

COVER SHEET

PHILIPPINE SEVEN CORPORATION

(Company's Full Name)

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

724-4441 to 51
(Company's Telephone Number)

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

Every 3rd Thursday of July of each year
(Annual Meeting)

THIRD QUARTERLY REPORT (SEC FORM 17-Q) (FORM TYPE)

November 13, 2009
(Date)

(Amendment Designation if Applicable)

(Secondary License Type, if any)

LCU

Cashier

DTU

108476
S.E.C. Reg. No.

Central Receiving Unit

File Number

Document I.D.

SECURITIES AND EXCHANGE COMMISSION

FORM 17-Q

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

1. For the quarterly period ended September 30, 2009
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 : 287,074,920
Warrants -0-

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

Yes [] No []

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

12. Indicate by check mark whether the registrant:

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

Yes [] No []

and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [] No []

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

Yes [] No []

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the attached.

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


Please refer to the attached

PART II - OTHER INFORMATION

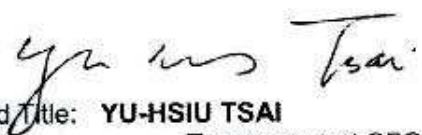
N/A

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

Registrant: **PHILIPPINE SEVEN CORPORATION**

Signature and Title:  **JOSE VICTOR P. PATERNO**
President and CEO

Date: November 13, 2009

Signature and Title:  **YU-HSIU TSAI**
Treasurer and CFO

Date: November 13, 2009



November 13, 2009

SECURITIES AND EXCHANGE COMMISSION

SEC Building
EDSA, Quezon City

Gentlemen:

In connection with the financial statements of Philippine Seven Corporation as of September 30, 2009, 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.


YU-HSIU TSAI
Treasurer and CFO



PHILIPPINE SEVEN CORPORATION

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

Telephone Nos. (632) 724-44-41 to 53 / (632) 727-6441
www.7-eleven.com.ph

STATEMENT OF MANGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Philippine Seven Corporation is responsible for all information and representations contained in the consolidated unaudited financial statements for the quarter ended September 30, 2009. 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 necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use of disposition and liabilities are recognized.

JOSE VICTOR P. PATERNO
President and CEO

YU-HSIU TSAI
Treasurer and CFO

PHILIPPINE SEVEN CORPORATION
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2009
AND FOR EACH OF THE TWO PERIOD
ENDED SEPTEMBER 30, 2009 AND 2008

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2009
(With Comparative Figures for December 2008)

	September 2009	December 2008
ASSETS		
Current Assets		
Cash and cash equivalents	144,388,305	314,880,357
Receivables - net	80,558,802	145,854,513
Inventories - at cost	267,218,305	339,556,385
Prepayments and other current assets	238,295,320	117,947,178
Total Current Assets	730,460,732	918,238,433
Noncurrent Assets		
Property and equipment - net	1,126,122,133	1,072,041,329
Deposits	156,517,822	132,695,470
Deferred income tax assets - net	39,738,774	39,738,774
Other noncurrent assets - net	116,919,886	101,471,945
Total Noncurrent Assets	1,439,298,615	1,345,947,518
TOTAL ASSETS	2,169,759,347	2,264,185,951
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Bank loans	410,000,000	330,000,000
Accounts payable and accrued expenses	476,961,703	848,043,767
Income tax payable	23,392,566	25,898,866
Other current liabilities	225,385,493	174,586,972
Total Current Liabilities	1,135,739,762	1,378,529,605
Noncurrent Liabilities		
Deposits payable	138,684,931	83,252,646
Net retirement obligations	40,243,462	35,827,737
Deferred income tax liability	1,384,241	1,384,241
Cumulative redeemable preferred shares	6,000,000	6,000,000
Deferred revenue - net of current portion	7,079,887	7,079,887
Total Noncurrent Liabilities	193,392,521	133,544,511
Total Liabilities	1,329,132,283	1,512,074,116

(Forward)

	September 2009	December 2008
Stockholders' Equity		
Capital stock - 1 par value		
Authorized - 400,000,000 shares		
Issued - 261,663,450 and 237,938,250 shares as of December 31, 2008 and 2007, respectively [held by 724 and 703 equity holders in 2008 and 2007, Respectively]	261,663,450	261,663,450
Additional paid-in capital	293,525,037	93,525,037
Retained earnings	285,131,928	196,616,699
Revaluation increment in land - net of deferred income tax liability	3,229,895	3,229,895
	843,550,310	755,035,081
Cost of 686,250 shares held in treasury	(2,923,246)	(2,923,246)
Total Stockholders' Equity	840,627,064	752,111,835
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	2,169,759,347	2,264,185,951

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009
(With Comparative figures for September 2008)

	September 2009	September 2008
REVENUE		
Revenue from merchandise sales	1,464,609,550	1,338,097,860
Franchise revenue	70,211,926.45	66,686,954
Marketing income	48,217,342	20,637,167
Rent income	7,197,738	8,905,617
Commission income	5,612,301	5,736,614
Interest income	649,491	439,345
Other income	9,469,751	13,656,366
	1,605,968,100	1,454,159,923
EXPENSES		
Cost of merchandise sales	1,049,776,846	964,159,451
General and administrative expenses	495,797,942	447,212,872
Interest expense	6,309,194	6,168,529
Impairment loss on goodwill	-	-
Loss on sale of property and equipment	-	787,265
Unrealized foreign exchange loss - net	-	-
Other expenses	1,090,169	1,331,424
	1,552,974,151	1,419,659,541
INCOME BEFORE INCOME TAX	52,993,949	34,500,382
PROVISION FOR INCOME TAX	17,229,450	12,555,052
NET INCOME	35,764,499	21,945,330
TOTAL COMPREHENSIVE INCOME	35,764,499	21,945,330
 BASIC/DILUTED EARNINGS PER SHARE	 0.14	 0.09

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009
(With Comparative figures for September 2008)

	September 2009	September 2008
REVENUE		
Revenue from merchandise sales	4,310,193,141	3,939,460,534
Franchise revenue	220,607,149	182,867,428
Marketing income	122,285,415	75,194,395
Rent income	21,937,296	28,933,287
Commission income	16,235,781	15,812,853
Interest income	1,933,879	1,297,618
Other income	18,639,960	15,405,618
	4,711,832,621	4,258,971,733
EXPENSES		
Cost of merchandise sales	3,086,086,649	2,828,984,673
General and administrative expenses	1,470,524,345	1,313,492,352
Interest expense	20,940,825	19,114,608
Impairment loss on goodwill	-	-
Loss on sale of property and equipment	-	2,022,966
Unrealized foreign exchange loss - net	-	(3,217)
Other expenses	3,228,318	3,560,466
	4,580,780,137	4,167,171,848
INCOME BEFORE INCOME TAX	131,052,483	91,799,885
PROVISION FOR INCOME TAX	42,537,255	34,295,403
NET INCOME	88,515,229	57,504,482
BASIC/DILUTED EARNINGS PER SHARE	0.34	0.24

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2009

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Revaluation Increment in Land	Treasury Stock	Total
BALANCES AS OF DECEMBER 31, 2008	237,909,250	293,525,037	81,242,110	-	(2,923,246)	609,752,151
Net income for the year	-	-	54,878,138	-	-	54,878,138
Appraisal increase in value of land, net of deferred income tax liability	-	-	-	2,999,188	-	2,999,188
BALANCES AS OF DECEMBER 31, 2007	237,909,250	293,525,037	138,070,248	2,999,188	(2,923,246)	667,609,477
Issuance of stock dividends	23,725,200	-	(23,725,200)	-	-	-
Effect of change in tax rate in 2009	-	-	-	230,707	-	230,707
Net income for the year	-	-	84,271,651	-	-	84,271,651
BALANCES AS OF DECEMBER 31, 2008	261,634,450	293,525,037	196,816,899	2,229,895	(2,923,246)	752,111,835
Net income for 1 st Quarter	-	-	13,257,829	-	-	13,257,829
BALANCES AS OF MARCH 31, 2009	261,634,450	293,525,037	210,074,728	2,229,895	(2,923,246)	765,379,660
Net income for 2 nd Quarter	-	-	39,482,904	-	-	39,482,904
BALANCES AS OF JUNE 30, 2009	261,634,450	293,525,037	249,557,632	2,229,895	(2,923,246)	804,862,565
Net income for 3 rd Quarter	-	-	55,754,499	-	-	55,754,499
BALANCES AS OF SEPTEMBER 30, 2009	261,634,450	293,525,037	305,312,131	3,229,895	(2,923,246)	860,627,094
BALANCES AS OF SEPTEMBER 30, 2008	261,634,450	293,525,037	188,949,532	2,999,188	(2,923,246)	725,113,981

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

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009

(With Comparative Figures for September 2008)

	September 2009	September 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	52,993,949	34,500,382
Adjustments for:		
Depreciation and amortization	46,778,330	36,714,182
Interest expense	6,309,194	6,168,529
Sale of property and equipment	-	787,265
Interest income	(649,491)	(439,345)
Software and other program costs	1,514,947	415,600
Operating income before working capital changes	106,946,929	78,146,613
Decrease (increase) in:		
Receivables	(26,418,980)	(29,690,686)
Inventories	41,058,502	10,491,393
Prepayments and other current assets	(4,128,457)	5,543,334
Increase (decrease) in:		
Accounts payable and accrued expenses	(157,460,836)	17,022,757
Other current liabilities	68,235,965	1,959,148
Deposits payable	30,337,997	14,447,349
Net retirement obligations	2,185,660	4,401,900
Cash generated from operations	60,756,780	102,321,808
Income taxes paid	6,163,116	(11,816,716)
Interest received	649,491	439,345
Net cash from operating activities	67,569,387	90,944,437

(Forward)

**CASH FLOWS FROM INVESTING
ACTIVITIES**

Additions to:		
Property and equipment	(89,224,922)	(90,339,649)
Software and other program costs	(1,514,947)	(415,600)
Decrease (increase) in:		
Deposits	(9,392,898)	(8,587,755)
Other noncurrent assets	(28,026,347)	8,612,907
Net cash used in investing activities	(128,159,114)	(90,730,097)

**CASH FLOWS FROM FINANCING
ACTIVITIES**

Interest paid	(6,309,194)	(6,168,529)
Net cash from (used in) financing activities	(6,309,194)	(6,168,529)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(66,898,921)	(5,954,189)
CASH AND CASH EQUIVALENTS AT BEGINNING OF 3RD QUARTER	211,287,226	230,746,973
CASH AND CASH EQUIVALENTS AT END OF 3RD QUARTER	144,388,305	224,792,784

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(With Comparative Figures for SEPTEMBER 2008)

	September 2009	September 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	131,052,483	91,799,887
Adjustments for:		
Depreciation and amortization	137,552,047	111,641,149
Interest expense	20,940,825	19,114,608
Sale of property and equipment	-	2,022,967
Interest income	(1,933,879)	(1,297,618)
Software and other program costs	2,284,339	1,246,799
Operating income before working capital changes	289,895,815	224,527,792
Decrease (increase) in:		
Receivables	65,295,711	(31,052,959)
Inventories	72,338,080	79,274,442
Prepayments and other current assets	(120,348,137)	(151,411,974)
Increase (decrease) in:		
Accounts payable and accrued expenses	(362,082,068)	(14,022,996)
Other current liabilities	50,798,521	40,694,201
Deposits payable	55,432,285	23,432,987
Net retirement obligations	4,415,725	2,611,139
Deferred revenue	-	-
Cash generated from operations	55,745,932	174,052,632
Income taxes paid	(45,043,555)	(35,508,037)
Interest received	1,933,879	1,297,618
Net cash from operating activities	12,636,256	139,842,213

(Forward)

**CASH FLOWS FROM INVESTING
ACTIVITIES**

Additions to:		
Property and equipment	(191,632,852)	(184,395,930)
Software and other program costs	(2,284,338)	(1,246,799)
Decrease (increase) in:		
Deposits	(32,822,352)	(17,761,485)
Other noncurrent assets	(15,447,941)	43,594,721
Net cash used in investing activities	(242,187,483)	(159,809,493)

**CASH FLOWS FROM FINANCING
ACTIVITIES**

Payments of:		
Bank loans	(50,000,000)	(45,000,000)
Availment of bank loans	130,000,000	-
Interest paid	(20,940,825)	(19,114,608)
Net cash from (used in) financing activities	59,059,175	(64,114,609)

**NET INCREASE (DECREASE) IN CASH
AND CASH EQUIVALENTS**

	(170,492,052)	(84,081,889)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	314,880,357	308,873,944
CASH AND CASH EQUIVALENTS AT END OF YEAR	144,388,305	224,792,055

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
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, 2008, 2007 and 2006, the Company has 724, 703 and 706 stockholders, respectively.

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

2. Cash and Cash Equivalents

	September 2009	December 2008
Cash on hand and in banks	143,749,682	314,241,734
Cash equivalents	638,623	638,623
	144,388,305	314,880,357

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 short-term placement rates.

3. Receivables

	September 2009	December 2008
Franchisee - net	25,537,050	76,989,185
Suppliers	41,084,310	61,650,671
Employees	6,552,967	5,137,033
Current portion of lease receivable - net	14,073	2,317,248
Insurance claims	6,747,495	938,402

Due from Philippine Foundation, Inc. (PFI)	-	53,883
Others	9,363,081	7,508,265
	89,298,976	154,594,687
Less allowance for impairment	8,740,174	8,740,174
	80,558,802	145,854,513

The classes of receivables of the Group are as follows:

- Franchisee - pertains to receivables for the inventory loans obtained by the franchisees at the start of their store operations.
- Suppliers - pertains to receivables from the Group's suppliers for display allowances, annual volume discount and commission income from different service providers.
- Employees - pertains to car loans, salary loans and cash shortages from stores which are charged to employees.

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

4. Inventories

	September 2009	December 2008
At cost		
Warehouse merchandise and others	138,387,607	175,581,160
Store merchandise	128,830,698	163,975,225
	267,218,305	339,556,385

5. Prepayments and Other Current Assets

	September 2009	December 2008
Input value-added tax (VAT)	138,200,965	66,075,401
Prepaid rent	24,562,194	15,464,928
Advances for expenses	7,875,046	11,077,907
Advances to suppliers	39,123,097	7,847,838
Prepaid taxes and licenses	5,304,263	1,867,481
Current portion of deferred lease (Notes 10 and 26)	1,519,365	1,519,365
Supplies	948,937	1,436,762
Prepaid uniform	-	1,045,510
Others	20,761,451	11,611,986
	238,295,319	117,947,178

6. Property and Equipment

Movements in property and equipment are as follows:

September 2009									
	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	106,053,132	713,383,611	272,075,632	26,056,994	214,549,221	596,133,190	16,621,888	1,901,344,886
Additions	-	319,929	135,930,629	38,167,553	3,668,185	7,711,350	50,507,023	39,029,537	275,240,236
Disposals	-	-	-	-	-	-	(2,539,291)	-	(2,539,291)
Reclassifications	-	-	-	-	-	-	10,334,249	(10,334,249)	-
Adjustments	-	(794,574)	(81,633,199)	10,577,953	(892)	(9,098,814)	(2,402,692)	(85,067)	(83,607,355)
Ending balances	44,481,000	106,568,487	767,681,041	320,243,268	29,674,287	213,161,757	655,032,479	44,282,117	2,180,438,446
Accumulated Depreciation and Amortization:									
Beginning balances	-	49,663,043	343,570,662	107,101,641	17,323,572	116,968,647	284,655,792	-	819,303,557
Depreciation and amortization (Note 15)	-	3,506,175	51,205,733	13,925,470	2,437,758	25,903,922	40,569,990	-	137,662,04
Disposals	-	-	-	-	-	-	(2,539,292)	-	(2,539,292)
Reclassifications	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	-	-
Ending balances	-	53,172,218	394,776,395	121,027,111	19,761,330	142,892,569	322,686,490	-	1,054,518,313
Net Book Value	44,481,000	53,416,269	372,896,456	199,216,157	9,862,957	70,269,188	332,345,989	44,282,117	1,126,122,133

December 2008									
	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	P44,481,000	P104,385,538	P368,198,319	P240,570,631	P25,206,994	P180,466,131	P492,150,509	P25,369,630	P1,874,630,772
Additions	-	1,957,594	201,696,186	38,387,334	1,100,000	53,602,342	100,934,135	10,708,190	415,395,771
Disposals	-	-	(54,753,870)	(4,482,134)	(250,000)	(19,552,251)	(8,586,307)	(14,582,465)	(102,600,657)
Reclassifications	-	-	224,976	-	-	-	5,635,462	(5,860,458)	-
Ending balances	44,481,000	106,343,132	713,383,611	272,075,631	26,056,994	214,549,221	596,133,190	16,621,887	1,901,344,886
Accumulated Depreciation and Amortization:									
Beginning balances	-	45,179,341	307,595,172	125,348,323	14,406,365	96,201,950	237,870,843	-	829,400,814
Depreciation and amortization (Note 15)	-	4,483,701	52,011,210	23,850,588	2,802,974	40,509,549	55,371,894	-	179,639,008
Disposals	-	-	(53,744,314)	(4,750,377)	(250,000)	(19,358,933)	(8,586,939)	-	(86,736,063)
Ending balances	-	49,663,042	306,461,968	144,210,934	16,959,339	117,352,566	284,655,792	-	919,303,557
Net Book Value	P44,481,000	P56,680,090	P406,921,643	P127,864,697	P9,097,655	P97,196,655	P311,474,401	P16,621,887	P1,072,041,329

7. Deposits

	September 2009	December 2008
Rent	119,185,905	97,645,367
Utilities	24,469,102	21,766,646
Refundable	9,378,169	9,314,578
Others	3,484,646	3,968,879
	156,517,822	132,695,470

8. Other Noncurrent Assets

	September 2009	December 2008
Goodwill	65,567,524	65,567,524
Deferred lease - net of current portion	13,058,023	13,058,023
Software and program cost	8,780,085	10,778,423
Lease receivable - net of current portion	6,453,041	6,453,041
AFS financial assets	2,314,575	2,314,575
Others	20,746,638	3,300,359
	116,919,886	101,471,945

9. Bank Loans

Bank loans represent unsecured Peso-denominated short-term borrowings from various local banks, payable in lump sum in 2008 and 2007 with annual interest rates ranging from 6.75% to 8.60% in 2008, from 7.47% to 8.60% in 2007 and from 8.60% to 8.80% in 2006, which are monthly repriced based on market conditions.

Movements in bank loans are as follows:

	September 2009	December 2008
Beginning balance	₱ 330,000,000	₱ 375,000,000
Availment	130,000,000	40,000,000
Payments	(50,000,000)	(85,000,000)
Ending balance	₱ 410,000,000	₱ 330,000,000

10. Accounts Payable and Accrued Expenses

	September 2009	December 2008
Trade payable	319,004,661	697,108,015
Rent	87,320,380	85,020,970
Employee benefits	19,579,486	22,364,011
Utilities	8,853,794	12,288,794
Outsourced services	5,006,096	5,764,897
Advertising and promotion	7,773,004	4,242,668
Security services	2,087,840	2,395,139
Interest	904,764	1,825,689
Bank charges	1,765,611	1,678,000
Others	33,666,067	15,355,584
	485,961,703	848,043,767

11. Other Current Liabilities

	September 2009	December 2008
Non-trade accounts payable	112,663,588	120,494,703
Retention payable	14,721,966	15,129,370
Withholding taxes	11,714,477	11,929,960
Output VAT	66,483,550	10,099,637
Royalty	4,922,572	5,671,223
Current portion of deferred revenue on:		
Exclusivity contract	3,913,691	3,913,691
Finance lease	1,310,151	1,310,151
Others	9,655,498	6,038,237
	225,385,493	174,586,972

12. Basic/Diluted Earnings Per Share

	September 2009	December 2008
a. Net income	₱ 88,515,229	₱ 57,504,482
b. Weighted average number of shares outstanding	261,663,450	261,663,450
c. Less weighted average number of shares held in treasury	686,250	686,250
d. Weighted average number of shares outstanding (b-c)	260,977,200	260,977,200
e. Basic/diluted earnings per share (a/d)	₱ 0.34	₱ 0.22

The Group does not have potentially dilutive common shares as of September 30, 2009 and December 31, 2008. 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 237,938,250 to 261,663,450 as a result of stock dividend issuance equivalent to 23,725,200 common shares approved on June 18, 2008. Therefore, the calculation of basic/diluted earnings per share for all periods presented has been adjusted retrospectively.

13. Financial Instruments

The following table summarizes the carrying value and fair value of the Group's financial assets and financial liabilities per class as of September 30, 2009:

	September 2009		December 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
FINANCIAL ASSETS				
Loans and Receivables				
Cash and cash equivalents				
Cash	143,749,683	143,749,683	314,241,734	314,241,734
Cash equivalents	638,623	638,623	638,623	638,623
	144,388,305	144,388,305	314,880,357	314,880,357
Receivables:				
Franchisee	25,537,050	25,537,050	76,989,185	76,989,185
Suppliers	34,479,269	34,479,269	55,045,630	55,045,630
Employees	6,552,967	6,552,967	5,137,033	5,137,033
Current portion of lease receivable	14,073	14,073	2,317,248	2,328,007
Insurance claims	6,747,495	6,747,495	938,402	938,402
Due from PFI	0	0	53,883	53,883
Others	7,227,948	7,227,948	5,373,132	5,373,132
	80,558,802	80,558,802	145,854,513	145,865,272
(Forward)				

	September 2009		December 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Deposits:				
Utilities	24,469,102	24,469,102	21,766,646	21,766,646
Refundable	9,378,169	9,378,169	9,314,578	11,883,424
Others	3,484,646	3,484,646	3,968,879	3,968,879
	37,331,917	37,331,917	35,050,103	37,618,949
Other noncurrent assets - lease receivable - net of current portion	6,453,041	6,405,327	6,453,041	6,405,327
Total Loans and Receivables	268,732,065	268,684,351	502,238,014	504,769,905
AFS Financial Assets	2,314,575	2,314,575	2,314,575	2,314,575
TOTAL FINANCIAL ASSETS	271,046,640	270,998,926	504,552,589	507,084,480
FINANCIAL LIABILITIES				
Other Financial Liabilities				
Bank loans	410,000,000	410,000,000	330,000,000	330,000,000
Accounts payable and accrued expenses:				
Trade payable	319,004,661	319,004,661	697,108,015	697,108,015
Rent	87,320,380	87,320,380	85,020,970	85,020,970
Employee benefits	19,579,486	19,579,486	22,364,011	22,364,011
Utilities	8,853,794	8,853,794	12,288,794	12,288,794
Outsourced services	5,006,096	5,006,096	5,764,897	5,764,897
Advertising and promotion	7,773,004	7,773,004	4,242,668	4,242,668
Security services	2,087,840	2,087,840	2,395,139	2,395,139
Interest	904,764	904,764	1,825,689	1,825,689
Bank charges	1,765,611	1,765,611	1,678,000	1,678,000
Others	33,666,067	33,666,067	15,355,584	15,355,584
	485,961,703	485,961,703	848,043,767	848,043,767
Other current liabilities:				
Non-trade accounts payable	112,663,588	112,663,588	120,494,703	120,494,703
Retention payable	14,721,966	14,721,966	15,129,370	15,129,370
Royalty	4,922,572	4,922,572	5,671,223	5,671,223
Others	9,655,499	9,655,499	6,038,237	6,038,237
	141,963,624	141,963,624	147,333,533	147,333,533
Cumulative redeemable preferred shares	6,000,000	6,000,000	6,000,000	6,000,000
TOTAL FINANCIAL LIABILITIES	1,043,925,327	1,043,925,327	1,331,377,300	1,331,377,300

Fair Value Information

Current financial assets and financial liabilities

Due to the short-term nature of the transactions, the fair value of cash and cash equivalents, receivables (except for lease receivables), accounts payable and accrued expenses and other current liabilities approximates 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, 2008 and 2007, which is 6.63% and 5.97%, respectively.

Utility and other deposits

The fair value of utility and other deposits approximates its carrying value at it earn 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, 2008 and 2007 ranging from 6.73% to 9.52% and 5.86% to 7.61%, respectively.

AFS financial assets

The fair value of unquoted available-for-sale financial assets is not reasonably determinable, thus, balances are presented at cost.

Bank loans

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

Cumulative redeemable preferred shares

The carrying value approximates fair value because corresponding dividends on these shares that are charged as interest expense in the consolidated statement of income are based on recent treasury bill rates repriced annually at yearend.

14. Financial Risk Management Objectives and Policies

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below.

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 not significant. The Group deals only with counterparty duly approved by the BOD.

The following table provides information regarding the maximum credit risk exposure of the Group as of December 31:

	2009	2008
Cash and cash equivalents:		
Cash in bank (excluding cash on hand)	126,370,579	314,241,734
Cash equivalents	638,623	638,623
	127,009,202	314,880,357
Receivables:		
Franchisee	25,537,050	76,989,185
Suppliers	34,479,269	55,045,630
Employees	6,552,967	5,137,033
Current portion of lease receivables	14,073	2,317,248
insurance claims	6,747,495	938,402
Due from PFI	0	53,883
Others	7,227,948	5,373,132
	80,558,802	145,854,513

(Forward)

	2009	2008
Deposits:		
Utilities	24,469,102	21,766,646
Refundable	9,378,169	9,314,578
Others	3,484,646	3,968,879
	37,331,917	35,050,103
Other noncurrent assets:		
Lease receivables - net of current portion	6,453,041	6,453,041
AFS financial assets	2,314,575	2,314,575
	8,767,616	8,767,616
	253,667,537	504,552,589

The Group uses the following criteria to rate credit quality as follows:

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 quality of the financial assets was 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 from the franchisees are classified as high grade since collections are automatically obtained from the franchisees' holding account. The Group has the custody of the franchisees' cash.

Receivables excluding receivables from the franchisees, 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 table provides the analysis of financial assets that are past due but not impaired and past due and impaired:

September 2009						
	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	-	-	18,250,868	18,250,868	6,605,041	24,855,909
Others	-	-	-	-	2,135,133	2,135,133
	-	-	6,164,083	6,164,083	8,740,174	26,991,042

December 2008						
	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	P1,353,588	P1,040,457	P980,233	P3,374,278	P6,605,041	P9,979,319
Others	-	-	-	-	2,135,133	2,135,133
	P1,353,588	P1,040,457	P980,233	P3,374,278	P8,740,174	P12,114,452

Receivables from suppliers are non interest-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 table below summarizes the maturity profile of the financial assets and liabilities of the Group based on remaining undiscounted contractual obligations:

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 within the next three years. 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 profiles of financial instruments that are exposed to interest rate risk are as follows:

	2009	2008
Due in less than one year	₱ 410,000,000	₱ 330,000,000
Rate	6.75%-8.60%	6.50%-8.60%

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 non-interest 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):

	2008		2007	
	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	₱3,300,000	+ 100	₱3,750,000
	- 100	(3,300,000)	- 100	(3,750,000)

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

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	- 100	(3,300,000)	- 100	(3,750,000)

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

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Third Quarter of 2009

SELECTED FINANCIAL DATA

	Q3 2009	Q3 2008
<i>(amount in thousands, except EPS)</i>		
SYSTEM WIDE SALES	₱1,714,259	₱1,543,565
Statement of Income Data:		
Revenues and other income		
Sales of merchandise	₱ 1,464,610	₱ 1,338,098
Commission Income	5,612	5,737
Others (Net)	135,746	110,325
Cost and expenses		
General & Administrative Expenses	(495,798)	(447,213)
Interest Expense	(6,309)	(6,169)
Cost of merchandise sold	(1,049,777)	(964,159)
Net income (loss)	35,764	21,945
Earnings (loss) per share	₱0.14	₱ 0.09
Balance Sheet Data:		
Total assets	₱ 2,169,759	₱ 2,264,186
Total liabilities	1,329,132	1,512,074
Total stockholders' equity	840,627	752,112
Cash Flow Data:		
Net cash from operating activities	₱ 67,569	₱ 90,944
Net cash used in investing activities	(128,159)	(90,730)
Net cash used in financing activities	(6,309)	(6,169)

OVERVIEW

Philippine Seven Corporation (PSC) operates the largest convenience store network in the country. It acquired from 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 on February 29, 1984. Considering the country's economic condition in the early 80's, the Company grew steadily in the first few years of its existence. In 1993, PSC, encouraged by the resilient economy, stepped up its rate of expansion.

As of September 30, 2009, PSC has grown to 401 stores. It is sustained by a manpower complement of 1,122 employees engaged in store operations and in various support service units. Despite the growing competition in the C-store (Convenience Store) business, the Company maintains its leadership in the industry.

7-Eleven derives its revenues principally from retail of merchandise, commission on services and franchising activities. Its primary expenditures consist of cost of goods, general and administrative expenses, interest and income taxes.

PSC seeks to meet the needs of convenience 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 in emerging markets.

THREE MONTHS ENDED SEPTEMBER 30, 2009 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2008

Despite of the economic slowdown and inclement weather pattern, PSC managed to register an 11% top line growth during the third quarter of 2009. This was mainly due to the expansion of its store base. Net income grew by more than 60%% year on year to about P 35.8 million.

7-Eleven is working to optimize the earnings of its stores by improving merchandise assortment and ensuring stock availability. It also aims to open new stores in strategic locations to further strengthen its foothold in the markets where it is present. The Company also continues to evaluate the performance of stores that dragged profitability. In the second quarter, 24 new stores were opened and 6 underperforming stores were closed. These efforts are geared towards the goal of the organization of enhancing shareholder value.

Revenues and Other Income

Revenues

Total revenue from merchandise sold in Q3 2009 reached P1.46 billion, up by 9% compared to P1.34 billion in the same period last year.

System wide sales, which represents the overall retail sales to customers of corporate and franchise operated stores reached P1.71 billion in Q3 2009 vis-à-vis P1.54 billion in Q3 2008 or an increase of 11%.

Commissions earned from the services category went down by 2 percent to P 5.6 million. Growth was registered from new services such as bills payment of cable TV and consigned goods which accounted for 26% of the total commission at end of the period.

On the other hand, gross profit reached P414.8 million in the third quarter, P41 million higher compared to the P373.9 million registered in the same period last year. Gross margin is pegged at about 28.3%, almost the same with the previous year. Further, aggregate merchandise transfers to franchised stores reached P362 million, up by 11% from P325 million in Q3 2008.

Other Income

Other income consists mainly of marketing income, franchise revenues and rent income from rentable spaces. Total other income for the third quarter reached P125.6 million, up by 31% from P96 million registered last year.

Franchise revenue rose to P70 million from P67 million in Q3 2008 as a result of the increased number of franchise operated stores from 191 stores in Q3 2008 to 219 stores at the end of Q3 2009. Franchise fees amounted to P7 million and P12 million in the third quarter of 2009 and 2008, respectively; while, franchise revenues increased by P3 million. However, rent income fell by 19% due to closure of stores with rentable spaces.

Cost and Expenses

Operating expenses in Q3 2009 totaled P496 million and is 11% higher compared to third quarter of 2008. Ratio of expenses to system wide sales stood at 29% during Q3 2009 compared to 28% of Q3 last year.

Communication, light & water which accounted for 20% of the total G&A in Q3 2009 is the highest contributor. This is followed closely by Outsourced Services at 15% and Rent, accounting for 14% of the total.

In the third quarter, personnel costs aggregated P71 million, versus P64 million last year. Ratio to sales revenue is 4% and 5%, in 2009 and 2008, respectively. Personnel costs include salaries and wages at P43 million, employee benefits at P25 million and retirement benefits at P2 million.

Communication, light and water amounted to P95 million or 5.5% of total sales revenue and is slightly higher than last year's rate of 5.3%.

Advertising and promotion expenses amounted to P16 million, 3 percent higher than the amount of the expenditure level in Q3 2008. This is equivalent of 1% of sales in 2009 and 2008.

Interest Expense

Interest expense during the period reached P6.3 million, 2% higher than last year's level of P6.2 million. Bank loans increase from P330 million in 2008 to P410 million as of end of third quarter.

Net Income

Net Income generated during Q3 of 2009 reached P35.8 million, 63% higher compared to the P21.9 million income level registered the same period last year. The better results in the current year can be attributed to the aggregate growth in revenues complimented by effective cost management.

Liquidity and Capital Resources

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

- Cash flows generated from our retailing operations and franchising activities
- Borrowings under our revolving credit facility

PSC believes that operating activities and available working capital sources will provide sufficient liquidity in 2009 to fund capital expenditures and debt service. The following are the discussion of the sources and uses of cash during the third quarter.

Cash Flows from Operating Activities

Net cash generated by operating activities reached P67.6 million compared to P90.9 million in Q3 2008. The decline in cash provided by operating activities can be partly attributable to higher disbursements to settle payables. Moreover, receivables posted a net decrease of P26 million.

Cash Flows from Investing Activities

Net cash used in investing activities reached P91 million during third quarter last year compared to net cash out flow of P128 million in the current year. Major cash outlay went to the procurement of store equipment and new store constructions in line with PSC expansion.

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

Cash Flows from Financing Activities

Net cash outflow from financing activities in the third quarter amounted to P6.3 million arising from the interest payment during the quarter. As of September 2009, bank loans increased to Php410 million from Php330 million at the beginning of 2009.

Financial Condition

Cash and cash equivalents in 2009 decreased to P144.4 million from P314.9 at the beginning of the year. This was driven by the increase in prepayments and other assets and the decrease in trade liabilities and income tax payable.

Receivables decreased by P65.3 million while inventories were reduced by P72.3 million. This resulted into a net decrease in total current assets by P187.8 million. Total current asset aggregated P730.5 million or 20% lower from the beginning of the year.

Property and equipment, net of accumulated depreciation increased by about P54 million as a result of continuous store expansion.

Total current liabilities decreased by P243 million this is primarily due to the decrease in trade payable and accrued expenses. Current ratio remained at 64%.

Stockholders' equity at the end of September 2009 comprises 39% of total assets, compared to 33% at the beginning of the year. Consequently, debt to equity ratio is 1.6 to 1, from 2.01 to 1 at the end of 2008.

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. This grew by 11% to P1.7 billion from P1.5 billion in the same period last year due to increase in number of operating stores.

Gross Margin

This is the ratio of sales, less cost of sales but before considering selling and general expense, other income and income deduction over sales and expressed in terms of percentage. Gross margin in the third quarter improved to 28.3% due to increasing share of food items with higher yield.

Return on Equity (ROE)

The ratio of the net income over stockholders' equity and a measure of the efficiency with which a company employs owners' capital. At the end of the third quarter, ROE stood at 4.2%, higher than the 2.9% registered a year ago.

SIGNATURES

Pursuant to the requirement 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**

A handwritten signature in black ink, appearing to read "Victor Paterno". The signature is fluid and cursive, with a large loop at the top of the "P" and a long horizontal stroke at the end.

JOSE VICTOR P. PATERNO
President and CEO

Date: November 13, 2009