	₱128,755,672	₱75,040,398

b. The components of the Group's net deferred income tax assets are as follows:

	2011			
	PSC	**CDI**	**SSHI**	**Total**
Deferred income tax assets:				
Net retirement obligations	**₱17,606,581**	**₱1,951,234**	**₱–**	**₱19,557,815**
Accrued rent	**7,951,803**	**6,227,340**	**–**	**14,179,143**
Unamortized discount on refundable deposit	**4,683,505**	**1,860,674**	**–**	**6,544,179**
Allowance for impairment on receivables	**2,231,545**	**–**	**–**	**2,231,545**
Provision for litigation losses	**2,119,887**	**–**	**–**	**2,119,887**
Unamortized past service cost	**1,766,126**	**35,681**	**–**	**1,801,807**
Deferred revenue on exclusivity agreement	**959,822**	**–**	**–**	**959,822**
Unearned income	**243,731**	**–**	**–**	**243,731**
Unamortized discount on receivable	**79,102**	**–**	**–**	**79,102**
Unrealized foreign exchange loss	**205**	**–**	**–**	**205**
	37,642,307	**10,074,929**	**–**	**47,717,236**
Deferred income tax liabilities:				
Deferred lease expense	**3,500,191**	**1,807,512**	**–**	**5,307,703**
Unamortized discount on purchase of refundable deposit	**343,393**	**–**	**–**	**343,393**
Unamortized capitalized interest	**3,937**	**–**	**–**	**3,937**
Unrealized foreign exchange gain	**–**	**15,145**	**–**	**15,145**
Revaluation increment in land	**–**	**–**	**1,384,241**	**1,384,241**
	3,847,521	**1,822,657**	**1,384,241**	**7,054,419**
Net deferred income tax assets (liability)	**₱33,794,786**	**₱8,252,272**	**(₱1,384,241)**	**₱40,662,817**

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

	MAR 2012	**MAR 2011**	**MAR 2010**
a. Net income	**₱ 56,344,617**	₱ 37,102,927	₱ 50,091,930
b. Weighted average number of shares issued	**347,329,216**	302,114,918	302,114,918
c. Less weighted average number of shares held in treasury	**686,250**	686,250	686,250
d. Weighted average number of shares outstanding **(b-c)**	**346,642,966**	301,428,668	301,428,668
e. Basic/diluted earnings per share **(a/d)**	**₱ 0.16**	₱ 0.12	₱ 0.17

The Group does not have potentially dilutive common shares as of December 31, 2011, 2010 and 2009. Thus, the basic earnings per share is equal to the diluted earnings per share as of those dates.

The Group's outstanding common shares increased from 302,114,918 to 347,329,216 as a result of stock dividend issuance equivalent to 15% of the outstanding common shares of the Company of 301,428,666 shares approved on July 21, 2011 (see Note 17). Therefore, the calculation of basic/diluted earnings per share for all periods presented has been adjusted retrospectively.

29. **Financial Instruments**

The following tables summarize the carrying value and fair value of the Group's financial assets and financial liabilities per class as of December 31:

	MAR 2012		DEC 2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FINANCIAL ASSETS				
Loans and Receivables				
Cash and cash equivalents				
Cash on hand and in banks	**269,659,729**	**269,659,729**	394,696,749	394,696,749
	269,659,729	**269,659,729**	**394,696,749**	**394,696,749**
Short-term investments	**10,409,907**	**10,409,907**	10,409,907	10,409,907
Receivables:				
Suppliers	**57,065,947**	**57,065,947**	97,257,076	97,257,076
Franchisee	**71,029,780**	**71,029,780**	89,683,852	89,683,852
Insurance claims	**319,208**	**319,208**	319,208	319,208
Employees	**13,877,975**	**13,877,975**	15,407,124	15,407,124
Store operators	**19,843,376**	**19,843,376**	15,638,186	15,638,186
Rent*	**5,779,904**	**5,779,904**	7,068,009	7,068,009
Current portion of lease receivable	**902,256**	**902,256**	1,300,075	1,563,950
Deposits	**1,009,864**	**1,009,864**	0	0
Due from PFI	**249,608**	**249,608**	173,945	173,945
Others	**17,948,798**	**17,948,798**	12,441,812	12,441,812
	188,026,716	**188,026,716**	**239,289,287**	**239,553,162**
Utilities	**29,893,071**	**29,893,071**	29,267,868	29,267,868
Refundable	**26,789,004**	**27,301,992**	26,864,928	27,301,992
Others	**3,321,972**	**3,321,972**	4,527,970	4,527,970
	60,004,047	**60,517,035**	**60,660,766**	**61,097,830**
Other noncurrent assets - lease receivable (net of current portion)	**3,747,773**	**3,439,941**	3,448,336	3,439,941
Total Loans and Receivables	**531,848,172**	**532,053,328**	**708,505,045**	**709,197,589**
AFS Financial Assets	**-**	**-**	**-**	**-**
TOTAL FINANCIAL ASSETS	**531,848,172**	**532,053,328**	**708,505,045**	**709,197,589**

FINANCIAL LIABILITIES				
Other Financial Liabilities				
Bank loans	**372,666,667**	**372,666,667**	374,666,667	374,666,667
Accounts payable and accrued expenses:				
Trade payable	**976,403,656**	**976,403,656**	1,066,740,769	1,066,740,769
Employee benefits	**17,358,790**	**17,358,790**	23,954,117	23,954,117
Utilities	**42,784,173**	**42,784,173**	38,219,462	38,219,462
Advertising and promotion	**25,901,793**	**25,901,793**	16,054,548	16,054,548
Outsourced services	**13,531,908**	**13,531,908**	12,461,025	12,461,025
Security services	**3,424,460**	**3,424,460**	3,054,419	3,054,419
Bank charges	**3,231,300**	**3,231,300**	2,278,700	2,278,700
Interest	**752,463**	**752,463**	1,174,528	1,174,528
Others**	**29,115,013**	**29,115,013**	32,734,076	32,734,076
	1,112,503,556	**1,112,503,556**	**1,196,671,644**	**1,196,671,644**
Other current liabilities:				
Non-trade accounts payable	**203,098,576**	**203,098,576**	188,758,358	188,758,358
Retention payable	**15,896,399**	**15,896,399**	18,688,531	18,688,531
Service fees payable	**17,892,613**	**17,892,613**	19,370,472	19,370,472
Royalty	**10,047,415**	**10,047,415**	10,353,333	10,353,333
Others	**9,610,730**	**9,610,730**	12,700,219	12,700,219
	256,545,733	**256,545,733**	**249,870,913**	**249,870,913**
Deposit Payable			**171,457,833**	**171,457,833**
Cumulative redeemable preferred shares	**6,000,000**	**6,000,000**	**6,000,000**	**6,000,000**
TOTAL FINANCIAL LIABILITIES	**1,747,715,956**	**1,747,715,956**	**1,998,667,057**	**1,998,667,057**

Fair Value Information

Current Financial Assets and Financial Liabilities

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

Lease Receivables

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 of December 31, 2011 and 2010, which is 3.80% and 4.64%, respectively.

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 of December 31, 2011 and 2010 ranging from 1.66% to 5.30% and 2.74% to 6.09%, respectively.

AFS Financial Assets

The fair value of unquoted AFS financial assets is not reasonably determinable, thus, balances are presented at cost.

	MAR 2012			
	Neither Past Due nor Impaired		Past Due	
		Standard	or	
	High Grade	Grade	Impaired	Total
Cash and cash equivalents				
Cash in bank	161,473,598	–	–	161,473,598
Cash equivalents	-	–	–	-
	161,473,598	-	-	161,473,598
Short-term investments	10,409,907	–	–	10,409,907
Receivables				
Suppliers	–	(25,401,153)	84,245,054	58,843,901
Franchisee	–	71,029,780	–	71,029,780
Insurance claims	–	319,208	–	319,208
Employees	–	13,877,975	–	13,877,975
Store operators	–	19,843,376	–	19,843,376
Rent	–	5,779,904	–	5,779,904
Current portion of lease receivables	–	902,256	–	902,256
Deposits	–	1,009,864	–	1,009,864
Due from PFI	–	249,608	–	249,608
Others	–	17,948,798	5,660,529	23,609,327
	10,409,907	105,559,616	89,905,583	205,875,106
Deposits				
Utilities	–	29,893,071	–	29,893,071
Refundable	–	26,789,004	–	26,789,004
Others	–	3,321,972	–	3,321,972
	-	60,004,047	-	60,004,047
Other noncurrent assets				
Lease receivables - net of current portion	–	3,747,773	–	3,747,773
AFS financial assets	–	-	–	-
	-	3,747,773	-	3,747,773
	171,883,505	169,311,435	89,905,583	431,100,523

Bank Loans and Deposit Payables
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.

Fair Value Hierarchy
As of December 31, 2011 and 2010, the Group has no financial instruments measured at fair value.

30. 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 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 of December 31:

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:

	DEC 2011			
	Neither Past Due nor Impaired			
	High Grade	Standard Grade	Past Due Or Impaired	Total
Cash and cash equivalents				
Cash in bank	₱277,117,736	₱–	₱–	₱277,117,736
Short-term investments	10,409,907	–	–	10,409,907
Receivables				
Suppliers	–	14,789,976	84,245,054	99,035,030
Franchisee	–	89,638,852	–	89,638,852
Store operators	–	15,683,186	–	15,683,186
Employees		15,407,124		15,407,124
Rent	–	7,068,009	–	7,068,009
Notes	–	1,328,983	–	1,328,983
Current portion of lease receivables	–	1,300,075	–	1,300,075
Insurance claims	–	319,208	–	319,208
Due from PFI	–	173,945	–	173,945
Others		11,112,829	5,660,529	16,773,358
	–	156,822,187	89,905,583	246,727,770
Deposits				
Utilities	–	29,267,868	–	29,267,868
Refundable	–	26,864,928	–	26,864,928
Others	–	4,527,970	–	4,527,970
	–	60,660,766	–	60,660,766
Other noncurrent assets				
Lease receivables - net of current portion	–	3,448,336	–	3,448,336
	₱287,527,643	₱220,931,289	₱89,905,583	₱598,364,515

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 follows:

Cash and cash equivalents 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 assets 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:

	MAR 2012					
	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	15,462,998	-28,070,013	95,074,115	82,467,100	1,777,954	84,245,054
Others	-	-	-	-	5,660,529	5,660,529
	15,462,998	-28,070,013	95,074,115	82,467,100	7,438,483	89,905,583

	DEC 2011					
	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	3,565,821	3,058,308	75,842,971	82,467,100	1,777,954	84,245,054
Others	-	-	-	-	5,660,529	5,660,529
	3,565,821	3,058,308	75,842,971	82,467,100	7,438,483	89,905,583

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. 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:

	MAR 2012				
		More than	More than		
	Three months	three months	one year	More than	
	or less	to one year	to five years	five years	Total
Cash and cash equivalents					
Cash	269,659,729	–	–	–	269,659,729
Cash equivalents	-	–	–	–	-
	269,659,729	-	-	-	269,659,729
Short-term investments	-	10,409,907	-	-	10,409,907
Receivables					
Suppliers	(18,777,024)	75,842,971	1,777,954	–	58,843,901
Franchisee	71,029,780	–	–	–	71,029,780
Insurance claims	–	319,208	–	–	319,208
Employees	13,877,975	–	–	–	13,877,975
Store operators	19,843,376	–	–	–	19,843,376
Rent	5,779,904	–	–	–	5,779,904
Current portion of lease receivables	-	902,256	–	–	902,256
Deposits		1,009,864	–	–	1,009,864
Due from subsidiaries	–	249,608	–	–	249,608
Others	17,948,798	5,660,529	–	–	23,609,327
	109,702,809	94,394,343	1,777,954	-	205,875,106
Deposits					
Utilities	–	–	29,893,071	–	29,893,071
Refundable	–	–	26,789,004	–	26,789,004
Others	–	–	3,321,972	–	3,321,972
	-	-	60,004,047	-	60,004,047
Other noncurrent assets					
Lease receivables - net of					
current portion	–	–	3,747,773	–	3,747,773
AFS financial assets	–	–	-	-	-
	-	-	3,747,773	-	3,747,773
	379,362,538	104,804,250	65,529,774	-	539,286,655

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

	As of March 31, 2012			
		More than		
	Three months	three months	More than	
	or less	to one year	one year	Total
Bank loans	-	372,666,667	-	372,666,667
Accounts payable and accrued expenses				
Trade payable	976,403,656	–	–	976,403,656
Employee benefits	17,358,790	–	–	17,358,790
Utilities	42,784,173	–	–	42,784,173
Advertising and promotion	25,901,793	–	–	25,901,793
Outsourced services	13,531,908	–	–	13,531,908
Security services	3,424,460	–	–	3,424,460
Bank charges	3,231,300	–	–	3,231,300
Interest	752,463	–	–	752,463
Others	9,610,730	–	–	9,610,730
	1,092,999,273	-	-	1,092,999,273
Other current liabilities				
Non-trade accounts payable	–	203,098,576	–	203,098,576
Retention payable	–	15,896,399	–	15,896,399
Service fees payable	17,892,613	-	–	17,892,613
Royalty	10,047,415	–	–	10,047,415
Others	-	9,610,730	–	9,610,730
	27,940,028	228,605,705	-	256,545,733
Cumulative redeemable preferred shares	-	-	6,000,000	6,000,000
	1,120,939,301	601,272,371	6,000,000	1,728,211,672

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:

	2011	2010
Due in less than one year	**₱374,666,667**	₱320,000,000
Rate	**3.50%-4.25%**	4.20%-5.20%

Interest of financial instruments classified as floating rate is repriced at intervals of 30 days. The other financial instruments of the Group that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.

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):

	2011		2010	
	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**	**(3,746,667)**	+100	(3,200,000)
	-100	**3,746,667**	-100	3,200,000

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 exchage 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. The Group's cash and receivables denominated in foreign currency and converted into Peso using the closing exchange rates at the reporting dates are summarized below.

	2011		2010	
	Dollar	**Peso**	Dollar	Peso
Cash	**$59,634**	**₱2,614,355**	$35,718	₱1,565,877
Receivables	**90,349**	**3,960,900**	–	–
	$149,983	**₱6,575,255**	$35,718	₱1,565,877

As of December 31, 2011 and 2010, the closing functional currency exchange rate is ₱43.84.

31. **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% and 50% in relation to its total assets. The Group's net worth ratio is 40% and 38% as of December 31, 2011 and 2010, respectively. No changes were made in the objectives, policies and processes during the year.

	MAR 2012	DEC 2011
Capital stock	**₱ 347,329,216**	**₱347,329,216**
Additional paid-in capital	**293,525,037**	**293,525,037**
Retained earnings	**911,812,825**	**855,468,208**
	1,552,667,079	**1,496,322,461**
Less cost of shares held in treasury	**2,923,246**	**2,923,246**
	₱ 1,549,743,833	**₱1,493,399,215**
Total assets	**₱ 3,655,534,989**	**₱3,734,298,981**
Net worth	42%	40%

As of December 31, 2011 and 2010, the Group was able to meet its objective.

32. **Significant Agreements**

a. 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. Franchise fee amounted to ₱10,693,254, ₱14,106,467 and ₱12,466,188, respectively, and franchise revenue for the 7-Eleven charge amounted to ₱ 131,560,112, ₱99,701,804 and ₱84,106,229 for the quarters ended March 31, 2012, 2011 and 2010, respectively.

b. 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 "General and administrative expenses" in profit or loss amounted to ₱55,805,614, ₱38,605,916 and ₱29,748,110 for the quarters ended March 31, 2012, 2011 and 2010.

c. The Group has an agreement with its phone card supplier effective January 1, 2000. Under the arrangement, the Group earns commission on the sale of phone cards based on a certain percentage of net sales for the month and a fixed monthly rate. Commission income amounted to ₱37,236,539, ₱29,271,506 and ₱22,130,513 in 2011, 2010 and 2009, respectively.

33. **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 segment's relevant financial information is as follows:

	MAR 2012	MAR 2011	MAR 2010
REVENUE			
Revenue from merchandise sales	**₱2,675,757,345**	₱1,931,450,765	₱1,697,779,579
Franchise revenue	**142,253,365**	113,808,270	96,572,418
Marketing income	**99,674,388**	74,398,145	55,447,665
Rent income	**7,658,981**	9,799,774	8,199,848
Commission income	**12,261,429**	8,660,014	6,402,146
Interest income	**555,720**	612,675	682,091
Other income	**11,477,204**	21,667,064	8,376,917
	2,949,638,431	2,160,396,707	1,873,460,664
EXPENSES			
Cost of merchandise sales	**1,998,515,358**	1,417,792,031	1,237,755,777
General and administrative expenses:			
Depreciation and amortization	**115,766,354**	85,071,290	85,071,290
Others	**746,784,900**	597,095,200	472,415,748
Interest expense	**3,574,075**	3,655,239	4,424,086
Impairment loss on goodwill	**-**	-	-
Other expenses	**4,505,433**	1,397,874	955,261
	2,869,146,121	2,105,011,633	1,800,622,162
INCOME BEFORE INCOME TAX	**80,492,311**	55,385,074	72,838,502
PROVISION FOR INCOME TAX	**24,147,695**	18,282,147	22,746,572
SEGMENT PROFIT	**₱ 56,344,616**	₱ 37,102,927	₱ 50,091,930
SEGMENT ASSETS	**₱3,655,534,989**	₱2,946,667,831	₱2,709,367,303
SEGMENT LIABILITIES	**₱2,102,561,261**	₱1,739,135,916	₱1,751,372,886

34. **Provisions and Contingencies**

The Group is a party to various litigations involving, among others, employees suing for illegal dismissal, back wages and damage claims, lessors claiming for lease payments for the unexpired portion of the lease agreements in cases of pre-termination of lease agreements, claims arising from store operations and as co-respondents with manufacturers on complaints with the Bureau of Food and Drugs, specific performance and other civil claims. All such cases are in the normal course of business and are not deemed to be considered as material legal proceedings. Further, these 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.

Philippine Seven Corporation
Schedule of Receivables

	As of Mar 2012 (Unaudited)	As of Dec. 2011 (Audited)
Suppliers	**₱ 58,843,901**	₱99,035,030
Franchisee	**71,029,780**	89,638,852
Insurance receivable	**319,208**	319,208
Employees	**13,877,975**	15,407,124
Store operators	**19,843,376**	₱15,683,186
Rent	**5,779,904**	7,068,009
Current portion of lease receivable	**902,256**	1,300,075
Deposits	**1,009,864**	1,009,864
Due from Philseven Foundation, Inc. (PFI)	**249,608**	173,945
Others	**23,609,327**	17,092,477
	195,465,199	246,727,770
Less allowance for impairment	**7,438,483**	7,438,483
	₱ 188,026,715	₱239,289,287

The classes of receivables of the Group are as follows:

- Suppliers - pertains to receivables from the Group's suppliers for display allowances, annual volume discount and commission income from different service providers.
- Franchisee - pertains to receivables for the inventory loans obtained by the franchisees at the start of their store operations.
- Employees - includes car loans, salary loans and cash shortages from stores which are charged to employees.
- Rent - pertains to receivables from sublease agreements with third parties, which are based on an agreed fixed monthly rate or as agreed upon by the parties.
- Store operators - pertains to the advances given to third party store operators under service agreements.

Receivable from suppliers are non-interest bearing and are generally on 30 to 90 days terms.

Management's Discussion and Analysis of Results of Operations and Financial Condition
SELECTED FINANCIAL DATA

	Three Months Ended March 31 (Unaudited)		
	2012	**2011**	**2010**
SYSTEM WIDE SALES	₱ 3,066,217	₱ 2,341,964	₱ 2,027,688
Statement of Income Data:			
Revenues and other income			
Sales of merchandise	₱ 2,675,757	₱ 1,931,451	₱1,697,780
Franchise revenue	142,253	113,808	96,572
Marketing income	99,674	74,398	55,448
Rent income	7,659	9,800	8,200
Others (net)	24,294	30,940	15,461
Cost and expenses			
General & administrative expenses	862,551	682,166	557,487
Interest expense	3,574	3,655	4,424
Cost of merchandise sold	1,998,515	1,417,792	1,237,756
Total comprehensive income	56,345	37,103	50,092
Earnings per share	0.16	0.12	0.17
Cash Flow Data:			
Net cash used in operating activities	(55,043)	(60,530)	(6,634)
Net cash used in investing activities	(64,420)	(171,020)	(142,793)
Net cash (used)/from financing activities	(5,574)	86,344	(4,424)
Balance Sheet Data:			
Total assets	₱ 3,655,535	₱2,946,668	₱2,619,830
Total liabilities	2,102,562	1,739,136	1,661,836
Total stockholders' equity	1,552,973	1,207,532	957,994

(Amount in thousands, except EPS)

OVERVIEW

Philippine Seven Corporation (PSC or the Company) operates the largest convenience store network in the country. It acquired from Southland Corporation (now 7-Eleven Inc.) of Dallas, Texas the license to operate 7-Eleven stores in the Philippines on December 13, 1982. Operations commenced with the opening of its first store in February 1984 at the corner of Kamias Road and EDSA Quezon City, Metro Manila. In light of the country's economic condition at that time, the Company grew slowly in its first few years of existence. In 1993, PSC, encouraged by the resurgent national economy, stepped up its rate of expansion.

As of March 31, 2012, 7-Eleven Convenience Stores has a total store count of 714, as it was able to open 27 new stores and closed 2 stores during the first quarter. The retail chain of convenience stores is sustained by a manpower complement of 633 employees engaged in store operations and in various support service units. Despite the growing competition in the convenience retailing business, the Company maintains its leadership in the industry.

7-Eleven derives its revenues principally from retail sales of merchandise, commissions, rentals and franchising activities. The primary expenses consist of cost of goods, general and administrative expense and income taxes.

PSC seeks to meet the needs of its 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. Its vision is to be the best retailer of convenience for emerging markets.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS DURING THE 1ST QUARTER OF 2012.

Results of Operations

Net income generated in the first quarter rose by 52 percent to P56.3 million from P37.1 million registered in Q1 2011.

The improvement in net income can be attributed to the increase in sales, better margins and growth in franchise revenues and marketing income.

System-wide sales which represents sales of all corporate and franchise operated stores rose by 31% year-on-year driven by the improving same store sales and opening of new 7-Eleven outlets. At the end of the first quarter, new stores opened reached 27 and closure of 2 stores occurred to end the period with 714 stores.

New franchise operators boosted franchise revenues as it grew by 25 percent to P142.2 million from P113.8 million a year ago. This improved the ratio of franchise stores to 65 percent of all stores from 61 percent at the end of Q1 last year.

Marketing income on the other hand posted an increase of 34 percent to end the period at almost P100.0 million due to the continuing support by the suppliers in various marketing activities. In addition, there was a change in accounting treatment that occurred in Q1 changing the recording of marketing income from cash basis to accrual basis.

Store selling and general and administrative expenses were well managed during the period as its increase was registered at a slower rate of 26 percent compared to the 31 percent increase in system-wide sales. This resulted into an improved average store margin that contributed positively to the bottom-line.

EBITDA (earnings before interest, taxes, depreciation and amortization) at the end of Q1 likewise went up by 41 percent from ₱139.0 million in 2011 to ₱195.6 million in the current year. EBITDA margin was pegged at 6.4 percent from 5.9 percent in the preceding year.

As can be seen from the favorable Q1 results, the Company is on track towards meeting it store expansion and profit goals for the year. This shall enable PSC in protecting its strong hold in the fast growing CVS industry and allowing it to enhance shareholder value.

Revenue and Gross Margin

The Company registered total revenue from merchandise sales of ₱2.7 billion in 1Q 2012, an increase of 39% percent compared to ₱1.9 billion in 2011. Cost of merchandise sold rose by ₱580.7 million to ₱2 billion during 1Q 2012.

System-wide sales grew by 31% or ₱724 million to ₱3 billion in 1Q 2012. PSC ended the first quarter of 2012 with 714 stores; higher by 24% compared to the 1Q 2011 level of 577.

Gross Profit stood at ₱677 million, while GP in relation to sales went down by 1.3% owing to the dilution brought about by the increase in Company's sales to franchise stores which are accounted for at zero mark-up.
Notwithstanding this factor, gross profit ratio to sales slightly went up by 0.30 points compared to the level a year ago.

Products in the services category, which form part of the Company's commission income, are physical cards, bills payment and consigned goods. Commission income rose by 42% to ₱12.3 million.

Other Income

Other income is mainly consisting of marketing income, franchise fees and rentals. The Company's total other income increased by ₱51.6 million, to ₱249.6 million as a result of the following:

Marketing income grew by ₱25.3 million from the 1Q 2011 level. This is 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 become the preferred trade partner for manufacturer's brand building needs.

The Company's share in the gross profit of franchise-operated stores is recognized as franchise revenue and it climbed to ₱142.3 million from ₱113.8 million in 1Q 2011. This was the result of the increase in number of franchise-operated stores that reached 285 at the end of the 1Q 2012. Rent income decreased by 22%, from 9.8 million in 1Q 2011 to ₱7.7 million this 1Q 2012.

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

General and Administrative Expense

General and administrative expense which is comprised of store operating and selling expenses as well as headquarters expenses went up by 26.4% or ₱180.4 million and totaled to ₱862.6 million in 1Q 2012.

Communication, light and water were the highest contributor and accounted for 21% of the total G & A expenses for the 1Q 2012. This is followed by outside services with 17% share, and 13% share from rent ,depreciation and amortization.

Personnel costs aggregated to ₱75 million, versus ₱79.5 million in 1Q 2011. Ratio to sales was 2.8% in 2012 and 4.1% in 2011. Personnel costs include salaries and wages at ₱36.6 million, employee benefits at ₱36 million and pension costs at ₱2.4 million. The Company continued to outsource store personnel to contain costs.

Moreover, rent expense incurred is pegged ₱111 million or 4% of sales against ₱97.3 million or 5% in 2011.

Interest Expense

Cost of debt servicing in 2012 totaled to ₽3.6 million, a decrease of 2% compared with 1Q 2011 level of ₽3.7 million. Outstanding loan balance at the end of 1Q 2012 was pegged at ₽372.7 million, decreased by ₽2 million from ₽374.7 million beginning of 2012.

Net Income

Net income for first quarter of 2012 increased by P19 million to ₽56 million mainly coming from higher sales versus last year on a per store basis.

The net income generated during the 1Q 2012 translated into a 2.1% return on sales and 3.6% return on equity. The key ratios in 1Q 2012 are higher compared to the ROS and ROE of 1.9% and 2.5%, respectively, a year ago. Moreover, EPS is pegged ₽0.16 and ₽0.12, in 1Q 2012 and 1Q 2011, respectively.

Financial Condition

Total assets went down by 78.8 million or -2.1% to ₽3.7 billion at the end of 1Q 2011. Cash and cash equivalents during the year decreased to ₽125 million from ₽394.7 million at the beginning of the year. Receivables went down by ₽51 million as the company received settlement for collectibles related to supplier support and financing schemes to franchisees. Moreover, inventories went up by ₽5.6 million while prepayments were up by ₽145 million coming from advance rent paid for new stores and down payments to equipment sellers. The aforementioned factors resulted into a net decrease in total current assets by ₽25.7 million from the beginning of the year.

Total current liabilities went down by ₽157 million or -8% mainly due to the decrease in trade payables, bank loans and income tax payable. However, current ratio went up to 0.71 to 1 as of March 31, 2012 against 0.67 to 1 at the beginning of the year.

Property and equipment, net of accumulated depreciation increased by ₽56.5 million mainly due to capital expenditure spent in relation to store expansion.

Stockholders' equity at the first quarter of 2012 comprises 42.5% of total assets, compared to 40% at the beginning of the year. Debt to equity ratio pegged at 1.35 for 1Q 2012 from 1.50 end of 2011.

Liquidity and Capital Resources

The Company obtains the majority of its working capital from these sources:

- Cash flows generated from retailing operations and franchising activities
- Borrowings under the revolving credit facility extended by banks

PSC believes that operating activities and available working capital sources will provide sufficient liquidity in 2012 to fund its operating costs, capital expenditures and debt service. The following are the discussion of the sources and uses of cash for the 1Q of 2012.

Cash Flows from Operating Activities

Net cash used for operating activities in 1Q 2012 resulted to ₽55 million, compared to P60.5 million cash used during comparable period from last year. Such is attributable to increase in income before tax by 25 million and adjustments for depreciation by 30 million. A much lower cash outflow from working capital by 32 million compare last year also contributed to this amount.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ₱64 million in 1Q 2012 compared to net cash out flow of ₱171 million in 1Q 2011. Major cash outlay went to the procurement of store equipment, new store constructions and store renovations. There were 27 new stores opened as of March 31, 2012.

Majority of the company's commitments for capital expenditures for the 1Q of the year are for new store constructions and renovations. Funds for these expenditures are expected to come from the anticipated increase in cash flows from retail operations and from additional borrowings if the need for such may arise.

Cash Flows from Financing Activities

Net cash outflow from financing activities reached ₱5.6 million representing payments of bank loans in the amount of P2 million, interest expense on outstanding bank loans totaling P3.6 million. Company does not avail bank loan as of the first quarter of 2012.

PSC expects to reduce the level of its debt within the next three years to minimize the impact of interest expense in the net income and consequently reduce the leverage ratios.

Discussion and Analysis of Material Events and Uncertainties

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

2. There were 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 30 of the March 31, 2012 Notes to Unaudited Consolidated Financial Statements.

6. There are no other known trends, events and uncertainties that will have a material impact on the Company's liquidity.

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 corresponds to the retail sales of corporate owned and sales made by stores under labor franchise. This also includes merchandise sales to franchise operated stores.

Net Income Margin

Measures the level of recurring income generated by continuing operations relative to revenues 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 system-wide sales. This measures the level of free cash flow generated by retail operations and is an indicator of profitability.

Earnings per Share (EPS)

EPS is the ratio of net income earned during the year relative to the number of issued and outstanding common shares after due consideration to potentially dilutive shares and retrospective effect of stock dividend declaration, if any. This is an indicator of profitability per unit of shareholding to the Company.

For the Quarter	2012	2011	% change
System wide Sales (in '000s)	3,066,217	2,341,964	30.9%
Revenue from Merchandise Sales (in '000s)	2,675,757	1,931,451	38.5%
Net Income Margin	2.11%	1.92%	9.6%
EBITDA Margin	6.38%	5.94%	7.4%
Earnings Per Share	0.16	0.12	33.3%

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