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	**Every 3rd Thursday of July of each year**
(Fiscal Year Ending) (Month & Day)	(Annual Meeting)

ANNUAL REPORT
(SEC FORM 17-A)
(FORM TYPE)

April 14, 2008
(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.

REPUBLIC OF THE PHILIPPINES)
CITY OF QUEZON) S.S.

CERTIFICATION

I, **EVELYN S. ENRIQUEZ**, of legal age, Filipino citizen, with office address at the 7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City, after being sworn in accordance with law, hereby depose and certify:

1. I am the Corporate Secretary of **PHILIPPINE SEVEN CORPORATION** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at the 7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City;

2. I hereby certify that the basic and material data in the Annual Report and Audited Financial Statements of the Corporation for the year 2007 are also contained in the diskette and hard copies.

IN WITNESS WHEREOF, I have hereunto set my hand this _____th day of April 2008, Mandaluyong City, Philippines.

EVELYN S. ENRIQUEZ
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ___ day of April 2008, affiant exhibiting to me her Community Tax Certificate No. 20407748 issued on January 09, 2009 at Mandaluyong City.

NOTARY PUBLIC

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of 2009.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE
AND SECTION 141 OF CORPORATION CODE

1. For the fiscal year ended **2008**

2. SEC Identification Number ***108476***

3. BIR Tax Identification No. ***301-000-390-189***

4. Exact name of registrant as specified in its charter ***PHILIPPINE SEVEN CORPORATION***

5. ***Philippines***
   Province, Country or other jurisdiction of Incorporation or Organization

6. [ ] (SEC Use Only)
   Industry Classification Code:

7. ***7th Floor, The Columbia Tower, Ortigas Ave., Mandaluyong City*** ***1550***
   Address of principal office | Postal Code

8. ***(632) 724-4441 to 51***
   Registrant's telephone number, including area code

9. Not Applicable
   Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Shares Outstanding - Common	**260,977,200**
Warrants	**-0-**

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

    Yes [X] No [ ]

Title of Class	*Total Shares Listed*
Common Shares	**261,663,450**

12. Check whether the registrant:

    has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 12 months (or for such shorter period that the registrant was required to file such reports);

(a) Has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

13. ___________________Not Applicable________________________________
The aggregate market value of the voting stock held by non- affiliates of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

(a) Management's Discussion and Analysis of 2008 Operations as per Item 6 of SEC Form 17-A (Appendix A);
(b) Audited Consolidated Financial Statement for the year end December 31, 2008 showing the financial condition of registrant as per Item 7 of SEC Form 17-A (Appendix B).

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Philippine Seven Corporation ("PSC") was registered with the Securities and Exchange Commission ("SEC") on November 1982. It acquired from Southland Corporation (now Seven Eleven, Inc.) of Dallas, Texas the license to operate 7-Eleven stores in the Philippines in December 13, 1982. Operations commenced with the opening of its first store in February 29, 1984 at the corner of Kamias Road and EDSA Quezon City, Metro Manila. Considering the country's economic condition at that time, the Company grew slowly in its first few years of existence.

In July 1988, PSC transferred the Philippine area license to operate 7-Eleven stores to its affiliate, Phil-Seven Properties Corporation ("PSPC"), together with some of its store properties. In exchange thereof, PSC received 47% of PSPC stock as payment. Concurrent with the transfer, PSC entered into a sublicensing agreement with PSPC to operate 7-Eleven stores in Metro Manila and suburbs. As part of PSPC's main business, it acquired or leased commercial properties and constructed retail store buildings, leasing the buildings to PSC on long term basis together with most of the capital equipment used for store operations. In effect, PSC concentrated on managing its stores and effectively took the role of a pure retailer.

In May 1996, the stockholders of both PSC and PSPC approved the merger of the two companies to advance PSC group's expansion. In October 30, 1996, SEC approved the merger and PSPC was then absorbed by PSC as the surviving entity. With the consolidation of the respective lines of business of PSC and PSPC, PSC's retailing strengths were complemented by PSPC's property and franchise holdings. Their management as a single entity enhanced operational efficiency and strengthened ability to raise capital for growth. In September 17, 1998, PSC established Convenience Distribution Inc. ("CDI'), a wholly owned subsidiary, to provide a centralized warehouse and distribution system to service its 7-Eleven stores.

With the effectivity of the Retail Trade Liberalization Act (R.A. 8762) on March 25, 2000, foreign entities were allowed to invest in an existing retail company subject to the requirements of the law. President Chain Store Corporation of Taiwan (PCSC), which is also the 7-Eleven licensee in Taiwan operating about 2,700 stores, purchased 119,575,008 common shares of PSC or 50.4% of PSC's outstanding capital stock at the price of P8.30 per share. The purchase was made under a tender offer during October 9 to November 7, 2000 by President Chain Store (Labuan) Holdings, Ltd., a Malaysian investment holding company, wholly-owned by PCSC. The acquisition is meant to forge a strategic alliance which aims to provide PSC with technical support from PCSC in strengthening its organizational structure and operating systems. This shall enable PSC to pursue store expansion plans on sound and profitable basis. A new affiliate, Store Sites Holdings Inc., was also established on November 9, 2000, as the entity to own land properties of the Company. These land properties are leased to PSC by SSHI. The Corporation's area license to operate 7-Eleven Stores in the Philippines was renewed in August 2007 for another term of 20 years, renewable every 10 years. The Renewal Area License Agreement has been approved by and registered with the Intellectual Property Office.

The company had a manpower complement of **1,048 personnel, 737 of whom are regular employees, 311 contractual/probationary and 651 cooperative members** to augment temporary needs during peak hours or season in the stores and the support services units. There is no existing labor union in the company and collective bargaining agreement. There is an Employees Council which communicates to management the employee concerns. There has been no strike or threat to strike from the employees for the past three years.

At year end, PSC is operating 368 stores, 121 of which are franchise stores, 80 stores are operated under a service agreement, and the rest are company-owned stores. The store franchise and service agreements have a minimum term of 5 years each, renewable for a similar term. The stores under franchise and service agreement are indicated in the store list provided in the discussion of Leases herein.

PSC looks at three major competitors in maintaining its leadership in the Convenience Store ("C-Store") Industry. There are a number of other small players including Gas Marts, but their store count and sales volume as a group by itself is not significant to be considered. The Company is able to sustain its leadership by putting stores in strategic locations, carrying product assortment fit for such market.

In spite of the growing competition in convenience store ("C-Store") businesses, the Corporation maintains its leadership in the industry. The Corporation estimates its market share in branded C-store businesses as of December 31, 2008, in terms of number of C-store outlets in Metro Manila and adjacent provinces, as follows:

	Number of C- stores	*Market Share (as of 31 Dec 2006)*
7-Eleven	**368**	**41%**
Mercury Self-Serve*	283	32%
Ministop	218	25%
San Miguel Food Shop	17	2%
TOTAL	**886**	**100%**

**only 47 stores operate 24 hours*

The majority shareholder, PCSC, has hands-on experience and know how in operating more than 4,705 7-Eleven Stores in Taiwan and continually providing technical expertise, logistics infrastructure and marketing support program to build the Corporation's business systems to support its store expansion program for corporate and franchise stores. The continuous improvement of the corporation's supply chain shall generate further efficiencies to effectively compete with the entry of other players in the C-store business. The successful franchise program is another mover to achieve the expansion plans and to dominate the c-store market.

The average number of customers that transact in the stores is about 1,197 per day per store with an average purchase transaction of about ₽ 44.15. The stores carry a wide range of beverages, food service items, frozen foods, confectioneries, cookies and chips, personal care products, groceries and other daily needs and other services which neighborhood residents, commuters, students and other urban shoppers would look for in a convenience store. Also offered in the store are proprietary product lines under the 7-Eleven trademark such as:

Trademarks	Description of Product	Application Date	Status
1. Slurpee	Frozen carbonated beverage, prepared with a variety of high-quality syrups, properly brixed, and served in standardized, trademark SLURPEE cups	Aug. 19, 1992	Registered for 20 years from Aug. 19, 1992 to Aug. 18, 2012
2. Super Big Bite	Sandwiches, hotdogs and buns	Apr. 20, 1994	Registered for 20 years from April 20, 1994 to Apr. 19, 2014
3. Big Gulp	Post-mix fountain beverage, prepared with a variety of high quality syrups	Nov. 16, 1992	Registered for 20 years from Nov. 16, 1992 to November 15, 2012

PSC also sells its developed or own branded products/services under the following trademarks:

Trademarks	Description of Product	Application Date	Status
1. Nature's Harvest	Instant Noodles	Dec. 17, 1993	Registered for 20 years from Dec. 17, 1993 to Dec. 16, 2013
2. Hot Cup Quick Mix	Instant pre-packed hot beverages sold in 7-Eleven stores	June 02, 1997	Registered for 20 years from Dec. 05, 2004 to Dec. 04, 2024

3. Quick Bites	Fast food items carried under umbrella brand consisting of siopao, siomai, others	Jan. 13, 1997	- Pending-
4. Tea Eggs	Egg boiled in different herb formulation	Sept. 16, 1996	- Pending -
5. Medi-express	Pharmaceutical	Jan. 19, 2006	Registered for 10 years from April 14, 2008 to April 14, 2014
6. Pastariffic	Pasta meals with variants	April 11, 2006	-Pending -
7. Pinoy Rice Meal	Ready-to-eat meals with variants	June 05, 2006	- Pending -
8. Rice Meal Express	Ready-to-eat rice meals with variants	June 05, 2006	- Pending -
9. 24-Hr express payment	Receiving from customers payments to various establishments	June 05, 2006	- Pending -
10. Café 24/7	Brewed Coffee, Hot Chocolate, Cappuccino, Hot Tea, and Other Coffee and Cholocate Variants	February 23, 2007	- Pending -
11. Daily Bread	Different variants of bread	May 18, 2007	- Pending -
12. Hotta Rice	Ready to eat rice meals with different variants	Sept. 22, 2008	- Pending-

Further, the products or services carried by the stores as described above are generally categorized as General Merchandise which accounts for 76.29%, Food Service and Cupdrinks for 23.06% and Services at 0.65%.

The merchandise stocks are supplied by over 300 vendors/suppliers and are mostly governed by the standard trading terms contract prescribed by the Company. Among the largest suppliers for the products carried by the stores are San Miguel Corporation, Uniliver RFM Ice Cream Inc., Coca Cola Bottlers, Pepsi Cola Products Phils. Inc. (PEI), Universal Robina Corporation (UR2], Philip Morris Philippines Manufacturing Inc. (PMP), Seven Dragons Food Galore, Inc. (SSP), Food Series Incorporated, Pepsi-Cola Products Phils. Inc. (PES), Universal Robina Corporation.

Item 2. Properties

The following properties are owned and leased by the Company, free from any lien or encumbrances, as described below:

Condominium (Owned)

Description	Location	Total Lot Area (in square meter)
MH del Pilar Store Branch	Unit Nos. 102 & 201, Ferguson Tower, A. Flores cor. MH del Pilar & Guerrero Sts., Ermita, Manila	151.43
Office Space	All units of 7th Floor and 3 units of 11th Floor, Columbia Tower Ortigas Avenue, Mandaluyong City	1,662.00
20 parking units	G/F, Basement 2 and 3 Columbia Tower	300.00

The Company divested its land holdings to 7 parcels of land, excluding the improvements thereon, to its affiliate, Store Sites Holdings, Inc. (SSHI) at book value. SSHI was registered with SEC last November 9, 2000, initially wholly-owned by PSC. It eventually became 40% Company-owned with the 60% investment in SSHI by the PSC Employees Retirement Plan through its trustee, Bank of Philippine Islands-Asset Management & Trust Group. Anticipating foreign ownership in PSC to exceed 40%, the divestment was made to SSHI, which is 60% owned by Filipinos and 40% by foreigners to comply with 40% foreign ownership limit for corporations allowed to hold or own land/s in the Philippines.

Leases

The Company leases land or existing building shell for its establishment of 7-Eleven stores. The lease term for these locations ranges mostly from 5 to 10 years. The numbers of locations which shall expire within the next 5 years are as follows:

2009	2010	2011	2012	2013
36	38	39	71	67

Rental rates of 7-Eleven Stores vary depending on transaction type as land or building shell transaction; size of the area being leased; site location in relation to the trade area; and the prevailing real estate market rates. The total amount of lease payments by the Corporation is contained in the Financial Notes on Leases of the audited financial statements attached herein. Below is the list of leased properties for the 7-Eleven Stores operational under a Franchise, Service Agreement and Corporate.

#	Store Name	Address
1	**002 BF HOMES**	*Pres. Ave., BF Homes Parañaque*
2	**003 LIBERTAD****	*Libertad cor., F.B. Harrison, Pasay*
3	**004 NAGTAHAN^^**	*Nagtahan cor.JP Laurel St. Sta. Mesa Manila*
4	**005 U. NATION**	*900 U.N. Ave., Ermita, Manila*
5	**007 QUIAPO^^**	*465 Quezon Blvd., Quiapo, Manila*
6	**008 ADRIATICO^^**	*Adriatico cor., P. Faura, Manila*
7	**010 MUÑOZ**	*Roosevelt Ave, nr. Cor. EDSA-Muñoz, Q.C.*
8	**011 BACLARAN 1^^**	*Quirino Ave., cor. Airport Road Parañaque*
9	**012 ROCES****	*A. Roces St. cor. Quezon Ave., Q.C.*
10	**015 STI- SHAW^^**	*Shaw Blvd. nr. cor. Mayflower St., Pasig City*
11	**016 RJ MAKATI****	*7849 Gen. Luna St. cor. Makati Avenue, Makati City*
12	**017 BUENDIA****	*Buendia Avenue corner Taft Avenue, Pasay City*
13	**020 BONI^^**	*Boni Avenue cor., EDSA Mandaluyong City*
14	**022 RETIRO^^**	*Retiro cor. Dimasalang, Manila*
15	**024 PACO**	*Pedro Gil St., Paco, Manila*
16	**030 BURGOS^^**	*Libertad St., cor. Burgos St., Pasay City*
17	**031 BARRANCA^^**	*Boni Ave., Barangka Drive, Mandaluyong*
18	**032 MAYPAJO^^**	*J.P. Rizal St., cor. Ambini St., Maypajo, Caloocan City*
19	**033 DAPITAN^^**	*Maceda cor. Dapitan St., Sampaloc, Manila*
20	**035 PASIG CHURCH****	*Caruncho Ave., cor. Sixto Ave., Pasig*
21	**036 JRC^^**	*Shaw Blvd. cor Kalentong St., Mandaluyong City*
22	**037 NOVALICHES MARKET^^**	*Gen. Luis St, cor. Austria St., Novaliches, Q.C.*
23	**038 PILAR^^**	*Alabang Zapote Rd., Pilar Rd., Alamansa*
24	**039 MCU****	*Edsa cor. Asuncion St., Monumento, Caloocan City*
25	**040 ALMEDA^^**	*Concepcion cor. Almeda, San Joaquin, Pasig City*
26	**041 MARULAS**	*Mc Arthur Hi-way cor. Pio del Pilar, Valenzuela*
27	**043 MALIBAY**	*EDSA cor. C. Jose St., Malibay, Pasay City*
28	**044 BACOOR^^**	*G.E. Aguinaldo Hi-way cor. Talaba, Bacoor, Cavite*
29	**045 GAGALANGIN**	*Juan Luna cor., Pampanga St., Gagalangin Tondo, Manila*
30	**046 PANDACAN**	*Jesus cor., Labores St., Pandacan, Manila*
31	**047 SINGALONG^^**	*Singalong St., cor., san Andres, Malate Manila*
32	**051 ALABANG 1****	*Montillano St., West Service Road, Alabang*
33	**054 MUNTINLUPA^^**	*Rizal St. cor. National Road, Poblacion, Muntinlupa*
34	**055 ROSARIO**	*A. Rodriquez nr. cor. Ortigas Ave. Ext., Rosario, Pasig*
35	**056 EVANGELISTA**	*Pio del Pilar cor. Evangelista, Makati*
36	**057 COMMONWEALTH****	*Tandang Sora Ave., cor. Commonwealth Ave., Q.C.*
37	**059 REVILLA**	*EDSA cor. C. Revilla St., Pasay City*
38	**060 CAINTA JUNCTION^^**	*A. Bonifacio St., cor. Ortigas Ave., Ext., Cainta, Rizal*
39	**061 PUREZA****	*R. Magsaysay Blvd., cor. Pureza St., Sta. Mesa, Manila*
40	**063 GUADALUPE 1^^**	*EDSA nr. cor. R. Magsaysay, Guadalupe, Makati*
41	**064 MASINAG^^**	*Marcos Highway cor. Sumulong Highway, Antipolo, Rizal*

42	**065 ROAD 8^^**	*Road 8 cor. Visayas Ave., Proj. 6, Q.C.*
43	**066 MH DELPILAR****	*A. Flores St., M.H. del Pilar, Ermita, Manila*
44	**067 ST.JAMES****	*Tandang Sora Ave., cor. Mindanao Avenue, Q.C.*
45	**068 MURPHY^^**	*15th Ave. cor. Liberty Ave., Murphy, Cubao, Q.C.*
46	**069 PCU**	*Pedro Gil St. cor. L. Guinto St., Malate, Manila*
47	**070 LA SALLE**	*Taft Ave., nr. cor. Vito Cruz, Malate, Manila*
48	**071 A. BONIFACIO^^**	*A. Bonifacio St., cor. Shaw Blvd., Mandaluyong City*
49	**072 CALAMBA**	*National Highway cor. J.P. Rizal, Calamba, Laguna*
50	**073 G.TUAZON**	*G. Tuazon St., cor. D. Santiago St., Sampaloc, Manila*
51	**074 CANAYNAY**	*Dr. A. Santos Ave., cor. Canaynay Ave., Parañaque*
52	**075 ANTIPOLO CHURCH**	*P. Oliveros St. cor Masangkay Rd., Antipolo, Rizal*
53	**076 PASIG ROTONDA****	*Pasig Blvd. cor. Sixto Antonio, Pasig City*
54	**077 ALTURA**	*R. Magsaysay cor. Altura St., Sta. Mesa, Manila*
55	**078 BRUGER**	*National Rd., Bruger St., Bruger Subd., Muntinlupa City*
56	**080 MARCELO^^**	*West Service Road cor. Marcelo Ave., Parañaque*
57	**081 R. SALAS**	*R. Salas cor. Mabini St., Ermita, Manila*
58	**082 SAN ANTONIO^^**	*Sucat Rd. cor San Antonio Ave., Parañaque*
59	**085 FB HARRISON^^**	*F.B. Harisson St. cor. Vito Cruz, Manila*
60	**086 TAYUMAN**	*Tayuman St. cor. Rizal Ave., Manila*
61	**087 IMUS****	*Aguinaldo Highway cor. Tanzang Luma, Imus Cavite*
62	**088 ANTIPOLO JUNCTION****	*Circumferential Rd. cor. M.L. Quezon St., Antipolo, Rizal*
63	**090 BANGKAL^^**	*Evangelista cor. Alejandrino St., Bangkal, Makati*
64	**091 SAN PEDRO 1^^**	*Maharlika St. cor. National Highway, San Pedro, Laguna*
65	**093 MEYCAUAYAN 2**	*Mc Arthur Hi-way cor. Malhakan Rd., Meycauayan, Bulacan*
66	**095 M DELA FUENTE^^**	*M. Dela Fuente St. cor. España, Sampaloc, Manila*
67	**096 SAN PEDRO 2**	*A. Mabini St. cor. Garcia St. San Pedro, Laguna*
68	**097 CAVITE CITY**	*Cajigas St. cor. Burgos St., Cavite City*
69	**098 YLAYA**	*Ylaya St. cor. Lakandula St., Binondo, Manila*
70	**099 DASMARINAS**	*P. Campos cor. Cantimbuhan St., Dasmariñas, Cavite*
71	**100 BALIBAGO****	*National Highway cor. R. Lasaga St., Balibago,Laguna*
72	**101 BLUMENTRITT 2**	*Blumentritt St. cor. Isagani St. Sampaloc, Manila*
73	**102 HERMOSA^^**	*J. Abad Santos Ave., cor. Hermosa St., Tondo, Manila*
74	**103 KABIHASNAN**	*Kabihasnan St. cor. San Dionisio Parañaque*
75	**104 GALAS**	*Unang Hakbang St., cor. Luzon Ave., Galas, Q.C.*
76	**105 L. BICUTAN**	*Gen. Santos Avenue cor. M.L. Quezon St., Lower Bicutan*
77	**106 TAMARAW HILLS****	*Mc Arthur Hi-way cor. Tamarraw Hills, Marulas, Valenzuela*
78	**107 CABUYAO^^**	*J.P. Rizal cor. Circumferencial Ave., Cabuyao, Laguna*
79	**108 CHICO^^**	*Chico St. cor. Anonas St., Proj. 2, Q.C.*
80	**109 REMEDIOS****	*Remedios St. cor. MH del Pilar, Malate, Manila*
81	**111 MOLINO 1^^**	*Molino Rd., cor. Bahayang Pag-asa, Bacoor, Cavite*
82	**112 SAN PABLO**	*Rizal Ave., cor. A. Flores St., San Pablo City*
83	**113 TANAY^^**	*Plaza Rizal cor. P. Burgos, Tanay, Rizal*
84	**114 DASMA 2****	*Mangubat St., cor. Aguinaldo Highway, Dasmariñas, Cavite*
85	**115 MOLINO 2^^**	*Molino Rd., San Nicolas, Mambog, Bacoor, Cavite*
86	**116 SALINAS**	*193 Gen. Trias Drive, Rosario, Cavite*
87	**118 GMA****	*Gov. Drive nr. cor. GMA Drive, Dasmariñas, Cavite*
88	**119 BINAN 2**	*National Highway cor. Malvar St., Biñan, Laguna*
89	**120 BALAGTAS^^**	*Mc Arthur Hi-way, Wawa, Balagtas, Bulacan*
90	**121 PULANGLUPA^^**	*Quirino Ave., cor. Naga Rd., Pulang Lupa, Las Piñas*
91	**122 BF RESORT**	*Alabang Zapote rd. cor. BF Resort Drive, Pamplona*
92	**123 MARIKINA PARANG****	*G. del Pilar cor., M.L. Quezon, Parang, Marikina*
93	**125 JP RAMOY**	*Quirino Highway cor. J.P. Ramoy, Barrio Talipapa, Novaliches, Q.C.*
94	**126 PAROLA**	*A. Bonifacio Avenue, San Andres, Cainta, Rizal*
95	**127 TATLONG HARI**	*Rizal Blvd. nr. cor. Tatlong Hari St., Sta. Rosa, Laguna*
96	**128 LOS BANOS**	*Batong Malaki National Highway, Los Baños, Laguna*
97	**130 BINAKAYAN**	*Gen. Tirona Highway cor. Bisita St., Binakayan, Kawit, Cavite*
98	**131 LIPA HIGHWAY**	*G/F Big Ben Complex, Pres. Laurel Hi-way, Lipa, Batangas*

99	**132 TRECE MARTIREZ**	*Gov. Drive cor. Indang, Tanza Rd., Trece Martirez, Cavite*
100	**133 TAGAYTAY****	*Silang-Tagaytay Rd., Rotonda, Tagaytay, Cavite*
101	**134 MOLAVE**	*Bayan bayanan Ave. cor. Molave St., Concepcion, Marikina*
102	**135 PANAPAAN**	*Tirona Hi-way cor. Aguinaldo Hi-way, Panapaan, Cavite*
103	**136 APALIT^^**	*San Vicente cor. David St., Mc Arthur Hi-way, Apalit, Pampanga*
104	**137 SAN PEDRO 3**	*Pacita cor. Macaria Ave., San Pedro, Laguna*
105	**138 LIPA PROPER**	*C.M. Recto Ave., Lipa, Batangas*
106	**141 CAMARIN^^**	*Blk 1 Lot 18 & 20 Camarin cor. Susano Rd., Caloocan City*
107	**142 TANZA^^**	*Sta. Cruz cor. San Agustine Poblacion , Tanza, Cavite*
108	**143 MALINTA^^**	*Mc Arthur Highway cor. Poblacion 2, Karuhatan, Valenzuela*
109	**144 AGLIPAY**	*Boni Ave., cor. A.T. Reyes Aglipay, Mandaluyong City*
110	**145 NAIC^^**	*Poblete St., cor. Nazareno St., Poblacion, Naic, Cavite*
111	**147 SHORTHORN^^**	*Shorthorn cor. Road 20, Project 8, Q.C.*
112	**148 JP RIZAL^^**	*J.P. Rizal cor. Constancia St., Makati City*
113	**150 ZABARTE^^**	*Quirino Hiway cor. Zabarte Ave., Novaliches*
114	**152 DASMA 3^^**	*Congressional Ave., cor. DBB, Dasmariñas, Cavite*
115	**153 PACO 2^^**	*Pedro Gil St. cor. Main St., Paco, Manila*
116	**154 INSULAR****	*P. Burgos St. cor. Gen. Luna St., Makati*
117	**155 ONYX****	*A. Francisco cor. Onyx and Concha Sts., Sta. Ana, Manila*
118	**156 GUADALUPE 2^^**	*Sgt. Yabut nr. cor. Anastasio St., Guadalupe, Makati*
119	**158 N. DOMINGO^^**	*N. Domingo cor. F. Blumentritt St., San Juan*
120	**160 SAN BARTOLOME^^**	*M. Dela Cruz cor. Quirino Highway, Novaliches, Q.C.*
121	**161 URBAN**	*Urban Ave. (Tindalo St.), Makati City*
122	**162 SAN FERNANDO****	*B. Mendoza cor. Tiomico St., San Fernando, Pampanga*
123	**165 SUPERLINES****	*EDSA nr. cor. New York St., Cubao, Q.C.*
124	**166 COLUMBIA**	*Columbia Tower, Ortigas Ave., Mandaluyong City*
125	**167 JUPITER****	*Makati Ave., cor. Gil Puyat Ave., Makati*
126	**168 TM KALAW****	*Kalaw cor. A. Mabini St., Ermita, Manila*
127	**172 WEST TRIANGLE^^**	*West Ave., cor. Zamboanga St., Q.C.*
128	**174 MASANGKAY**	*Masangkay cor. Mayhaligue St., Sta. Cruz, Manila*
129	**175 MCU 2^^**	*EDSA cor. Benin St., Caloocan City*
130	**176 FARMERS**	*Space 1&2, 2nd Level New Farmers Plaza, Cubao, Q.C.*
131	**177 MARIPOSA**	*Market Ave. cor. Carunchu Ave., Pasig City*
132	**178 ASTURIAS****	*Dapitan St. nr. cor. Asturias St., Sampaloc, Manila*
133	**180 BATANGAS CITY**	*P. Burgos Ave. cor. P. Panganiban St., Batangas*
134	**184 D. JOSE^^**	*Rizal Ave. cor. D. Jose, Sta. Cruz, Manila*
135	**185 GLOBAL PLAZA^^**	*MIA Rd nr. cor. Roxas Blvd, Parañaque*
136	**187 VIRRA 1****	*P. Burgos Ave. cor. Dapo St., Makati City*
137	**188 PANAY****	*Quezon Avenue cor. EDSA, Q.C.*
138	**189 GEN. TRIAS****	*Newhall Commercial Complex, Mangagahan, Gen. Trias, Cavite*
139	**191 BAGUIO**	*#33 Lower Session Road, Baguio City*
140	**192 TURBINA**	*National Highway Brgy., Turbina, Calamba, Laguna*
141	**193 BAUAN**	*National Rd., Bauan, Batangas*
142	**194 ANGONO**	*M.L. Quezon Ave., Angono, Rizal*
143	**195 RFM**	*RFM Corporate Center, Mandaluyong City*
144	**196 URDANETA**	*Brgy. Poblacion, Urdaneta, Pangasinan*
145	**198 MATALINO****	*Matalino St. cor. Malakas St., Diliman, Q.C.*
146	**199 RIZAL MED^^**	*Pasig Blvd. cor. Banaag, Pineda, Pasig City*
147	**200 CARMEN**	*Mc Arthur Highway, Carmen, Rosales, Pangasinan*
148	**203 CIRCLE**	*Quezon Ave. cor. Scout Reyes, Q.C.*
149	**204 PRISCILLA**	*Pasong Tamo Ext.Kayamanan - C, Makati City*
150	**205 UE RECTO**	*UE, Claro M. Recto Ave., Manila*
151	**206 ZAPOTE^^**	*Alabang Zapote Road cor. F. Santos, Las Piñas*
152	**207 MORONG**	*T. Claudio, Morong, Rizal*
153	**208 ANGELES^^**	*Sto. Rosario cor. Sukdulan St., Angeles City, Pampanga*
154	**209 DAGUPAN**	*Arellano St., Dagupan City*
155	**210 SESSION 2**	*G/F B - 105 Lpez Bldg., Session Rd., Baguio City*
156	**211 OROSA****	*MY Orosa nr. cor. TM. Kalaw, Ermita, Manila*
157	**212 LEMERY**	*Ilustre Ave., nr. cor., P. Burgos St., Lemery, Batangas*

158	**213 PARKVIEW****	*Valero St. cor. Salcedo Village, Makati City*
159	**214 SAN PABLO 2****	*Leonor St. cor. Maharlika Hi-way, San Pablo, Laguna*
160	**215 CRAME^^**	*Boni Serrano cor. 2nd St., Camp Crame, Q.C.*
161	**216 BAC 2**	*Quirino Ave., cor. Dimasalang St., Baclaran, Parañaque City*
162	**217 NOVA 3**	*Quirino Hi-way cor. Sarmiento St., Novaliches City, Q.C.*
163	**218 TAYTAY 2^^**	*Manila-East Road, Taytay, Rizal*
164	**219 P.CAMPA^^**	*España cor. P. Campa Sampaloc St., Manila*
165	**220 LB AIR****	*Sta. Rosa - Tagaytay Rd., Sta. Rosa, Laguna*
166	**221 BACLARAN 3****	*Roxas Blvd., Baclaran, Parañaque*
167	**222 CALAMBA 2**	*National Hi-way nr. cor. Halang St., Calamba, Laguna*
168	**223 EASTWOOD**	*Eastwood cor. E-Commerce Ave., Eastwood City, Q.C.*
169	**224 LUISITA**	*Mc Arthur Hi-way, San Miguel, Tarlac City*
170	**226 LEGARDA^^**	*2108 Legarda St., Quiapo, Manila*
171	**227 EPZA ROSARIO****	*Gen. Trias Drive, Brgy. Tejero, Rosario, Cavite*
172	**228 BOCAUE**	*Mc Arthur Highway cor. Gov. F, Halili Ave., Binang 2nd, Bocaue, Bulacan*
173	**229 CITYLAND 10**	*LG07 Cityland 10 Tower, Valero cor. Dela Costa St., Salcedo Village, Makati City*
174	**231 MKTI CITYHALL^^**	*9033 Hormiga St., Brgy. Poblacion, Makati City*
175	**232 CBC**	*115 G/F Corporate Business Center, Paseo de Roxas cor. Pasay Road, Makati City*
176	**233 EDSA CENTRAL**	*EDSA Central Shopping Complex, EDSA cor. United, Mandaluyong City*
177	**234 LA HUERTA^^**	*Quirino Avenue cor. Dandan St., La Huerta, Parañaque*
178	**235 EAGLECREST**	*G/F Evercrest Bldg., Pasong Tamo cor. Buendia, Makati City*
179	**236 UP MANILA^^**	*Pedro Gil St. nr. cor. Taft Avenue, Malate, Manila*
180	**237 ORIENT**	*Ruby Road, Ortigas Ctr., Pasig City*
181	**238 FORUM**	*Stop-Over 2, 31st cor. 2nd St., Bonifacio Global City, Taguig*
182	**239 PARK 'N RIDE^^**	*P. Burgos cor. Dr. Basa St., Ermita, Manila*
183	**240 SALCEDO**	*Antel 2000 Bldg., Valero cor. Herrera, Salcedo Village, Makati*
184	**241 ST. LUKES**	*E. Rodriguez cor. Victoria St., New Manila, Q.C.*
185	**242 MABINI-10th AVE.^^**	*Mabini cor. 10th Avenue, Caloocan City*
186	**243 MERVILLE**	*Moreland Bldg., Merville Access Rd. cor. West Service Rd.*
187	**244 GUADA 3****	*F. Yabut St., nr. cor. EDSA, Guadalupe Nuevo, Makati City*
188	**245 QA-ARANETA^^**	*Quezon Avenue cor. Araneta Ave., Q.C.*
189	**246 SUCAT 1**	*Sucat Interchange, Sucat Road, Parañaque*
190	**248 PASIG MEGA^^**	*Mega Parking, Caruncho cor. Market Avenue*
191	**249 BINANGONAN**	*Quezon St., Libis, Binangonan, Rizal*
192	**250 AURORA^^**	*Aurora Blvd. cor. St. Mary, Cubao, Q.C.*
193	**251 NOBEL**	*G/F, 110 Nobel Plaza, Valero St., Makati City*
194	**252 TALON**	*J. Aguilar Ave. cor. Alabang-Zapote Road, Talon, Las Piñas City*
195	**254 SALAUAG^^**	*Molino-Paliparan Road, Salawag, Dasmariñas, Cavite*
196	**255 Pateros**	*Herrera St. cor. Morcilla, Pateros*
197	**256 MARIKINA BRIDGE^^**	*E. Rodrguez cor. J.P. Rizal St., Marikina*
198	**257 SHOE AVE.^^**	*Shoe Avenue cor. Capt. Venciong, Sta. Elena*
199	**258 HERRERA**	*Y-L Bldg., Herrera St. cor. Salcedo St., Legaspi Village, Makati City*
200	**259 DEL MONTE**	*Del Monte Avenue cor. Tolentino St. (near Roosevelt), Q.C.*
201	**261 CALAMBA CROSSING**	*Along Provincial Road, Calamba-Crossing, Laguna*
202	**262 PCU 2**	*Taft Avenue cor. Pedro Gil, Manila*
203	**264 TRECE 2^^**	*Gov. Drive cor. Indang, Tanza Road*
204	**268 ARAYAT 2^^**	*Arayat cor. Pinatubo St. nr. cor. Edsa, Cubao Q.C.*
205	**270 BINAN 3^^**	*A. Bonifacio cor. Gonzales St., Poblacion, Biñan, Laguna*
206	**271 SHAW STARMALL**	*Shaw Blvd. cor. EDSA Mandaluyong*
207	**272 BETTER LIVING 2**	*Doña Soledad Avenue cor. Peru, Better Living, Parañaque City*
208	**273 SANTOLAN**	*AD Center Square, A. Rod. Ave. cor. Evangelista St. Pasig*
209	**274 FIELDS****	*G/F HHH Commercial Bldg., 932 Fields Ave., Balibago, Angeles City, Pampanga*
210	**275 FEU^^**	*913-919 Nicanor Reyes cor. Estiro de Alix, Sampaloc, Manila*

211	**276 HANSEL****	*Aurora Blvd. cor. Imperial, Cubao, Q.C.*
212	**277 SESSION 3**	*Upper Session Rd., Baguio City*
213	**278 SAGITTARIUS****	*G/F Sagittarius Bldg., H.V. Dela Costa St., Salcedo Village, Makati*
214	**279 MARINA****	*A. Mabini St., Malate, Manila*
215	**281 T. MORATO****	*Scout Castor cor. T. Morato*
216	**282 GATCHALIAN****	*Dr. A. Santos Ave. cor. Palanyag St., Parañaque City*
217	**283 RCBC****	*RCBC Bldg. 3rd Flr. RCBC Poduim, Ayala Avenue cor. Buendia, Makati City*
218	**284 KATIPUNAN****	*G/F One Burgundy Plaza, Katipunan Ave., Q.C.*
219	**285 EMERALD MANSION****	*Emerald Ave., Ortigas Ctr., Pasig City*
220	**286 APACIBLE**	*G. Apacible St. cor. Taft Avenue, Ermita, Manila*
221	**287 DAGUPAN 2^^**	*Perez Blvd. beside Victory Liner Terminal, Dagupan City*
222	**288 SAN FERNANDO 2****	*Lam Bldg., San Fernando Crossing, San Fernando, Pampanga*
223	**289 KARUHATAN MARKET****	*Gen. T. de Leon cor. Mc Arthur Hi-way, Kahuratan, Valenzuela*
224	**292 UNIVERSITY OF BATANGAS**	*Hilltop, Brgy. Kumintang Ibaba, City of Batangas*
225	**293 PLARIDEL****	*Cagayan Valley Road, Banga 1st, Plaridel, Bulacan*
226	**294 BIÑAN 4^^**	*National Hi-way Brgy. Sto. Niño, Biñan, Laguna*
227	**295 KING'S PLAZA****	*King's Plaza, Juan Luna cor. Padre Rada St., Tondo, Manila*
228	**296 MANANSALA**	*Manansala Bldg., Estrella St., Rockwell Center, Makati City*
229	**297 DFA****	*G/F AIMS Bldg., Roxas Blvd. Service Rd. cor. Arnaiz St., Pasay City*
230	**299 INDANG**	*San Gregorio nr. Cor. Mabini St., Indang, Cavite*
231	**300 CONVERGYS**	*G/F Convergys, One Ayala Ave., cor. Salcedo St., Makati City*
232	**301 ANNAPOLIS**	*G/F Continental Plaza, #45 Annapolis, Greenhills, San Juan, MM*
233	**302 AYALA FGU**	*Ayala Ave., Salcedo Village, Makati City*
234	**303 ASIAN MANSION****	*G/F Asian Mansion 2 Dela Rosa St., Legaspi Village, Makati City*
235	**304 STARWOOD****	*Kisad Road nr. cor. Marcos Hi-way, Baguio City*
236	**307 MADRIGAL****	*G/F Madrigal Building Ayala Avenue, Makati City*
237	**308 LP CITY HALL^^**	*Alabang-Zapote Rd., F. Ocampo Ave., Pamplona 3, Las Piñas City*
238	**309 AIC GALE**	*G/F AIC-Burgundy Empire Tower, ADB Ave., cor. Garnet Rd., Ortigas*
239	**310 MALAYAN****	*Unit G-1, Malayan Plaza, ADB Avenue, Ortigas Center, Pasig City*
240	**311 PDCP**	*G/F PDCP Bank Center, VA Rufino cor. San Agustin, Salcedo Vill., Makati*
241	**312 US EMBASSY****	*Roxas Blvd. cor. U.N. Avenue, Ermita, Manila*
242	**313 NORTHGATE****	*F@st bytes @North Gate cyberzone Alabang Muntinlupa*
243	**315 BANAUE**	*426 Banaue Ave. cor Tirad Pass St. SMH QC*
244	**316 XAVIER HILLS**	*Xavier Hills Condo. Tower 1, Granada St. cor. N. Domingo, San Juan*
245	**317 TANAUAN**	*JP Laurel Highway cor. Mabini St., Tanauan City, Batangas*
246	**318 PEARL DRIVE**	*Pearl Drive corner Lourdes St., Pasig City*
247	**321 BUENDIA 2****	*2035 Gil Puyat Ave. cor. FB Harrison St., Pasay City*
248	**322 ST. SCHOLASTICA****	*896 Vito Cruz cor. Dominga St., Malate, Manila*
249	**323 CHANNEL 7****	*131 Timog Ave. cor. Samar St., Diliman, QC*
250	**324 LUCENA****	*Gomez St. cor Quezon Ave. Lucena City*
251	**325 STA. CRUZ****	*P. Guevarra Ave. Brgy 3 Poblacion Sta. Cruz Laguna*
252	**326 GAPAN**	*Bucana Gapan Crossing Gapan City, Nueva Ecija*
253	**328 CABANATUAN 2**	*199 Gen. Tinio cor. Mabini St., Quezon District, Cabanatuan, Nueva Ecija*
254	**329 DANGWA****	*1300 Laonlaan St. cor. Don Quijote St. Sampaloc Manila*
255	**330 IMPERIAL**	*Tomas Morato Ave. cor Timog Ave Diliman QC*
256	**331 LETRAN**	*Muralla St. cor. Anda St. Intramuros Manila*
257	**332 LEGARDA 2**	*Legarda cor. Jhocson St. Sampaloc Manila*
258	**333 BALIBAGO 2****	*Balibago Complex Balibago Sta. Rosa Laguna*
259	**334 OWWA 2**	*749 Victoria St. cor. Solana St. Intramuros Manila*

260	**335 MAMATID**	*Banlic,Cabuyao Laguna*
261	**336 PADRE FAURA****	*P. Faura cor MH del Pilar, Manila*
262	**337 CANDELARIA****	*# 2 Rizal St. Poblacion Candelaria,Quezon*
263	**338 PAGSANJAN**	*Calle Rizal, Poblacion Pasanjan Laguna*
264	**339 NASUGBU****	*JP Laurel St cor G. Alverez St. Nasugbu Batangas*
265	**340 MANUELA****	*#02-Alabang-Zapote Rd. cor. Real St. Las Piñas City*
266	**341 OLIVAREZ**	*8156 Dr. A. Santos Ave., Brgy. San Dionisio, Sucat, Parañaque City*
267	**342 R. MAGSAYSAY**	*173 Edsa Cor. Ermin Garcia St., Cubao, Quezon city*
268	**343 FIELDS2****	*Mc Arthur Highway, Balibago, Angeles City, Pampanga*
269	**344 MOLINO3**	*Zapote- Molino Rd. Brgy. Molino3 Bacoor Cavite*
270	**345 BALIUAG2****	*Poblacion Plaza Naning Baliuag Bulacan*
271	**346 HYATT****	*1578 A. Mabini corner Pedro Gil St. Ermita Manila*
272	**347 BULIHAN**	*B 275 L13 AFP Housing, Old Bulihan Rd., Bulihan, Silang Cavite*
273	**348 LANTING****	*14 Marcel Drive cor. Tandang Sora Ave. QC*
274	**349 T. BLISS****	*#1 Teachers Bliss,Balong bato Balintawak QC*
275	**350 PACIFIC CENTER****	*San Miguel Ave., Ortigas Center, Pasig*
276	**351 CABANATUAN 1**	*586 Burgos Ave., Cabanatuan City, Nueva Ecija*
277	**352 BACLARAN 4**	*Roxas Blvd. cor. Rivera St., Baclaran, Parañaque*
278	**353 GUAGUA****	*One Crown Property & Development, Plaza Burgos, Guagua, Pampanga*
279	**354 GORDON AVE****	*Gordon Ave. corner 6th St., Asinan Olongapo City*
280	**355 VITO CRUZ**	*Unit 102&103 Cityland Tower One, Vito Cruz, Manila*
281	**356 GUALBERTO****	*Zunio St. Gualberto Ave., Rosario, Batangas*
282	**357 TANZA 2**	*Tanza Crossing, Daang Amaya, Tanza, Cavite*
283	**358 DAU**	*#157 McArthur Hi-way, Dau, Mabalacat, Pampanga*
284	**359 OLONGAPO ROTONDA****	*1739 Rizal Ave. West Bajac, olongapo City*
285	**360 CABANATUAN 3**	*Manson bldg. Burgos Ave., Cabanatuan City*
286	**361 CARMONA**	*Governor's Drive cor. Purification St. Cabilang Baybay, Carmona, Cavite*
287	**362 T. MAPUA**	*1512 C.M. Recto cor. F. Torres & T. Mapua Sta. Cruz Manila*
288	**363 LOPEZ DRIVE****	*RIDC Bldg. Lopez Ave. Cor. Dr. A Santos Ave. parañaque City*
289	**364 ALIMALL****	*Alimall Gen. Romulo Ave., araneta Center, quezon City*
290	**365 MCKINLEY HILL****	*Unit 1 G/F One Square, Upper Mckinley Rd., McKinleyHill, Taguig City*
291	**366 SM CLARK****	*Bayanihan Park, SM clark, Balibago, Angeles City, Pampanga*
292	**367 RIVERBANKS**	*G/F ICT Bldg. 2, Riverbanks Center, Riverbank Ave., Barangka Marikina City*
293	**368 NAGUILLAN**	*Naguillan Rd. cor. Bokawkan Rd. Baguio City*
294	**369 BALAYAN**	*112 Plaza Mabini St. Balayan, batangas*
295	**370 URDANETA 2**	*Alexander St. Urdaneta City, Pangasinan*
296	**371 DAGUPAN 3**	*M.H. del Pilar cor. A.B. Fernandez Ave., Dagupan City, Pangasinan*
297	**372 PASCOR DRIVE****	*Sky Freight Building, Ninoy Aquino Avenue, Parañaque City*
298	**373 DON ANTONIO****	*Lot 21 Blk 6 Don Antonio Heights Holy Spirit St. Quezon City*
299	**374 OLD STA. MESA**	*4456 Valenzuela St. Sta. Mesa, Manila*
300	**375 VILLAMOR****	*Lot 12 B.1 12th St. Airman's Village Airbase Area, Pasay City*
301	**376 TSU****	*Brgy. Cut-Cut Romulo Ave. Tarlac City*
302	**377 LUCENA 2****	*Lot #2771-B Along Quezon ave, Lucena City, Quezon*
303	**378 BLUMENTRITT 1****	*Rizal Ave. cor. Blumentritt Sta. Cruz, Manila*
304	**379 OLONGAPO 3****	*West 18th St. corner Anonas West Bajac-Bajac, Olongapo City (Victory liner)*
305	**380 CITADELLA****	*CAA Rd. corner Citadella Ave. Las Piñas City*
306	**381 DON GALO**	*0423 Quirino Ave. corner Dimatimbangan St. Don Galo, Parañaque City*
307	**382 PMI ****	*# 61 Roosevelt Ave. Brgy. Sta. Cruz, Quezon City*
308	**383 MAYA ARCADE****	*G/F Maya Arcade 678 Edsa, Cubao, Quezon City*

309	**384 ONE E-COM**	*Unit 4,5 & 6, Harbour Drive cor. Palm Coast Ave., SM Central Business Park, Pasay City*
310	**386 PALICO****	*Along Aguinaldo Hi-Way, Palico II, Imus, Cavite*
311	**387 BINANGONAN 2****	*National Road corner Quarry Road, Pantok, Binangonan, Rizal*
312	**388 BAGO BANTAY****	*131 Ilocos Sur cor. Bukidnon St., Bago Bantay, Q.C.*
313	**389 LUCBAN****	*Quezon Avenue Miramonte Subd. Lucban, Quezon*
314	**390 ONE MCKINLEY****	*26th St.Fort Bonifacio, Global City Taguig*
315	**391 MANAOAG**	*Felix St. cor. Garcia St. Manaoag, Pangasinan*
316	**392 SM SAN FERNANDO**	*Unit AX3 123a & AX3 123c, Building 4, SM City Pampanga, Lagundi, Mexico, Pampanga*
317	**393 TRANCOVILLE**	*148 M Roxas Street, Baguio City*
318	**394 MARAGONDON**	*Poblacion 1-A Maragondon Cavite*
319	**395 IMUS 2****	*97-B Aguinaldo Hiway Bayan Luma Imus, Cavite*
320	**396 DLSU-LIPA****	*National Hiway, Brgy., Paninsingin, Tambo, Lipa City*
321	**397 STA. ROSA ESTATE**	*Sta. Rosa Highway, Sta. Rosa Estate, Sta. Rosa, Laguna*
322	**398 GORDON HOSPITAL****	*104 Rizal Avenue, East Tapinac, Olongapo City*
323	**400 FPIP**	*No. 158 Sta. Anastacia, Sto. Tomas, Batangas*
324	**401 PHILCOM**	*8755 Paseo de Roxas, Makati City*
325	**403 TAGAYTAY 2****	*One Tagaytay Place Calamba Rd., Tagaytay City*
326	**404 PACIFIC REGENCY**	*G/F Pacific Regency Bldg. P. Ocampo St. Malate Manila*
327	**405 BARRETTO****	*60 National Hiway, Barreto, Olongapo City*
328	**406 ST. PAUL****	*Pedro Gil st. cor. Ma. Orosa st. Malate, Manila*
329	**407 ABANAO**	*Unit 2 Ong Bldg. Abanao St., Baguio City*
330	**408 SUBIC GATE 1**	*Bldg. 537 Magsaysay Ave, Subic Bay, Freeport Zone, SBMA*
331	**409 SAN PABLO 3****	*Maharlika Hiway, San Pablo, Laguna*
332	**410 STO. NIÑO MEYCAUAYAN**	*L. Camino Real Rd. Sto. Nino Meycauyan Bulacan*
333	**411 STA. MARIA****	*49 Jose Corazon De Jesus st., Sta. Maria, Bulacan*
334	**412 DON BOSCO**	*Don Bosco Road. Cor Chino Roces Ave., Makati City*
335	**413 BF HOMES 2****	*Dr. A Santos cor. President's Avenue, P'que City*
336	**414 LEMERY 2**	*Illustre ave. cor. Rajah Matanda st., Lemery, Batangas*
337	**415 MENDEZ PROPER**	*Market Road Corner JP Rizal Mendez, Cavite*
338	**416 AUF****	*Mc-Arthur High-way cor. Dona Aurora St., Angeles City, Pampanga*
339	**417 SUBIC PROPER****	*National Hi-way Brgy. Baraka, Subic, Zambales*
340	**419 GATE 3****	*AFPOVAI Western Bicutan, Taguig City*
341	**420 ONE SAN MIGUEL****	*UG-01 One San Miguel Ave Condominium One San Miguel Ave, cor Shaw Blvd., Ortigas Center Pasig City*
342	**421 AIC GOLD**	*Unit 101 AIC Gold Tower F. Ortigas Cor. Garnet Road Ortigas Commercial Center, Pasig City*
343	**422 LA UNION 1****	*Rizal Ave. cor. Gov. Ortega st., San Fernando City, La Union*
344	**423 CALASIAO**	*Pob. East National Rd. Calasiao, Pangasinan*
345	**424 CAPAS**	*Mc Arthur Hiway, Poblacion, Capas, Tarlac*
346	**425 SUNNY BROOKE**	*Blk 31 Lot 6 Brooke side lane brgy. San Francisco, Gen. Trias, Cavite*
347	**426 SINDALAN****	*McArthur Hi-way Sindalan, San Fernando Pampanga*
348	**427 TALAVERA**	*Maharlika Hiway, Talavera, Nueva Ecija*
349	**428 APC BALANGA**	*Tenejeros St. Balanga, Bataan*
350	**431 IBA ZAMBALES****	*Magsaysay Ave., Poblacion, Iba, Zambales*
351	**432 DAKOTA MANSION**	*G/F Dakota Mansion, Malvar St., Cor. Adriatico St.. Malate, Manila*
352	**433 BATANGAS 3**	*Poblacion 18, Rizal Ave., Batangas City*
353	**435 ANGELES 2****	*Miranda St., Angeles City, Pampanga*
354	**436 LEVERIZA**	*#665 CRI Bldg. President E. Quirino Ave. cor. Leveriza, Malate, Manila*
355	**439 PORTA VAGA**	*Fr. Carlu st. cor. Cathedral Drive, Baguio City*
356	**440 TOTAL CORPORATE****	*Total Corporate Ctr Bldg., Bonifacio Triangle, Bonifacio Global City, Taguig City*
357	**442 SAN JOSE NE**	*Maharlika Highway National Road, San Jose City N.E.*

358	**443 OLONGAPO CITYHALL**	*23rd st., Rizal Ave., East Bajac-Bajac, Olongapo City*
359	**444 CALAMBA 4****	*National Hiway cor Ipil-Ipil St., Calamba, Laguna*
360	**447 KIMSTON****	*2650 Agutaya St. cor. EDSA, Pinagkaisahan, Makati*
361	**448 PAVILLION MALL**	*Space Nos. 143-B Bldg A G/F Pavillion Mall, Biñan, Laguna*
362	**449 EASTWOOD 2**	*G/F One Orchard Condominium, Orchard Rd., Eastwood City, Bagumbayan, Quezon City*
363	**450 PWU**	*1807 G/F Nakpil St. cor. L. Guinto St. Malate, Manila*
364	**451 CIVIC PRIME****	*Civic drive, Civic Prime Filinvest Corporate City, Alabang*
365	**453 TAYABAS****	*Quezon Avenue, Tayabas, Quezon*
366	**458 SAN MARCELINO**	*G/F CMC Bldg. #710 San Marcelino St., Ermita, Manila*
367	**467 STA. LUCIA 1**	*G/F Phase I,Sta. Lucia East Grand Mall, Marcos Hiway, Cainta, Rizal*
368	**468 SM LUCENA**	*115-116 SM City Lucena Dalahican cor. Maharlika Hiway Nat'l Rd. Lucena City*

** Franchise Stores (FC)
^^ Service Agreement (SA)

Item 3. Legal Proceedings

The Company is a party to various litigations involving price tag law issues before the Department of Trade and Industry, employees suing for illegal dismissal, back wages and damage claims, claims arising from store operations and as co-respondents with manufacturers on complaints with BFAD, for specific performance and other civil claims; criminal cases it filed against employees and other persons arising from theft, estafa and robbery; all such cases are in the normal course of business and are not deemed to be considered as material legal proceeding as stated in Part I, Paragraph (C) of "Annex C" of SEC checklist 17-A.

Item 4. Submission of Matters to a Vote of Security Holders

A stockholders meeting was held last July 17, 2008, during which, no matter was submitted to a vote of security holders. No other stockholders' meeting was held for the period ending December 31, 2008.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Market Information

The Company's common shares were listed in the Philippine Stock Exchange on February 04, 1998. The trading record of the Company's shares as of December 31, 2007 and 2008 are as follows:

December 31, 2007

Month	Open	High	Low	Close	Volume
1st Quarter	2.10	2.10	2.10	2.10	10,000
2nd Quarter	3.00	3.00	3.00	3.00	1,000
3rd Quarter	4.30	4.30	4.30	4.30	10,000
Last Transaction					
September 03, 2007	4.30	4.30	4.30	4.30	10,000
Latest Trading					
April 4, 2008	5.00	5.00	5.00	5.00	16,000

December 31, 2008

Month	Open	High	Low	Close	Volume
1st Quarter	5.00	5.00	5.00	5.00	10,000
2nd Quarter	3.35	3.35	3.35	3.35	1,000
3rd Quarter	2.00	2.00	2.00	2.00	20,000
Last Transaction					
August 29, 2008	2.00	2.00	2.00	2.00	20,000
Latest Trading					

Stock/Cash Dividends

No stock/cash dividends were declared during the past three years (2005-2007) due to the reservation of retained earnings for store expansion and development of store support infrastructures which require considerable capital expenditures. There is no restriction that limits the ability of the Company to pay dividends on common equity other than the unavailability of unrestricted retained earnings. Likewise, there was no sale of any unregistered securities.

Holders

As of December 31, 2008, there were 20 shareholders of the Company's outstanding common shares totaling 260,977,200 shares.

The top 20 shareholders and their corresponding shareholdings as of December 31, 2008 are as follows:

SHAREHOLDER	CITIZENSHIP	SUBSCRIPTION	% HOLDINGS
1. President Chain Store (Labuan) Holdings, Ltd.	Malaysian	147,683,381	56.59%
2. Asian Holdings Corporation	Filipino	32,129,625	12.31%
3. Progressive Development Corp.	Filipino	22,179,387	8.50%
4. PCD Nominee Corporation	Filipino	12,039,275	4.61%
5. Agus Development Corp.	Filipino	5,403,396	2.07%
6. Ma. Cristina P. Paterno	Filipino	5,052,355	1.94%
7. Jose Victor Pardo Paterno	Filipino	4,994,821	1.91%
8. Paz Pilar P. Benares	Filipino	4,930,955	1.89%
9. Anglo Philippine Holdings Corporation	Filipino	4,766,718	1.83%
10. Ma. Theresa P. Dickinson	Filipino	4,683,672	1.79%
11. Jose Victor P. Paterno	Filipino	4,612,673	1.76%
12. Ma. Elena P. Locsin	Filipino	4,144,746	1.59%
13. Maria Henrietta R. Santos	Filipino	1,156,719	0.44%
14. Vicente T. Paterno	Filipino	1,100,000	0.42%
15. Seven Eleven, Inc.	American	1,015,164	0.39%
16. Dante G. Santos	Filipino	1,009,495	0.39%
17. Apex Management & Dev't. Group Inc.	Filipino	976,800	0.37%
18. Ma. Elena P. Paterno	Filipino	786,210	0.30%
19. Manuel U. Agustines	Filipino	463,254	0.18%
20. Socorro Paz P. Paterno	Filipino	192,814	0.07%

Item 6. Management's Discussion and Analysis or Plan of Operation.

The Management's Discussion and Analysis of 2008 Operations is attached hereto as Appendix A.

Item 7. Financial Statements

The Company's Audited Financial Statements for the year ending December 31, 2008 is attached hereto as Appendix B.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Information on independent accountant and other related matters

<u>External audit fees and services</u>

The following table summarizes the fees paid or accrued for services provided by our external auditors for the fiscal years ended December 31, 2007 and 2006:

	2008		**2007**
	(in thousands)		
Audit Fees	P 1,340		P 1,088
Tax Fees	400		.01
All Other Fees	201		198
Total	**P1,941**		**P1,293**

Audit Fees. This category includes the audit of our annual financial statements, review of interim financial statements and services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements for those fiscal years. This category also includes the advise on audit and accounting matters that arose during, or as a result of the audit or the review of interim financial statements.

Tax Services. This category includes tax compliance, tax advice and tax planning services performed by our independent auditors.

All Other Fees. This category consists primarily of fees for consultations, special engagements relating to dollar purchases in accordance with the requirements of the Bangko Sentral ng Pilipinas and other incidental expenses.

The fees presented above includes out-of-pocket expenses incidental to our independent auditors' work, which amounts do not exceed 5% of the agreed-upon engagement fees.

Our Audit Committee pre-approves all audit and non-audit services as these are proposed or endorsed before these services are performed by our independent auditors.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

We have no disagreements with our external auditor on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

There are no changes in or disagreements with accountants on accounting and financial disclosures.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

a) Directors and Corporate Officers

   The eleven (11) directors of the Company are elected at the Annual Stockholders meeting to hold office until the next succeeding annual meeting or until their respective successors have been elected and qualified. The members of the Board of Directors and corporate officers of the Company are the following:

NAME	AGE	Term of Present Position	No. of Year(s) In Service	***Business Experience***
CHIN-YEN KAO Honorary Chairman of the Board Citizenship: R.O.C.	80	8 yrs.	8 yrs.	• *Chairman* - Uni-President Enterprise Corp.; • *Chairman* - President Chain Store Corporation
VICENTE T. PATERNO Chairman of the Board And Director Citizenship: Filipino	86	26 yrs.	26 yrs.	• *Chairman* - Store Sites Holding Inc.; • *Director* - State Land Investment Inc., First Philippine Holdings Corporation and Benpres Holdings Corporation
CHIEN-NAN HSIEH Vice Chairman and Director Citizenship: R.O.C.	54	8 yrs.	8 yrs.	• *Chairman* - President Logistics International Corp./ Retail Support Taiwan Corp. • *Vice-President* - President Chain Store Corporation; • *Director* - Ren-Hui Investment Corp/ President Organics Co. / Uni-President Cold Chain Corp./ President Drugstore Business Corp/ Uni-President Yellow Hat Corp./ President Information Corp./ Mech-President Corp./ President Transnet Corp./ President Collect Services Corp./ Uni-President Oven Bakery Corp./ Bank-Pro E-Service Technology Co. Ltd./ Retail Support International Corp.. • *Supervisor* - T & T Supermarket Inc.
JOSE VICTOR PATERNO President and Director Citizenship: Filipino	40	3 yrs & 4 mos.	15 yrs.	• *Chairman & President* – Convenience Distribution, Inc (July 1999 to present); • *Former Vice-President for Operation*– Philippine Seven Corporation (2004) • *President & CEO - Philippine Seven Corporation (January 2005 to present)*
JORGE L. ARANETA Director Citizenship: Filipino	73	20 yrs.	20 yrs.	• *Chairman & CEO* - Araneta Center Inc./ Philippine Pizza Inc./ Progressive Development Corporation
DIANA P. AGUILAR Director Citizenship: Filipino	45	10 yrs. 8 mos.	10 yrs. 8 mos.	• *Director* - Asian Holdings Corporation/ WenPhil Corporation/ Electronic Commerce Payments Network Inc./ Artemis Electronic Systems, Inc./ DAJ Property Holdings Corp./ Gate Distribution Enterprises, Inc./ ERA Philippines, Inc. • *Director & Treasurer* - Land & Housing Dev't. Corporation/ Cable Entertainment Corp. • *Treasurer* - Franchise One Corporation • *Board of Trustee* – De La Salle Santiago Zobel • *Treasurer* – Foundation for International Research Skills & Training, Inc.

ALFREDO C. RAMOS Independent Director Citizenship: Filipino	64	6 yrs. & 7 mos.	20 yrs.	• *Chairman & President* –National Bookstore, Inc./ The Philodril Corp./ Vulcan Industrial & Mining Corp./Atlas Consolidated Mining & Development Corp. / Vulcan Material Corp. • *Chairman of the Board* –Anglo Philippine Holdings Corporation/ Cacho Hermanos, Inc./ The Music One Corp. • *President* – Abacus Book and Card Corp./ Crossings Department Store, Corp./ Power Books, Inc./ Alakor Corp. • *Vice*-Chairman – Shang Properties Inc. • *Governor* – National Bookstore Development Board • *Director* – North Triangle Depot Commercial Corp.
MICHAEL B. ZALAMEA Independent Director Citizenship: Filipino	44	4 yrs. & 5 mos.	4 yrs. & 5 mos.	• Director – Active Alliance, Inc./ Philippine Coastal Storage & Pipeline Corp./Clark Pipeline & Depot Company Inc./ Wespak Holdings, Inc. • Former Portfolio Manager – Global Fund, American International Group, Inc.
CHUNG-JEN HSU Director Citizenship: R.O.C.	61	8 yrs.	8 yrs.	• *Chairman* - Duskin Serve Taiwan Ltd. Co./ Ren-Hui Investment Corp./ President Information Corp./ Capital Inventory Services Corp./ Wisdom Distribution Services Corp./ Retail Support International Corp./ President DrugStore Business Corp./ BankPro E-Service Technology Co. Ltd./ Mister Donut Taiwan Co./ MUJI (TAIWAN) Co., Ltd./ T & T Supermarket, Inc./ Uni-President Yi-Lian Art and Culture Corp. / Cold Stone Creamery Taiwan Ltd./ President FN Business Corp. • *President* – President Chain Store Corporation/ Ren Hui Investment Corp. • *Director* – President Coffee Corp./ Uni-President Department Store Corp./ Mech-President Corp./President Collect Services Co.Ltd.
WEN-CHI WU Director Citizenship: R.O.C.	39	6 mos.	6 mos.	• Finacial Director – President Chain Store Corporation • Director – President Investment Trust Corp. • Supervisor – Books.com.Co. Ltd/ President Baing Corp./Capital Inventory Services Corp./ Pet Plus Co., Ltd.
WEN-CHING LIN Director Citizenship: R.O.C.	54	4 yrs. & 6 mos.	4 yrs. & 6 mos.	• *Vice President – President Chain Store Corporation*; • *Supervisor – President Drugstore Business Corp./ President Transnet Corp./ Mech-President Corp./ Duskin Serve Taiwan Co./ Mister Donut Taiwan Corp.*
YEN-SEN YANG Director Citizenship: R.O.C	49	3 yrs. & 6 mos.	3 yrs. & 6 mos.	• *Vice-President* - President Chain Store Corp.; • *Director – Duskin Serve Taiwan Co./ 21 Century Enterprise Co., Ltd./ Pet Plus Co., Ltd/ Capital Inventory Services Corp.* • Supervisor – President FN Business Corp./ Cold Stone Creamy Taiwan Ltd.,/ President Information Corp./ Uni-President Department Store Corp.

PING-YUN WANG Vice-President Citizenship: R.O.C.	40	2 yrs.	2 yrs.	• Vice President for Operations & Marketing • *Exec. Committee member*- Philippine Seven Corporation • *Director* –Convenience Distribution, Inc. • *16 years with 7-Eleven*
YU-HSIU TSAI Treasurer Citizenship: R.O.C.	49	10 mos.	10 mos.	• *Store Manager – 7-Eleven President Chain Store* • *Section Manager – Finance Department President Chain Store Corporation* • *Director – Administrative Department of Starbucks Taiwan* • *Director – Administrative Department of Starbucks Shanghai* • *Director – Director Administrative Department Cold Stone Creamery*
EVELYN SADSAD-ENRIQUEZ Corporate Secretary Citizenship: Filipino	45	5 yrs. & 5 mos.	19 yrs.	• *Legal and Corporate Services Division Mgr.* - Philippine Seven Corporation • Compliance Officer- Philippine Seven Corporation • *Corporate Secretary* - Convenience Distribution Inc./ Store Sites Holding, Inc./ Ferguson Park Tower Condominium Corporation, Phil-Seven Foundation, Inc. • *President* – Columbia Owners' Association Inc. • *Former Asst. Corporate Secretary and Head of Legal and Corp. Affairs* - Philippine Seven Corporation

b) *The Executive Officers*

As of December 31, 2008, the Executive Officers and Management of the Corporation are the following:

Executive Officers	**Name**
Chairman of the Board	Vicente T. Paterno
Vice-Chairman	Chien-Nan Hsieh
President & CEO	Jose Victor P. Paterno
Vice-President for Operations & Marketing	Ping-Yun Wang
Treasurer, CFO, VP for Finance & Administration	Yu-Hsiu Tsai
Corporate Secretary, Legal & Corporate Services Division Manager	Atty. Evelyn S. Enriquez
Marketing Director	Michael Chuaunsu
Comptroller	Lawrence M. de Leon
General Merchandise Division Manager	Jose Ang, Jr.
Operations Division Manager	Liwayway T. Fernandez
Internal Audit Division Manager	Eduardo P. Bataclan
HR Division Manager	Violeta B. Apolinario
Corporate Planning & MIS Division Manager	Jason Jan Ngo
Business Development Division Manager	Francis S. Medina

c) Significant Employees

Other than aforementioned Directors and Executive Officers identified in the item on Directors and Executive Officers in this Annual report, there are no other employees of the Company who may have a significant influence in the Company's major and/or strategic planning and decision-making.

d) Family Relationships

i) Mr. Jose Victor P. Paterno, President of PSC and concurrent Chairman and President of Convenience Distribution Inc. (CDI), a wholly owned subsidiary of PSC, is the son of PSC Chairman of the Board, Mr. Vicente T. Paterno.
ii) Ms. Diana P. Aguilar, director of PSC, is related to PSC Chairman, Mr. Paterno, by affinity within the 3rd degree.
iii) Mr. Raymund Aguilar, Director of Gate Distribution Enterprises, Inc. and EC Payment Network Inc., a supplier of the Company, is the spouse of Ms. Diana P. Aguilar

e) Independent Directors

The independent directors, Mr. Alfredo C. Ramos and Mr, Michael B. Zalamea are not officers or substantial shareholders of Philippine Seven Corporation nor are they the directors or officers of its related companies.

f) Litigation

To the knowledge and/or information of the Company, the above-named directors of the Company, the present members of its Board of Directors and its Corporate Officers are not, presently or during the past 5 years, involved or have been involved in any material legal proceeding affecting/involving themselves or their property before any court of law or administrative body in the Philippines or elsewhere. Likewise, to the knowledge and/or information of the Company, the said persons have not been convicted by any final judgment of any offense punishable by the laws of the Republic of the Philippines or the laws of any nation/country.

f) Pending Legal Proceedings

The Company is a party to various litigations involving price tag law issues before Department of Trade and Industry, employees suing for illegal dismissal, back wages and damage claims, claims arising from store operations and as co-respondents with manufacturers on complaints with BFAD, actions on leases for specific performance and other civil claims; and criminal cases it filed against employees and other persons arising from theft, estafa and robbery, all such cases are in the normal course of business and are not deemed to be considered as material legal proceeding as stated in Part I, Paragraph (C) of "Annex C" of SEC checklist 17-A.

g) Qualification of Directors

To the knowledge and/or information of the Company, the above-named directors have all the qualifications and none of the disqualifications as provided in the Company's Manual on Corporate Governance and the revised Securities Regulation Code.

h) Certain Relationships and Related Transactions

The Company has lease and/or sublease agreements with Wenphil Corporation and Progressive Development Corporation for commercial spaces in excess of the requirements of the Company for its 7-Eleven stores, and supply arrangement for certain products/services carried by the stores with Gate Distribution Enterprises Inc. (GATE) and Electronic Commerce Payments Network Inc. (ECPAY).

Ms. Diana P. Aguilar, director of the company, is a director of Wenphil Corporation (owner of Wendy's Philippine franchise), GATE and ECPAY. She is also the wife of Mr. Raymund Aguilar, a director of GATE and President of ECPAY which is the supplier of physical and electronic phone cards (e-pins) of the company and the system provider for e-pins and bills payment. Mr. Jorge L. Araneta, also a director of the Company, is the Chairman and President of Progressive Development Corporation (owner of Pizza Hut Philippine franchise).
The Company has warehousing and distribution management contract with Convenience Distribution Inc. (CDI), its wholly-owned subsidiary. The Chairman of the Board and President of CDI, Mr. Jose Victor Paterno, is the son of Mr. Vicente Paterno, the Chairman of the Board of PSC.

The Company, from time to time, makes purchases of equipment from President Chain Store Corporation (and its subsidiaries/affiliates), which is the parent company of President Chain Store

(Labuan) Holding Ltd., holding 56.59% of PSC's outstanding shares. Certain products are also purchased from Uni- President Corporation which is the parent company of President Chain Store Corporation.

i) Election of Directors

The directors of the Company are elected at the Annual Stockholders' Meeting to hold office for one (1) year and until their respective successors have been elected and qualified.

The nominees to the Board of Directors were submitted to and pre-screened by the Nomination and Governance Committee of the Company:

1. Vicente T. Paterno
2. Jose Victor P. Paterno
3. Jorge L. Araneta
4. Diana P. Aguilar
5. Chung-Jen Hsu
6. Chien-Nan Hsieh
7 Yun-Huei Chang Jen
8. Yen-Sen Yang
9. Wen-Chi Wu
10. Alfredo C. Ramos
11. Michael B. Zalamea

j) Independent Directors

As of the date of this report, the nominees for independent directors are Messrs. Alfredo C. Ramos and Michael B. Zalamea. Their nominations were submitted by Mr. Dante G. Santos and National Life Insurance Co., respectively, stockholders of the Corporation, and pre-screened by the Nomination Committee of the Corporation in compliance with SEC Circular No. 16 on the Guidelines on Nomination and Election of Independent Directors. They are neither officers nor substantial shareholders of Philippine Seven Corporation nor are they directors or officers of its related companies. A brief description of their business experience of Messrs. Alfredo C. Ramos and Michael B. Zalamea are included in Item 9 Part III of this report.

Nomination Procedure:

1. A stockholder may recommend the nomination of a director to the Nomination Committee;
2. The nominating stockholder shall submit his proposed nomination in writing to the Nomination & Governance Committee, together with the acceptance and conformity of the would-be nominee.
3. The Nomination & Governance Committee shall screen the nominations of directors prior to the stockholders' meeting and come up with the Final List of Candidates.
4. Only nominees whose names appear in the Final List of Candidates shall be eligible for election as independent director.

Item 10. Executive Compensation

(a) Name/Position	(b) Year	(c) Salaries	(d) Bonus	(e) Others
Chairman and Top 4				
Vicente T. Paterno Chairman				
Jose Victor P. Paterno President				
Ping-Yun Wang Vice-President				
Yu-Hsiu Tsai Treasurer (Resigned- Feb. 04, 2008)				
Michael Chuaunsu Marketing Director				
Total	**2009** **2008** **2007*** **2006** 2005 2004	 **4,375,302.24** **5,092,181.94** **5,091,011.52** 4,357,792.74 5,111,606.76	 **5,233,364.21** **5,919,489.44** **5,740,839.28** 5,359,779.41	N/A
All other Officers and Directors as a Group Unnamed	**2009** **2008** **2007*** **2006** 2005 2004	 **4,809,256.92** **5,584,417.68** **6,107,402.56** 5,552,564.79 2,303,544.00	 **5,166,120.31** **4,624,234.41** **4,870,830.87** 3,305,549.76 1,121,240.73	N/A

- ***Estimated compensation of director and executive officers for the ensuing year.***

The Company has certain standard arrangements with respect to compensation and profit sharing. Per diems of ₱ 5,000 (as may be fixed by the Board from time to time) are given for every regular or special meeting of the Board or Executive Committee attended.

In addition to per diems, profit sharing is provided in the Code of By-laws in an amount not exceeding 15% of the net profits of the Corporation (after tax), which shall be distributed to the members of the Board of Directors and Executive Committee members and officers of the Corporation in such amounts and manner as the Board may determine. Profit share exceeding 15% of net profits after tax of the Corporation shall be submitted to stockholders for approval. The last profit sharing in 1996 was set at 5% of net income after tax thereon. The directors and the executive officers did not receive any profit sharing in the years after 1996.

There are no existing options, warrants or stock plan arrangements and none are held by the directors, executive and corporate officers of the Corporation.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners.

As of December 31, 2008 the following are the record and beneficial owners of more than 5% of registrant's voting securities:

Title of Class	Name and Address of Record/Beneficial Owner	Citizen ship	Relationships of the record owner's representative with the issuer and said owner	Amount and Nature of Record/Beneficial Ownership	Percent of Outstanding Common Stock as of April 30, 2004
Common	President Chain Store (Labuan) Holding, Ltd.[1] 7(E), Main Tower, Financial Park, Labuan, Malaysia	Malaysian	Stockholder	147,683,381 (R)	56.58%
Common	Asian Holdings Corporation [2] 4th Floor, Uni-Oil Bldg., Commerce Ave. cor. Acacia St., Madrigal Business Park, Ayala Alabang, Muntinlupa City	Filipino	Stockholder	32,129,625 (R)	12.31%
Common	Jose Victor P. Paterno 7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City	Filipino	President	5,052,355 (B) 4,612,673 (R) 9,607,494	3.68%
Common	Progressive Development Corp. [3] 18th Aurora Tower, Cubao Quezon City	Filipino	Stockholder	22,179,387	8.49%

Footnotes:
[1] Mr. Chien-Nan Hsieh, Vice President of President Chain Store (Labuan) Holding, Ltd. has the voting power in behalf of the Corporation
[2]. Ms. Elizabeth Orbeta or Ms. Diana P. Aguilar has the voting power in behalf of Asian Holdings Corp.
[3]. Mr. Jorge L. Araneta has the voting power in behalf of Progressive Corp.
[4]. Shares transferred by Mr. Paterno to his 5 children through cross sale last Dec. 18, 2003, Voting Trust Agreement expired last December 21, 2008.

2. Security Ownership of Management as of December 31, 2007

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Vicente T. Paterno	1,100,000[1]	Filipino	0.42%
Common	Jose Victor P. Paterno	9,607,494[3]	Filipino	3.68%
Common	Jorge L. Araneta	1[3]	Filipino	0.00%
Common	Dianna P. Aguilar	1,100[2]	Filipino	0.0004%
Common	Alfredo C. Ramos	1[3]	Filipino	0.00%
Common	Chung-Jen Hsu	1[3]	R.O.C.	0.00%
Common	Chien-Nan Hsieh	1[3]	R.O.C.	0.00%
Common	Wen-Ching Lin	1[3]	R.O.C.	0.00%
Common	Wen-Chi Wu	1[3]	R.O.C.	0.00%
Common	Yen-Sen Yang	1[3]	R.O.C.	0.00%
Common	Evelyn Sadsad-Enriquez	2,035[2]	Filipino	0.0008%
Common	Liwayway T. Fernandez	2,906[2]	Filipino	0.0011%
TOTAL		28,811,387		10.46%

[1] Shares directly owned by Vicente T. Paterno, 18,839,754 shares held by his 5 children, no longer subject to a Voting Trust Agreement; expired last December 21, 2008
[2] Directly owned shares
[3] Qualifying shares

3. Voting trust holder of 5% more

Mr. Vicente T. Paterno, Chairman of the Board, holds 18, 839,754 shares or 8% under a Voting Trust Agreement (VTA) for said shares collectively owned by his children namely, Teresa Paterno-Dickinson – 3,767,950 shares; Jose Victor P. Paterno – 3,767,951 shares; Paz Pilar Paterno-Benares – 3,767,951 shares; Ma. Cristina P. Paterno – 3,767,951 shares and Ma. Elena P. Paterno – 3,767,951 shares. The VTA is irrevocable in favor of Mr. Paterno for five (5) years from December 22, 2003 to December 21, 2008.

Item 12. Certain Relationships and Related Transactions

The Company has lease and/or sublease agreements with Wenphil Corporation and Progressive Development Corporation for commercial spaces in excess of the requirements of the Company for its 7-Eleven stores and supply arrangement for certain products/services carried by the stores with Gate Distribution Enterprises Inc. (GATE) and Electronic Commerce Payments Network Inc. (ECPAY).

Ms. Diana P. Aguilar, director of the Company, is a director of Wenphil Corporation (holder of Wendy's Philippine franchise), GATE and ECPAY. She is also the wife of Mr. Raymund Aguilar, a director of GATE and President of ECPAY which is the supplier of physical and electronic phone cards (e-pins) of the Company and the system provider for e-pins and bills payment. Mr. Jorge L. Araneta, also a director of the Company, is the Chairman and President of Progressive Development Corporation (owner of Pizza Hut Philippine franchise).

The Company has warehousing and distribution management contract with Convenience Distribution Inc. (CDI), its wholly-owned subsidiary. The Chairman of the Board and President of CDI, Mr. Jose Victor Paterno, is the son of Mr. Vicente Paterno, the Chairman of the Board of PSC.

The Company, from time to time, makes purchases of equipment from President Chain Store Corporation (and its subsidiaries/affiliates), which is the parent company of President Chain Store (Labuan) Holding Ltd., holding 56.59% of PSC's outstanding shares. Certain products are also purchased from Uni-President Corporation, which is the parent company of President Chain Store Corporation.

D. COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

1. Election of independent Directors
   In April 2002 the Company disclosed to the SEC that it has complied with the requirement to elect independent directors.

2. Manual of Corporate Governance
   In August 2002, the Board of Directors approved the adoption of its Manual of Corporate Governance.

3. Creation of Board Committees: Audit, Nomination and Compensation
   In July 2002, the Board has constituted the abovenamed committees and appointed their members to enable them to organize and perform the functions as provided in the Manual of Corporate Governance.

4. Compliance with the designation of a Compliance Officer

5. Corporate Governance Self-Rating Form
   The Corporation has submitted to SEC its Corporate Governance Self Rating Form on July 2003.

6. In 2004, amendment of the Code of By-Laws of the Corporation to include the procedure for electing independent directors pursuant to SEC Circular No. 16, Series of 2002, and the revised Implementing Rules and Regulations of the Securities Regulation Code.

7. Yearly issuance of Certifications by Compliance Officer
   Compliance Officer submits every January of each year to the SEC its certifications on substantial compliance with leading practices and principles on good corporate governance, and the attendance at board meetings by the directors.

8. July 2007- Inclusion of the Governance Committee in the Nomination Committee to form Nomination & Governance Committee.

9. Accomplished and submit the 2008 Corporate Governance Scorecard and Survey Form as per SEC Memo Circular No. 2 dated 09 August 2007.

10. January 2009- Submission to SEC on Disclosure on Directors' Attendance in Corporate Governance Seminar and amendment to Manual of Corporate Governance to include attendance to such training prior to assumption to office by a director.

Plans on Improvement

1. The Corporation shall continue with setting up an evaluation procedure to measure compliance with the Manual of Corporate Governance:

    a. Develop a Corporate Governance Evaluation form and conduct periodic compliance survey;
    b. Obtain external and internal audit findings on effectiveness of oversight of Company's accounting and financial processes;
    c. Monitor Board and other Committees minutes and attendance;
    d. Develop compliance review system with risks owners.

2. Provide workshop/seminars to operationalize the Manual, evaluation system and compliance review as part of the Company's training program

3. The Corporation shall continue to adopt the International Accounting Standards as they are approved as Philippine Accounting Standards.

PART IV – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

Copies of the reports listed below were submitted to SEC:

Date	Items Reported
February 04, 2008	Item 4: Resignation of Director and Corporate Officer (Resignation of Mr. Alex Lin
May 13, 2008	Item 4: Resignation of Registrant's Directors or Officers (Resignation of Mr. Fu-Tang Chen) Item 9: Other Events (Declaration of Stock Dividend)
June 12, 2008	Item 9: Other Events (Transfer of Common Shares via Cross Sale)
June 19, 2008	Item 9: Other Events (Approval of Stock Dividend and Payment Schedule)
July 10, 2008	Item 9: Other Events (Amendment of Entry due to Typographical Error)
July 18, 2008	Item 4: Election of Registrant's Directors and Officers (newly elected Directors and Officers)
July 21, 2008	Item 9: Other Events (Clarification on News Article)
December 22, 2008	Item 9: Other Events (Expiration of Voting Trust Agreement)

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mandaluyong on ___________, 2009.

PHILIPPINE SEVEN CORPORATION
Issuer

Pursuant to the requirements of the Securities Regulation Code, this annual report has been signed by the following persons in the capabilities and on the dates indicated.

By:

Board of Directors

VICENTE T. PATERNO
Chairman of the Board

JOSE VICTOR P. PATERNO
President and Chief Executive Officer

YU-HSIU TSAI
Chief Financial Officer and Treasurer

EVELYN S. ENRIQUEZ
Corporate Secretary

SUBSRIBED AND SWORN to before me this ______ day of ____________2009 affiants exhibiting to me their Community Tax Certificates No./Passport No., as follows:

NAME	COMM. TAX CERT. NO./ PASSPORT NO.	DATE/PLACE OF ISSUE
Vicente T. Paterno	12368796	January 16, 2009/Mandaluyong City
Jose Victor P. Paterno	03251126	March 11, 2009/ Mandaluyong City
Yu-Hsiu Tsai	200564352	October 31, 2006/R.O.C Taipei Taiwan
Evelyn S. Enriquez	20407748	January 09, 2009/Mandaluyong

Doc. No. ___;
Page No. ___;
Book No. ___;
Series of ____.

NOTARY PUBLIC

APPENDIX “A”

Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying consolidated financial statements and the related notes as of December 31, 2008 and 2007. This discussion contains forward-looking statements that reflect our current views with respect to future events and our future financial performance. These statements involve risks and uncertainties and our actual results may differ materially from those anticipated in these forward-looking statements. On a periodic basis, we evaluate our estimates, including those related to revenue recognition, goodwill, capitalized assets and income taxes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

SELECTED FINANCIAL DATA

	2008	2007
(amount in thousands, except EPS)		
SYSTEM WIDE SALES	**6,240,714**	**5,556,395**
Statement of Income Data:		
Revenues and other income		
Sales of merchandise	5,412,969	4,952,027
Commission income	21,214	21,924
Franchise revenue	250,856	204,272
Marketing income	136,211	97,680
Rent	36,502	39,649
Interest	4,187	3,402
Others (net)	17,989	32,885
Cost and expenses		
Cost of merchandise sold	(3,909,887)	(3,534,557)
General and administrative expenses	(1,788,433)	(1,683,290)
Interest	(25,333)	(31,527)
Net income	84,272	54,828
Earnings per share	0.32	0.21
Cash Flow Data:		
Net cash from operating activities	502,062	266,196
Net cash from in investing activities	(426,197)	(218,328)
Net cash from financing activities	(69,859)	(68,358)
Balance Sheet Data:		
Total assets	2,264,186	1,878,708
Total liabilities	1,512,074	1,211,099
Total stockholders’ equity	752,112	667,609

OVERVIEW

Philippine Seven Corporation (PSC or the Company) 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 at the corner of Kamias Road and EDSA Quezon City, Metro Manila. 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 resurgent national economy, stepped up its rate of expansion.

As of December 31, 2008, our retail chain has grown to 368 stores. We are sustained by a manpower complement of 1,048 employees engaged in store operations and in various support service units. Despite the growing competition in the C-store (Convenience Store) business, we maintain our leadership in the industry.

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

We seek to meet the needs of our customers and maintain a leadership position in the C-store industry by taking advantage of economies of scale, technology, people and a widely recognized brand.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS IN 2008

Results of Operations

Revenue and Gross Margin

The Company registered total revenues of ₱5.41 billion in 2008, an increase of 9% compared to the ₱4.95 billion in 2007. Cost of merchandise sold rose by ₱375.3 million to ₱3.91 billion at the end of 2008.

System-wide sales, which represents the overall retail sales to customers of corporate and franchise-operated stores grew by 12% or ₱684.3 million to ₱6.24 billion in 2008. PSC ended the year with 368 stores, an 18% increase compared to the 2007 level of 311. Out of the total, 45% or 167 stores are company-owned, while 55% or 201 stores are franchise-operated.

Gross profit stood at ₱1.5 billion, while gross profit as a percentage of sales declined slightly partly due to the dilution brought about by the increase in the Company's sales to franchise stores accounted for at zero mark-up. Real GP% improved in 2008 as a result of better category mix and reduced out of stock position.

Further, the aggregate merchandise transfers through the distribution center subsidiary, Convenience Distribution, Inc. (CDI) to franchise-operated stores in 2008 amounted to ₱1.29 billion, higher by 39% from ₱926.8 million in 2007.

Commission income amounted to ₱21.2 million in 2008, 3% lower than last year. This was the result of the consumers being more updated in technology advancement than they were years ago and competition brought about by other retail channels offering physical cards.

Other Income

Other income consists of marketing income, franchise revenue and rent income from rentable spaces. The Company's total other income increased to ₱445.7 million as a result of the following;

Marketing income, which pertains mainly to promotional support and display rental, had grown by ₱38.5 million from the 2007 level. This can be attributed mainly to the increase in display allowance which grew considerably in 2008. The Company continues its strong partnership with suppliers in building the profitable preferred brand.

Franchise revenue, on the other hand climbed to ₱250.9 million at the end of 2008 from ₱204.3 million in the same period the previous year. This was the result of the increased number of franchise-operated stores. The number of stores operated under the conventional franchise package or FC1 increased to 121 stores. On the other hand, stores under labor franchise or service agreement (SA) increased to 80 stores.

Rent income arising from the stores' subleased spaces reached ₱36.5 million or 8% lower than the level posted a year ago at ₱39.6 million. This can be attributed to the decline in occupancy rate brought about by unfavorable market condition.

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 HQ expenses went up by six percent or ₱105 million and totaled to ₱1.79 billion in 2008. As a percentage of sales, general and administrative expense is pegged at 33% in 2008 and is lower against the level set a year ago.

Communication, light and water accounted for 18.5% of the total expense and were the highest contributor. This is followed by rent expense with 15% share, outsourced services with 14.5% and personnel costs with 14% share in the total general and administrative expense in 2008. Service fees paid to store operators accounted for 40% of the total outsourced services.

Moreover, communication, light and water amounted to ₱331.7 million or 6.1% of total revenue and grew by one and a half percent versus the same period in 2007. Bulk of this expense category pertains to electricity which comprises 94% of the total.

Personnel costs aggregated to ₱250.6 million, versus ₱316.2 million in 2007. Ratio to sales was 4.6% and 6.4% in 2008 and 2007, respectively. Personnel costs include salaries and wages at ₱158 million, employee benefits at ₱83.9 million and pension costs at ₱8.7 million. The company utilized outsourced services to contain costs. Combined personnel and outsourced services showed a marked improvement in 2008.

Rent expense incurred is pegged ₱272 million or 5.0% of sales against ₱260 million or 5.2% in 2007. Operating lease payments on a monthly basis rose by 3% in 2008 and can be attributable to rental escalations.

Service fees are higher by 24%, from ₱83.2 million in 2007 to ₱103.2 million. This is primarily due to SA conversions during 2007, which operated as SA store, full year in 2008.

Interest Expense

Cost of debt servicing in 2008 totaled ₱25.3 million, lower by 20% than last year's level of ₱31.5 million. Loan pre-termination and lower interest rates are the factors for the decline. Outstanding loan balance at the end of 2008 was pegged at ₱330 million, down from the ₱375 million a year ago.

Net Income

Net income for the year increased by 54% to ₱84.3 million primarily due to better sales, contained costs and improved support from trade suppliers

The Company's net income translated into a 1.6% return on sales and 11.2% return on equity. The key ratios in 2008 are improvements from the previous year. Moreover, EPS is pegged ₱0.32 and ₱0.21, in 2008 and 2007, respectively.

Financial Condition

Total assets grew by ₱385.5 million or 20.5% to ₱2.26 billion at the end of 2008. Cash and cash equivalents increased to ₱314.9 million from ₱308.9 million at the beginning of 2008. Receivables went up by ₱72.8 million as a result of the increase in suppliers' support and collectibles from the franchisees. Moreover, inventories went up by ₱15.6 million as a result of the increased number of stores. Further, prepayments increased by ₱51.3 million arising from advance rental payments for new stores. This resulted into an aggregate increase in total current assets by ₱145.6 million.

Total current liabilities rose by ₱308.3 million or 29% due mainly to the increase in trade payables and accrued expenses. Current ratio stood at .67 to1 as of December against last year's .72 to 1.

Property and equipment, net of accumulated depreciation increased by ₱219.6 million because of the construction cost incurred and acquisition of new equipment deployed to newly opened stores.

Stockholders' equity at the end of 2008 comprises 33% of total assets, compared to 36% at the beginning of the year. Debt to equity ratio stood at 2 to 1, compared to 1.8 to 1 a year ago.

Liquidity and Capital Resources

We obtain 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

We believe that operating activities and available working capital sources will provide sufficient liquidity in 2009 to fund our operating costs, capital expenditures and debt service. The following are the discussion of the sources and uses of cash for the year 2008.

Cash Flows from Operating Activities

Net cash generated by operating activities in 2008 almost doubled the level set in 2007 and reached ₱502 million. The higher cash flow provided by operations can be attributed to the increase in recurring income brought about by improved sales and better cost management. In addition, the level of payables were unusually higher at the end of the year due to the two week holiday declared by the government in December resulting into the inability of suppliers to collect their accounts from the Company.

Cash Flows from Investing Activities

Net cash used in investing activities reached ₱426 million in 2008 compared to net cash out flow of ₱218 million in 2007. Major cash outlay went to the procurement of store equipment, new store constructions and store renovations. Total acquisitions of property and equipment went up this year by ₱190 million against the 2007 level.

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 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 during the year stood at ₱69.9 million. The year ended with outstanding bank loans of ₱330 million, a reduction by ₱45 million from the ₱375 million balance at the beginning of the year. The Company was able to pre-pay some of its loan as a result of improved profitability in 2008.

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.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS IN 2007

Results of Operations

Revenue and Gross Margin

The Company registered total revenues of ₱4.95 billion in 2007, an increase of 7% compared to the ₱4.63 billion in 2006. Cost of merchandise sold rose by ₱310.5 million to ₱3.5 billion at the end of 2007.

System-wide sales, which represents the overall retail sales to customers of corporate and franchise-operated stores grew by 12% or ₱601 million to ₱5.56 billion in 2007. PSC ended 2007 with 311 stores, an 8% increase compared to the 2006 level of 287. Out of the total store base, 151 are company-owned and the rest are franchise-operated.

Gross Profit stood at ₱1.42 billion, while gross profit as a percentage of sales declined by 170 basis points partly due to the dilution brought about by the increase in the Company's sales to franchise stores accounted for at zero mark-up. The company shares in the gross profit of franchise-operated stores and is recognized as franchise revenue.

Moreover, aggregate merchandise transfers through the distribution center subsidiary, Convenience Distribution, Inc. (CDI) to franchise-operated stores in 2007 amounted to ₱927 million, higher by 80% from ₱513 million in 2006.

Commission income amounted to ₱21.9 million in 2007, 23% lower than last year. Down trend in commission continues due to other competitors in downstream channels and maturing telco business.

Other Income

Other income consists of marketing income, franchise revenue and rent income from rentable spaces. The Company's total other income increased by ₱97.8 million, to ₱368.4 million as a result of the following;

Marketing income, which pertains mainly to promotional support and display allowance, had grown by ₱15.1 million from the 2006 level. This can be attributed to the higher promotional support collected from suppliers. In addition, the Company penalized suppliers when valuable shelf space was vacant due to production problem.

Franchise revenue climbed to ₱204 million from ₱148 million in 2006. This was the result of the increased number of franchise-operated stores. The number of stores operated under the conventional franchise package or FC1 increased by 28 ending 2007 with 85 stores. On the other hand, stores under labor franchise or service agreement (SA) increased to 75 stores.

Rent income arising from the stores' subleased spaces reached ₱39.6 million and was slightly unchanged from the level registered a year ago.

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 HQ expenses went up by four percent or ₱71.9 million and totaled to ₱1.68 billion in 2007. As a percentage of sales, general and administrative expense is pegged at 34.0% and 34.8% in 2007 and 2006, respectively.

Communication, light and water accounted for almost one fifth of the total expense and were the highest contributor. This is followed closely by personnel costs with 19% share and rent expense accounting for 15% of the total general and administrative expense in 2007.

Communication, light and water amounted to ₱327.1 million or 6.6% of total revenue and went up by 4% versus the same period in 2006. Bulk of this expense caption pertains to electricity which comprises 93% and grew by 2% vis a vis the 2006 level

Personnel costs aggregated to ₱316.2 million, versus ₱336.9 million in 2006. Ratio to sales was 6.4%

in 2007 and 7.3% in 2006. Personnel costs include salaries and wages at ₱195.6 million, employee benefits at ₱113.5 million and pension costs at ₱7.1 million.

Rent expense incurred is pegged ₱260 million or 5.2% of sales against ₱ 265.2 million or 5.7% in 2006. Rent expense in operating leases net of sublease rent income, per store, per month rose by 4% in 2007 against 2006. This was due to the rent escalations stipulated in the lease contract.

Service fees paid to SA partners were slightly higher by 1%, from ₱82.3 million in 2006 to ₱83.2 million this year.

Interest Expense

Cost of debt servicing in 2007 totaled ₱31.5 million, lower by 12% than last year's level of ₱35.9 million. Loan pre-termination and lower interest rates are the factors for the decline. Outstanding loan balance at the end of 2007 was pegged at ₱375.0 million, down from the ₱411.2 million a year ago.

Net Income

Net income for the year significantly increased by 172% to ₱54.8 million primarily due to better sales, contained costs and improved support from trade suppliers

PSC's net income translated to a 1.1% return on sales and 8.2% return on equity. The key ratios in 2007 are much better compared to the ROS and ROE of 0.4% and 3.3% posted a year ago. Moreover, EPS is pegged ₱0.23 and ₱0.08, in 2007 and 2006, respectively.

The Company's shares on the other hand were trading at 22 times 2007 earnings compared to the price earnings multiple of 33 times in 2006

Financial Condition

Total assets grew by ₱48.6 million or 3% to ₱1.88 billion at the end of 2007. Cash and cash equivalents in 2007 decreased to ₱308.9 million from ₱329.4 million at the beginning of 2007, primarily due to loan repayments. Receivables, on the other hand, went up by ₱25.0 million as a result of the increase in suppliers' promotional support. Moreover, inventories went down by ₱8.0 million attributable to the growing number of franchisees. Further, prepayments increased by ₱8.8 million. This resulted into a net increase in total current assets by ₱5.5 million.

Total current liabilities went down by ₱57 million or 5% mainly due to the decrease in bank loans, trade payable, accrued expenses and the current portion of long term debt. Current ratio stood at .72 to1 as of December an improvement against last year's .68 to 1.

Property and equipment, net of accumulated depreciation increased by ₱51.9 million resulting from opening of new stores in 2007.

Stockholders' equity at the end of December comprises 36% of total assets, compared to 33% at the beginning of the year. Consequently, debt to equity ratio is at 1.8 to 1, from 2 to 1 at the end of 2006.

Liquidity and Capital Resources

We obtain 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

We believe that operating activities and available working capital sources will provide sufficient liquidity in 2008 to fund our operating costs, capital expenditures and debt service. The following are the discussion of the sources and uses of cash for the year 2007.

Cash Flows from Operating Activities

Net cash generated by operating activities in 2007 reached ₱266 million, lower compared to the ₱358 million generated in 2006. Although pre-tax income in 2007 is higher compared to a year ago, the decline in net cash from operating activities was due to the increase in receivables and the payment of accounts payable, accrued expenses and current portion of long term debt.

Cash Flows from Investing Activities

Net cash used in investing activities reached ₱243 million in 2006 compared to net cash out flow of ₱218 million in 2007. Major cash outlay went to the procurement of store equipment, new store constructions and store renovations. Total acquisitions of property and equipment dropped this year by ₱23.7 million against 2006. Significant investment in 2006 went to the procurement of POS Machines and the roll-out of batches of store renovations.

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 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 during the year was ₱68.4 million. The year ended with outstanding bank loans of ₱375 million, an improvement from ₱411.2 million at the beginning of the year. The Company was able to pre-pay some of its loan as a result of improved profitability in 2007.

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.

Sales per Store Day

Average daily sales of mature and new stores computed periodically and determine growth of all 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.

Return on Sales (ROS)

Measures the level of recurring income generated by continuing operations relative to revenues and is calculated by dividing net income over sales.

Return on Equity (ROE)

The ratio of the net income over stockholders' equity and indicates the level of efficiency with which a company utilizes owners' capital.

PLANS FOR THE NEXT 12 MONTHS

In the year ahead, we intend to take strides to facilitate our expansion in new and traditional markets to expedite growth.

We believe that the Company's strong performance reflects the soundness of our business model and overall strategies. Looking ahead into 2009, we intend to retain our competitiveness in the C-store industry. We remain determined to follow the strategic plan we have set to remain resilient in these turbulent times.

We will go on to build on the success of our franchising initiatives by strengthening our franchise selection process and implementing our market development plan. This will be complemented by our HQ-level plans and programs aimed at supporting corporate and franchise stores.

More programs are lined up to boost our sales, margin and customer count in partnership with our suppliers. We shall continue to collaborate with our suppliers to provide high quality and fresh product selections that are more saleable and more profitable. Moreover, management shall build on the success of its advertising and promotion initiatives over the past years.

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

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 MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Philippine Seven Corporation is responsible for all information and representations contained in the consolidated financial statements for the years ended December 31, 2008, 2007 and 2006. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management 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. The management likewise discloses to the company's audit committee and its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii)any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors or the Executive Committee or the Audit Committee, as authorized by the Board, reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

Sycip Gorres Velayo and Company, the independent auditors appointed by the Stockholders, has examined the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and/or Executive Committee or Audit Committee and Stockholders.

VICENTE T. PATERNO
Chairman of the Board

JOSE VICTOR PATERNO
President and Chief Executive Officer

YU-HSIU TSAI
Chief Financial Officer and Treasurer

SUBSCRIBED AND SWORN to before me this _____ day of __________ 2008 affiants exhibiting to me their Community Tax Certificate No./ Passport No., as follows:

NAME	CTC/PASSPORT NO.	DATE/PLACE OF ISSUE
Vicente T. Paterno	19473989	January 12, 2008/Makati City
Jose Victor Paterno	1224902	January 18, 2008/Manila
Yu-Hsiu Tsai	200564352	October 31, 2006/R.O.C Taipei Taiwan

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 2008.

NOTARY PUBLIC

APPENDIX "B"

Philippine Seven Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2008 and 2007
and Years Ended December 31, 2008, 2007 and 2006

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Philippine Seven Corporation
7th Floor, The Columbia Tower
Ortigas Avenue, Mandaluyong City

We have audited the accompanying financial statements of Philippine Seven Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated statements of income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Philippine Seven Corporation and Subsidiaries as of December 31, 2008 and 2007, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Aldrin M. Cerrado
Partner
CPA Certificate No. 86735
SEC Accreditation No. 0113-AR-1
Tax Identification No. 129-433-783
PTR No. 1566414, January 5, 2009, Makati City

February 12, 2009

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**314,880,357**	308,873,944
Receivables - net (Note 5)	**145,854,513**	73,086,463
Inventories - at cost (Note 6)	**339,556,385**	323,973,849
Prepayments and other current assets (Note 7)	**117,947,178**	66,685,102
Total Current Assets	**918,238,433**	772,619,358
Noncurrent Assets		
Property and equipment - net (Note 8)	**1,072,041,329**	852,458,158
Deposits (Note 9)	**132,695,470**	110,462,198
Deferred income tax assets - net (Note 27)	**39,738,774**	37,498,659
Other noncurrent assets - net (Note 10)	**101,471,945**	105,669,803
Total Noncurrent Assets	**1,345,947,518**	1,106,088,818
TOTAL ASSETS	**2,264,185,951**	1,878,708,176
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Bank loans (Note 11)	**330,000,000**	375,000,000
Accounts payable and accrued expenses (Note 12)	**848,043,767**	583,305,153
Income tax payable	**25,898,866**	2,770,870
Other current liabilities (Note 13)	**174,586,972**	109,162,503
Total Current Liabilities	**1,378,529,605**	1,070,238,526
Noncurrent Liabilities		
Deposits payable	**83,252,646**	98,653,475
Net retirement obligations (Note 24)	**35,827,737**	30,115,402
Deferred income tax liability (Note 27)	**1,384,241**	1,614,948
Cumulative redeemable preferred shares (Note 15)	**6,000,000**	6,000,000
Deferred revenue - net of current portion (Note 16)	**7,079,887**	4,476,348
Total Noncurrent Liabilities	**133,544,511**	140,860,173
Total Liabilities	**1,512,074,116**	1,211,098,699

(Forward)

	December 31	
	2008	2007
Stockholders' Equity		
Capital stock (Note 17) - 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 (Note 1)]	**261,663,450**	237,938,250
Additional paid-in capital	**293,525,037**	293,525,037
Retained earnings (Note 17)	**196,616,699**	136,070,248
Revaluation increment in land - net of deferred income tax liability (Notes 8 and 27)	**3,229,895**	2,999,188
	755,035,081	670,532,723
Cost of 686,250 shares held in treasury	**(2,923,246)**	(2,923,246)
Total Stockholders' Equity	**752,111,835**	667,609,477
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**2,264,185,951**	1,878,708,176

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2008	2007	2006
REVENUE			
Revenue from merchandise sales	**5,412,969,204**	4,952,027,491	4,627,880,441
Franchise revenue (Note 32)	**250,855,661**	204,271,553	147,997,380
Marketing income (Note 20)	**136,211,215**	97,680,051	82,574,708
Rent income (Note 26)	**36,502,151**	39,648,977	39,889,745
Commission income (Note 32)	**21,213,531**	21,924,224	28,635,785
Interest income (Notes 9, 22 and 26)	**4,186,908**	3,401,675	2,760,331
Other income	**17,988,516**	32,885,092	11,020,070
	5,879,927,186	5,351,839,063	4,940,758,460
EXPENSES			
Cost of merchandise sales (Note 18)	**3,909,886,731**	3,534,557,477	3,224,082,277
General and administrative expenses (Note 19)	**1,788,432,900**	1,683,290,082	1,611,425,160
Interest expense (Notes 11, 14, 15 and 21)	**25,332,855**	31,527,417	35,913,785
Impairment loss on goodwill (Note 10)	**4,611,368**	–	–
Loss on sale of property and equipment	**890,771**	215,566	5,165,280
Unrealized foreign exchange loss - net	**709,256**	901,052	1,206,673
Other expenses	**5,335,886**	5,090,027	15,794,377
	5,735,199,767	5,255,581,621	4,893,587,552
INCOME BEFORE INCOME TAX	**144,727,419**	96,257,442	47,170,908
PROVISION FOR INCOME TAX (Note 27)	**60,455,768**	41,429,304	27,026,816
NET INCOME	**84,271,651**	54,828,138	20,144,092
BASIC/DILUTED EARNINGS PER SHARE (Note 28)	**0.32**	0.21	0.07

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**144,727,419**	96,257,442	47,170,908
Adjustments for:			
Depreciation and amortization (Notes 8 and 19)	**179,639,006**	159,634,386	154,046,259
Interest expense (Notes 11, 14, 15 and 21)	**25,332,855**	31,527,417	35,913,785
Provision for impairment of receivables (Notes 5 and 19)	**7,069,507**	346,678	2,903,498
Loss on:			
Impairment of goodwill (Note 10)	**4,611,368**	–	–
Sale of property and equipment	**890,771**	215,566	5,165,280
Interest income (Notes 9, 22 and 26)	**(4,186,908)**	(3,401,675)	(2,760,331)
Amortization of:			
Deferred lease (Notes 10 and 26)	**1,902,361**	1,719,810	1,660,064
Deferred revenue on finance lease (Note 16)	**(1,310,151)**	(764,254)	–
Software and other program costs (Notes 10 and 19)	**2,105,126**	1,050,536	1,757,238
Operating income before working capital changes	**360,781,354**	286,585,906	245,856,701
Decrease (increase) in:			
Receivables	**(78,401,639)**	(21,565,134)	28,732,561
Inventories	**(15,582,536)**	7,952,655	4,267,356
Prepayments and other current assets	**(51,262,076)**	2,970,950	5,021,991
Increase (decrease) in:			
Accounts payable and accrued expenses	**264,264,524**	(26,287,053)	57,175,330
Other current liabilities	**61,510,778**	418,348	41,031,990
Deposits payable	**(15,400,829)**	42,905,608	2,500,799
Net retirement obligations	**5,712,335**	3,226,561	4,187,942
Deferred revenue	**7,827,381**	–	–
Cash generated from operations	**539,449,292**	296,207,841	388,774,670
Income taxes paid	**(39,567,887)**	(30,940,362)	(32,462,976)
Interest received	**2,180,738**	928,110	1,847,906
Net cash from operating activities	**502,062,143**	266,195,589	358,159,600

(Forward)

	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Note 8)	**(415,095,771)**	(224,680,639)	(248,336,018)
Software and other program costs (Note 10)	**(6,788,085)**	(3,226,000)	(4,200,000)
Decrease (increase) in:			
Deposits	**(22,233,272)**	–	8,307,564
Other noncurrent assets	**49,840**	(3,789,217)	(1,866,528)
Proceeds from sale of property and equipment	**14,982,823**	12,528,004	3,051,833
Collection of lease receivable (Note 26)	**2,887,500**	840,000	–
Net cash used in investing activities	**(426,196,965)**	(218,327,852)	(243,043,149)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Bank loans (Note 11)	**(85,000,000)**	(717,700,000)	(281,400,000)
Long-term debt (Note 14)	**–**	(6,500,000)	(119,000,000)
Availments of bank loans (Note 11)	**40,000,000**	688,000,000	446,100,000
Interest paid	**(24,858,765)**	(32,158,168)	(35,762,842)
Net cash from (used in) financing activities	**(69,858,765)**	(68,358,168)	9,937,158
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**6,006,413**	(20,490,431)	125,053,609
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**308,873,944**	329,364,375	204,310,766
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**314,880,357**	308,873,944	329,364,375

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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.

Authorization for Issuance of the Financial Statements

The consolidated financial statements were authorized for issue by the Board of Directors (BOD) on February 12, 2009.

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2. **Summary of Significant Accounting Policies and Financial Reporting Practices**

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale (AFS) financial assets and land, which are carried at fair value and revalued amount, respectively. The consolidated financial statements are presented in Philippine Peso (Peso), which is the Company's functional and presentation currency.

Statement of Compliance

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective on January 1, 2008 and amendments to existing Philippine Accounting Standards (PAS) which became effective on July 1, 2008. Adoption of these changes in accounting policies did not have any significant effect to the Group:

- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*
- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*
- Philippine Interpretation IFRIC 14, PAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction*
- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement*, and, PFRS 7, *Financial Instruments: Disclosures - Reclassification of Financial Assets*

New Accounting Standards, Interpretations, and Amendments to
Existing Standards Effective Subsequent to December 31, 2008

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective in 2009

PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective for annual periods beginning on or after January 1, 2009)

The amended PFRS 1 allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: a) cost determined in accordance with PAS 27, *Consolidated and Separate Financial Statements*; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.

PFRS 2, *Share-based Payment - Vesting Condition and Cancellations* (effective for annual periods beginning on or after January 1, 2009)

The standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.

PFRS 8, *Operating Segments* (effective for annual periods beginning on or after January 1, 2009)
PFRS 8 will replace PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the balance sheet and statement of income and the Group will provide explanations and reconciliations of the differences. This standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party.

Amendments to PAS 1, *Presentation of Financial Statements* (effective for annual periods beginning on or after January 1, 2009)
These amendments introduce a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income'. Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. These amendments also prescribe additional requirements in the presentation of the balance sheet and stockholders' equity as well as additional disclosures to be included in the financial statements.

PAS 23, *Borrowing Costs* (effective for annual periods beginning on or after January 1, 2009)
The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective for annual periods beginning on or after July 1, 2009)
These amendments prescribe changes in respect of the holding companies' separate financial statements including (a) the deletion of 'cost method', making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in profit or loss. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

Amendment to PAS 32, *Financial Instruments: Presentation*, and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation* (effective for annual periods beginning on or after January 1, 2009)
These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets; (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation; (c) all instruments in the subordinate class have identical features; (d) the instrument does not include any contractual obligation to pay cash or financial assets other

than the holder's right to a pro rata share of the entity's net assets; and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after July 1, 2009)
This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or expired.

Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after October 1, 2008)
This Interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

Improvements to PFRSs

In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
  - When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.

- PAS 1, *Presentation of Financial Statements*
  - Assets and liabilities classified as held for trading are not automatically classified as current in the balance sheet.

- PAS 16, *Property, Plant and Equipment*
  - The amendment replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5 and PAS 36, *Impairment of Assets*.
  - Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.

- PAS 19, *Employee Benefits*
  - Revises the definition of 'past service costs' to include reductions in benefits related to past services ('negative past service costs') and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.
  - Revises the definition of 'return on plan assets' to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation.
  - Revises the definition of 'short-term' and 'other long-term' employee benefits to focus on the point in time at which the liability is due to be settled.
  - Deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*
  - Loans granted with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant.

- PAS 23, *Borrowing Costs*
  - Revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs', i.e., components of the interest expense calculated using the effective interest rate method. This revised standard disallows the alternative treatment of borrowing costs, which permits the recognition of borrowing costs as expense.

- PAS 28, *Investment in Associates*
  - If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans will apply.
  - An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

- PAS 29, *Financial Reporting in Hyperinflationary Economies*
  - Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

- PAS 31, *Interest in Joint Ventures*
  - If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

- PAS 36, *Impairment of Assets*
  - When discounted cash flows are used to estimate 'fair value less cost to sell', additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value-in-use'.

- PAS 38, *Intangible Assets*
  - Expenditure on advertising and promotional activities is recognized as an expense when the company either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.
  - Deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method.

- PAS 39, *Financial Instruments: Recognition and Measurement*
  - Changes in circumstances relating to derivatives specifically derivatives designated or de-designated as hedging instruments after initial recognition are not reclassifications.
  - When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, *Insurance Contracts*, this is a change in circumstance, not a reclassification.
  - Removes the reference to a 'segment' when determining whether an instrument qualifies as a hedge.
  - Requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

- PAS 40, *Investment Properties*
  - Revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

- PAS 41, *Agriculture*
  - Removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.
  - Removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the 'most relevant market' are taken into account.

Effective in 2010

Revised PFRS 3, *Business Combinations,* and PAS 27, *Consolidated and Separate Financial Statements*
The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill

nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as ‘minority interests’); even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 and PAS 27 must be applied prospectively and will affect future acquisitions and transactions with non-controlling interests.

Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible hedged items*
Amendment to PAS 39 addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

Effective in 2012

Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
This Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis, will also be accounted for based on stage of completion.

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

Subsidiaries are those entities in which the Company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies through interlocking directorships such that substantial benefits from the subsidiaries’ activities flow to the Company.

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

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

Cash and Cash Equivalents

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

Financial Instruments

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

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

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

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

Financial Assets

a. Financial Assets at FVPL

Financial assets at FVPL include financial assets held-for-trading and those designated upon initial recognition as at FVPL.

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term.

Financial assets are designated as at FVPL on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial asset contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are accounted for directly in the consolidated statement of income. Interest earned is recorded as interest income, while dividend income is recorded as other income according to the terms of the contract, or when the right of the payment has been established.

As of December 31, 2008 and 2007, the Group has no financial asset as at FVPL.

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Re-assessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

An embedded derivative is separated from the host financial or non-financial asset contract and accounted for as a derivative if all of the following conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid or combined instrument is not recognized as FVPL.

Embedded derivatives that are bifurcated from the host contracts are accounted for as financial assets at FVPL. Changes in fair values are included in the consolidated statement of income.

As of December 31, 2008 and 2007, the Group has no outstanding embedded derivatives.

b. HTM Financial Assets
HTM financial assets are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. HTM financial assets are subsequently carried either at cost or amortized cost in the consolidated balance sheet. Amortization is determined by using the effective interest rate method. Assets under this category are classified as current assets if maturity is within 12 months from balance sheet date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2008 and 2007, the Group has not designated any financial asset as HTM.

c. Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently carried either at cost or amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest rate method. Loans and receivables are classified as current assets if maturity is within 12 months from balance sheet date. Otherwise, these are classified as noncurrent assets.

The Group's loans and receivables consist of cash and cash equivalents, receivables and deposits as of December 31, 2008 and 2007.

d. AFS Financial Assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets are carried at fair value in the consolidated balance sheet. Changes in the fair value of such assets are accounted for in the stockholders' equity until the financial asset is derecognized or until the financial asset is determined to be impaired at which time the cumulative gain or loss previously reported in stockholders' equity is recognized in the consolidated statement of income. AFS financial assets are classified as current assets if maturity is within 12 months from balance sheet date. Otherwise, these are classified as non-current assets.

The Group's AFS financial assets consist of unquoted investments in preferred shares of a public utility company included as part of "Other noncurrent assets" in the consolidated balance sheets as of December 31, 2008 and 2007.

Financial Liabilities

a. Financial Liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held-for-trading and those designated upon recognition at FVPL.

Financial liabilities are classified as held-for-trading if they acquired for the purpose of selling in the near term.

Financial liabilities are designated as at FVPL on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are accounted for directly in the consolidated statement of income. Interest incurred is recorded as interest expense.

As of December 31, 2008 and 2007, the Group has not designated any financial liability as at FVPL.

b. Other Financial Liabilities

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

The Group's other financial liabilities consist of bank loans, accounts payable and accrued expenses, other current liabilities and cumulative redeemable preferred shares as of December 31, 2008 and 2007.

Determination of Fair Values

Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

Day 1 Profit

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 profit) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the day 1 profit.

Offsetting Financial Instruments

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

Impairment of Financial Assets

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

Financial Assets Carried at Amortized Cost

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced by the impairment loss, which is recognized in the consolidated statement of income.

The Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant and collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually or collectively assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continue to be recognized are not included in a collective assessment of impairment. The impairment assessment is performed at each balance sheet date. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

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

Financial Assets Carried at Cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset.

Financial Assets Carried at Fair Value
If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment) and its current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from the stockholders' equity to the consolidated statement of income.

In case of equity securities classified as AFS financial asset, objective evidence would include a significant or prolonged decline in the fair value of the financial assets below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more of the original cost of investment, and "prolonged" as greater than six months. In addition, the Group evaluates other factors, including normal volatility in share price for unquoted equities.

Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in stockholders' equity. Reversals in respect of equity instruments classified as AFS financial asset are not recognized in the consolidated statement of income. Reversals of impairment losses on debt instruments are recognized in the consolidated statement of income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income.

In case of debt securities classified as AFS financial asset, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in the statement of income. If, in subsequent year, the fair value of a debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

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

Financial Liabilities

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

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

Inventories

Inventories are stated at the lower of cost or net realizable value (NRV). Cost of warehouse merchandise 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. The Group is using the retail method in measuring the cost of its store merchandise inventory. Under this method, cost is determined using the average gross profit and is reviewed on a regular basis to ensure that it approximates actual costs.

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 or the revaluation increment in land goes to stockholders' equity, net of tax. The revalued amount is determined by a professional 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 the statement of income 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 is stated at cost. This includes cost of construction and other direct costs. 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 investment property or 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 10 years, or the term of the lease, whichever is shorter.

Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, and the date the asset is derecognized.

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 the consolidated statement of income. The revaluation increment in stockholders' equity relating to the revalued asset sold is transferred to retained earnings.

Software and Program Cost

Software and program cost, which are not specifically identifiable and integral to a specific computer hardware, are shown as part of “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.

Impairment of Property and Equipment and Software and Program Cost

The Group assesses at each balance sheet date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash generating unit’s fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. For land, the asset’s recoverable amount is the land’s net selling price, which may be obtained from its sale in an arm’s length transaction. For goodwill, the asset’s recoverable amount is its value-in-use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Impairment losses, if any, are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

Goodwill

Goodwill, included in “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.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount of the cash-generating unit or group of cash-generating units to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill annually.

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 the consolidated statement of income.

Treasury Stock

Treasury stock is stated at acquisition cost and is deducted from the stockholders' equity. No gain or loss is recognized in the consolidated statement of income 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 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.

Franchise

Revenue from franchise is recognized upon performance of initial services required under the franchise agreement.

Marketing

Revenue of marketing 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.

Commission

Commission income is recognized upon the sale of consigned goods.

Rent

Revenue from rent is accounted for on a straight-line basis over the term of the sub-lease.

Interest

Revenue from interest is recognized as it accrues based on effective interest rate method.

Dividends

Revenue from dividends is recognized when the Group's right to receive the payment is established.

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.

Past service cost is recognized as an expense in the consolidated statement of income on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested following the introduction of, or changes to the plan, past service cost is recognized immediately.

The net retirement obligation is the aggregate of the present value of the retirement obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value of the net plan assets out of which obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refund from the plan or reductions in the future contributions to the plan.

Leases

Finance leases, which transfer to the lessee substantially all the risks and benefits 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 the consolidated statement of income.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income 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.

Borrowing Costs

Borrowing costs are recognized as expense in the year in which these costs are incurred.

Foreign Currency-Denominated Transactions

Transactions in foreign currency are initially recorded at the exchange rate at the date of transaction. Outstanding foreign currency-denominated monetary assets and liabilities are re-translated using the applicable exchange rate at balance sheet date. Exchange differences arising from translation of foreign currency monetary items at rates different from those at which they were originally recorded are recognized in the consolidated statement of income.

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 are 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 and carryforward benefits of unused net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused NOLCO and excess of MCIT over RCIT can be utilized.

Deferred income tax relating to items recognized directly in the stockholders' equity is recognized in the stockholders' equity and not in the consolidated statement of income.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

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

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

Earnings Per Share

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

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

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

Segment Reporting
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. Moreover, the Group has no geographical segmentation. There are no reportable segments, thus, segment reporting is not needed.

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 the consolidated statement of income, 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 accompanying 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 change. The effects of any changes will be reflected in the consolidated financial statements of the Group as they become reasonably determinable.

Judgment

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

Determination of Functional Currency

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

Classification of Financial Instruments

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

Financial assets are classified as financial assets at FVPL, HTM financial assets, loans and receivables and AFS financial assets. 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 financial reporting date.

Classification of Leases

a. Finance Lease

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 (Note 26).

b. Operating Lease

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 (Note 26).

Estimates

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

Determination of Fair Values

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

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

Note 29 presents the fair values of the financial instruments and the methods and assumptions used in estimating the fair values.

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

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

The carrying value of loans and receivables amounted to 502,238,014 and 423,168,833 as of December 31, 2008 and 2007, respectively (Note 29). Allowance for impairment on loans and receivables amounted to 8,740,174 and 7,739,980 as of December 31, 2008 and 2007, respectively (Notes 5 and 30). Provision for impairment amounted to 7,069,507 in 2008, 346,678 in 2007 and 2,903,498 in 2006 (Notes 5 and 19).

Impairment of AFS Financial Assets
In determining the fair values of financial assets, management evaluates the presence of significant and prolonged decline in the fair value of share price below its cost, the normal volatility in the share price, the financial health of the investee and the industry and sector performance like changes in operational and financial cash flows. Any indication of deterioration in these factors can have a negative impact on their fair value. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more of the original cost of investment, and "prolonged" as greater than six months.

The carrying value of AFS financial assets amounted to 2,314,575 as of December 31, 2008 and 2007 (Notes 10 and 29). Based on management's assessment, AFS financial assets are fairly stated, thus, no impairment loss needs to be recognized in 2008, 2007 and 2006.

Decline in Inventory Value
Provisions are made for inventories whose NRV are lower than their carrying cost. This entails estimation of costs of completion and costs necessary to make the sale. The estimates are based on a number of factors, the age, status and recoverability of realizable value of inventories.

The carrying value of inventories amounted to 339,556,385 and 323,973,849 as of December 31, 2008 and 2007, respectively (Note 6). Based on management's assessment, inventories are fairly stated, thus, no provision for decline in inventory value needs to be recognized in 2008, 2007 and 2006.

Estimation of Useful Lives of Property and Equipment
The Group estimated the useful lives of its property and equipment based on a period over which the assets are expected to be available for use.

Property and equipment, net of accumulated depreciation and amortization, amounted to 1,072,041,329 and 852,458,158 as of December 31, 2008 and 2007, respectively (Note 8).

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.

The carrying value of property and equipment and software and program costs amounted to 1,082,819,752 and 858,553,622 as of December 31, 2008 and 2007, respectively (Notes 8 and 10). Based on management's assessment, nonfinancial assets are fairly stated, thus, no impairment loss needs to be recognized in 2008, 2007 and 2006.

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

The carrying value of goodwill amounted to 65,567,524 and 70,178,892 as of December 31, 2008 and 2007, respectively (Note 10). Impairment loss on goodwill amounted to 4,611,368 in 2008 (Note 10). In 2007 and 2006, based on management's assessment, goodwill was fairly stated, thus, no impairment loss was recognized.

Estimation of Retirement Benefits
The determination of the obligation and retirement benefits is dependent on management's assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24 and include, among others, discount rates per annum, expected annual rate of return on plan assets and salary increase rates. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

The Group's unrecognized net actuarial losses amounted to 15,715,643 and 15,950,982 as of December 31, 2008 and 2007, respectively (Note 24).

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

The Group's recognized deferred income tax assets amounted to 41,782,617 and 39,583,516 as of December 31, 2008 and 2007, respectively (Note 27).

4. Cash and Cash Equivalents

	2008	2007
Cash on hand and in banks	**314,241,734**	308,251,838
Cash equivalents	**638,623**	622,106
	314,880,357	308,873,944

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.

5. Receivables

	2008	2007
Franchisee - net	**76,989,185**	16,372,484
Suppliers	**61,650,671**	48,246,882
Employees	**5,137,033**	6,215,487
Current portion of lease receivable - net (Note 26)	**2,317,248**	2,273,346
Insurance claims	**938,402**	3,098,193
Due from Philippine Foundation, Inc. (PFI) (Note 25)	**53,883**	–
Others	**7,508,265**	4,620,051
	154,594,687	80,826,443
Less allowance for impairment	**8,740,174**	7,739,980
	145,854,513	73,086,463

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.

Movements in allowance for impairment are as follows:

	2008		
	Suppliers	**Others**	**Total**
Beginning balances	**7,019,993**	**719,987**	**7,739,980**
Provision for the year (Note 19)	**4,934,374**	**2,135,133**	**7,069,507**
Write-off	**(5,349,326)**	**(719,987)**	**(6,069,313)**
Ending balances	**6,605,041**	**2,135,133**	**8,740,174**

	2007		
	Suppliers	Others	Total
Beginning balances	9,787,952	719,987	10,507,939
Provision for the year (Note 19)	346,678	–	346,678
Write-off	(3,114,637)	–	(3,114,637)
Ending balances	7,019,993	719,987	7,739,980

6. **Inventories**

	2008	2007
At cost (Note 18):		
Warehouse merchandise and others	**175,581,160**	184,038,557
Store merchandise	**163,975,225**	139,935,292
	339,556,385	323,973,849

7. **Prepayments and Other Current Assets**

	2008	2007
Input value-added tax (VAT)	**66,075,401**	43,009,867
Prepaid rent	**15,464,928**	1,682,253
Advances for expenses	**11,077,907**	4,250,724
Advances to suppliers	**7,847,838**	–
Prepaid taxes and licenses	**1,867,481**	7,481,914
Current portion of deferred lease (Notes 10 and 26)	**1,519,365**	1,714,617
Supplies	**1,436,762**	1,161,584
Prepaid uniform	**1,045,510**	1,468,243
Others	**11,611,986**	5,915,900
	117,947,178	66,685,102

8. Property and Equipment

Movements in property and equipment are as follows:

	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	**44,481,000**	**104,385,538**	**566,198,319**	**240,570,651**	**25,206,994**	**180,499,131**	**492,150,509**	**25,366,630**	**1,678,858,772**
Additions	**–**	**1,667,594**	**201,696,186**	**36,387,334**	**1,100,000**	**53,602,342**	**109,934,135**	**10,708,180**	**415,095,771**
Disposals	**–**	**–**	**(54,755,870)**	**(4,882,134)**	**(250,000)**	**(19,552,251)**	**(8,586,937)**	**(14,582,465)**	**(102,609,657)**
Reclassifications	**–**	**–**	**224,976**	**–**	**–**	**–**	**5,635,482**	**(5,860,458)**	**–**
Ending balances	**44,481,000**	**106,053,132**	**713,363,611**	**272,075,851**	**26,056,994**	**214,549,222**	**599,133,189**	**15,631,887**	**1,991,344,886**
Accumulated Depreciation and Amortization:									
Beginning balances	**–**	**45,179,341**	**307,595,172**	**125,146,623**	**14,406,685**	**96,201,950**	**237,870,843**	**–**	**826,400,614**
Depreciation and								**–**	
amortization (Note 19)	**–**	**4,483,701**	**52,611,210**	**23,859,688**	**2,802,974**	**40,509,549**	**55,371,884**	**–**	**179,639,006**
Disposals	**–**	**–**	**(53,744,814)**	**(4,795,377)**	**(250,000)**	**(19,358,933)**	**(8,586,939)**	**–**	**(86,736,063)**
Ending balances	**–**	**49,663,042**	**306,461,568**	**144,210,934**	**16,959,659**	**117,352,566**	**284,655,788**	**–**	**919,303,557**
Net Book Values	**44,481,000**	**56,390,090**	**406,902,043**	**127,864,917**	**9,097,335**	**97,196,656**	**314,477,401**	**15,631,887**	**1,072,041,329**

	2007								
	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	39,866,864	104,385,538	487,238,357	219,732,453	19,142,793	161,670,263	449,711,890	11,117,660	1,492,865,818
Additions	–	–	87,099,729	26,489,450	11,049,201	19,071,710	66,721,579	14,248,970	224,680,639
Disposals	–	–	(8,116,776)	(5,673,834)	(4,985,000)	(220,260)	(24,305,951)	–	(43,301,821)
Revaluation increment	4,614,136	–	–	–	–	–	–	–	4,614,136
Reclassifications	–	–	(22,991)	22,582	–	(22,582)	22,991	–	–
Ending balances	44,481,000	104,385,538	566,198,319	240,570,651	25,206,994	180,499,131	492,150,509	25,366,630	1,678,858,772
Accumulated Depreciation and Amortization:									
Beginning balances	–	40,688,891	269,491,622	108,933,264	11,896,378	69,599,604	191,729,720	–	692,339,479
Depreciation and amortization (Note 19)	–	4,490,450	46,077,061	21,387,890	2,510,307	26,827,428	58,341,250	–	159,634,386
Disposals	–	–	(7,974,582)	(5,174,531)	–	(225,082)	(12,199,056)	–	(25,573,251)
Reclassifications	–	–	1,071	–	–	–	(1,071)	–	–
Ending balances	–	45,179,341	307,595,172	125,146,623	14,406,685	96,201,950	237,870,843	–	826,400,614
Net Book Values	44,481,000	59,206,197	258,603,147	115,424,028	10,800,309	84,297,181	254,279,666	25,366,630	852,458,158

On February 5, 2007, the Group revalued its land with cost amounting to 39,866,864 at appraised value of 44,481,000, as determined by a professional qualified independent appraiser. The appraisal increase of 3,229,895, net of 1,384,241 tax, resulting from the revaluation was credited to "Revaluation increment in land" account presented under the stockholders' equity section of the consolidated balance sheets. The appraised value was determined using the market data approach, wherein the value of the land is based on sales and listings of comparable properties registered within the vicinity.

Fully depreciated property and equipment that are still being used in the operations amounted to 472,529,940 and 444,531,992 as of December 31, 2008 and 2007, respectively.

9. Deposits

	2008	2007
Rent	**97,645,367**	78,024,061
Utilities	**21,766,646**	20,792,804
Refundable	**9,314,578**	9,686,454
Others	**3,968,879**	1,958,879
	132,695,470	110,462,198

Refundable
Refundable deposits on rent are computed at amortized cost as follows:

	2008	2007
Face value of security deposits	**26,835,877**	7,635,131
Additions	–	20,740,938
Unamortized discount	**(17,521,299)**	(18,689,615)
	9,314,578	9,686,454

Movements in unamortized discount are as follows:

	2008	2007
Beginning balance	**18,689,615**	2,832,415
Additions	–	16,682,414
Amortization (Note 22)	**(1,392,016)**	(825,214)
Ending balance	**17,521,299**	18,689,615

10. **Other Noncurrent Assets**

	2008	2007
Goodwill	**65,567,524**	70,178,892
Deferred lease - net of current portion (Note 26)	**13,058,023**	14,765,132
Software and program cost	**10,778,423**	6,095,464
Lease receivable - net of current portion (Note 26)	**6,453,041**	8,770,289
AFS financial assets	**2,314,575**	2,314,575
Others	**3,300,359**	3,545,451
	101,471,945	105,669,803

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.

The recoverable amount of the goodwill was estimated based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The pre-tax discount rate applied to cash flow projections is 10.22% in 2008 and 9.00% in 2007. The cash flows beyond the five-year period are extrapolated using a 3% growth rate in 2008 and 2007 that is the same as the long-term average growth rate for the retail industry.

As of December 31, 2008, the Company has closed nine out of the 35 stores it purchased from Jollimart, which resulted to the recognition of impairment loss on goodwill amounting to 4,611,368 in 2008. No impairment loss was recognized in 2007 and 2006, as management assessed goodwill to be fairly stated.

Goodwill is allocated in the group of cash generating unit (CGU) which comprises the working capital and property and equipment of all the purchased stores' assets.

Key assumptions used in value-in-use calculations in 2008 and 2007 follow:

Sales and cost ratio
Sales and cost ratio are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements. Sales are projected to increase by two to three percent per annum while the cost ratio is set at 68.00% - 70.00% of sales per annum.

Discount rates
Discount rates reflect management's estimates of the risks specific to the CGU. Management computed for its weighted average cost of capital (WACC). In computing for its WACC, regard to the following items was given:

- Average high and low range of average bank lending rates as of year-end
- Yield on a 10-year Philippine zero coupon bond as of valuation date
- Market risk premium
- Company relevered beta

Growth rate estimates
Rates are based on published industry research. Annual inflation and rate of possible reduction in transaction count were also considered in determining growth rates used.

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:

	2008	2007
Beginning balance	**16,479,749**	17,955,866
Additions	**–**	243,693
Amortization (Note 26)	**(1,902,361)**	(1,719,810)
Ending balance	**14,577,388**	16,479,749
Less current portion	**1,519,365**	1,714,617
	13,058,023	14,765,132

Software and Program Cost
Movements in software and program cost are as follows:

	2008	2007
Cost		
Beginning balance	***7,426,000***	*4,200,000*
Acquisition	***6,788,085***	*3,226,000*
Ending balance	***14,214,085***	*7,426,000*
Accumulated amortization		
Beginning balance	***1,330,536***	*280,000*
Amortization (Note 19)	***2,105,126***	*1,050,536*
Ending balance	***3,435,662***	*1,330,536*
Net Book Values	***10,778,423***	*6,095,464*

AFS Financial Assets
AFS financial assets include unquoted investments in preferred shares of a public utility company. These are carried at cost less any impairment loss, if any.

11. **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:

	2008	2007
Beginning balance	**375,000,000**	404,700,000
Availment	**40,000,000**	688,000,000
Payments	**(85,000,000)**	(717,700,000)
Ending balance	**330,000,000**	375,000,000

Interest expense from these bank loans amounted to 24,908,055 in 2008, 31,115,655 in 2007, and 35,161,148 in 2006 (Note 21). Interest payable amounted to 1,400,889 and 985,359 as of December 31, 2008 and 2007, respectively (Note 12).

12. **Accounts Payable and Accrued Expenses**

	2008	2007
Trade payable	**697,108,015**	461,121,365
Rent (Note 26)	**85,020,970**	73,333,906
Employee benefits	**22,364,011**	18,873,320
Utilities	**12,288,794**	11,381,244
Outsourced services	**5,764,897**	5,575,997
Advertising and promotion	**4,242,668**	2,630,489
Security services	**2,395,139**	2,054,228
Interest	**1,825,689**	1,351,599
Bank charges	**1,678,000**	1,418,700
Others	**15,355,584**	5,564,305
	848,043,767	583,305,153

13. **Other Current Liabilities**

	2008	2007
Non-trade accounts payable	**120,494,703**	62,902,460
Retention payable	**15,129,370**	10,065,404

(Forward)

	2008	2007
Withholding taxes	**11,929,960**	13,000,672
Output VAT	**10,099,637**	6,635,208
Royalty (Note 25)	**5,671,223**	9,151,719
Current portion of deferred revenue on:		
Exclusivity contract (Notes 16 and 32)	**3,913,691**	–
Finance lease (Notes 16 and 26)	**1,310,151**	1,310,151
Others (Note 25)	**6,038,237**	6,096,889
	174,586,972	109,162,503

14. **Long-term Debt**

Long-term debt in 2007 and 2006 consists of unsecured noncurrent promissory notes with a local bank, payable in equal monthly installments starting on the sixth month after the lending date until March 2007 with fixed interest rate of 11.67% for the first 24 months, the rate thereafter shall be at the prevailing lender rate. Full settlement of the loan amounted to 6,500,000 in 2007. Interest expense from these long-term debts amounted to 45,522 in 2007 and 205,977 in 2006 (Note 21).

15. **Cumulative Redeemable Preferred Shares**

Cumulative redeemable preferred shares, which are redeemable on 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 as part of "Interest expense" in the consolidated statements of income amounted to 424,800 in 2008, 366,240 in 2007 and 546,660 in 2006 (Note 21).

16. **Deferred Revenue**

	2008	2007
Deferred revenue on exclusivity contract (Note 32)	**3,913,690**	–
Deferred revenue on finance lease (Note 26)	**3,166,197**	4,476,348
Ending balance	**7,079,887**	4,476,348

Deferred Revenue on Exclusivity Contract
Movement in deferred revenue on exclusivity contract in 2008 is as follows:

Collection (Note 32)	11,741,071
Amortization	(3,913,690)
	7,827,381
Less current portion	3,913,691
Ending balance	3,913,690

Deferred Revenue on Finance Lease
Movements in deferred revenue on finance lease are as follows:

	2008	2007
Beginning balance	**5,786,499**	–
Addition (Note 26)	–	6,550,753
Amortization (Note 26)	**(1,310,151)**	(764,254)
	4,476,348	5,786,499
Less current portion	**1,310,151**	1,310,151
Ending balance	**3,166,197**	4,476,348

17. **Stock Dividends**

On June 18, 2008, the Company's BOD approved the recommendation for a stock dividend declaration corresponding to 10% of the outstanding common shares of the Company of 237,252,000 shares or equivalent of 23,725,200 common shares (Note 28).

On July 17, 2008, at least 2/3 of the Company's stockholders approved the stock declaration corresponding to 10% of the outstanding common shares and the issuance of 23,725,200 common shares with par value of 1 amounting to 23,725,200. Record date of entitlement is August 15, 2008.

Movement in the number of shares issued and outstanding in 2008 is as follows:

Beginning balance	237,938,250
Issuance of stock dividend	23,725,200
Ending balance	261,663,450

18. **Cost of Merchandise Sales**

	2008	2007	2006
Merchandise inventory, beginning	**323,973,849**	331,926,504	336,193,860
Net purchases	**3,925,469,267**	3,526,604,822	3,219,814,921
	4,249,443,116	3,858,531,326	3,556,008,781
Less merchandise inventory, ending	**339,556,385**	323,973,849	331,926,504
	3,909,886,731	3,534,557,477	3,224,082,277

19. General and Administrative Expenses

	2008	2007	2006
Communication, light and water	**331,736,206**	327,122,522	315,827,699
Rent (Note 26)	**272,009,467**	259,971,947	265,189,314
Outside services (Note 32)	**259,118,700**	178,731,357	143,748,828
Personnel costs (Note 23)	**250,613,003**	316,211,171	336,901,558
Depreciation and amortization	**179,639,006**	159,634,386	154,046,259
Trucking services	**67,017,425**	55,385,303	51,000,456
Supplies	**63,439,914**	53,799,176	51,387,785
Royalties (Note 25)	**62,035,597**	54,906,673	24,634,225
Advertising and promotion	**54,152,935**	44,634,182	42,419,622
Repairs and maintenance	**54,152,174**	43,659,408	36,587,772
Taxes and licenses	**53,122,933**	67,127,410	57,897,515
Warehousing services	**45,010,978**	39,466,267	39,175,543
Transportation and travel	**23,210,852**	16,811,529	14,341,622
Entertainment, amusement and recreation	**20,181,424**	20,458,960	14,182,789
Inventory losses	**9,142,227**	16,597,039	21,867,776
Provision for impairment of receivables	**7,069,507**	346,678	2,903,498
Insurance	**4,214,915**	3,851,316	2,825,865
Dues and subscription	**3,959,684**	4,044,167	3,581,679
Amortization of software and program costs	**2,105,126**	1,050,536	1,757,238
Loss on accounts written off	**–**	–	9,571,709
Others	**26,500,827**	19,480,055	21,576,408
	1,788,432,900	1,683,290,082	1,611,425,160

20. Marketing Income

	2008	2007	2006
Display charges	**76,550,421**	44,573,947	56,304,980
Promotions	**37,512,628**	44,216,543	22,990,810
Marketing support funds (Note 32)	**22,148,166**	8,889,561	3,278,918
	136,211,215	97,680,051	82,574,708

21. Interest Expense

	2008	2007	2006
Interest on:			
Bank loans	**24,908,055**	31,115,655	35,161,148
Long-term debt	**–**	45,522	205,977
Guaranteed preferred dividends	**424,800**	366,240	546,660
	25,332,855	31,527,417	35,913,785

22. Interest Income

	2008	2007	2006
Interest on:			
Bank deposits	**2,180,738**	2,228,578	1,847,906
Finance lease (Note 26)	**614,154**	347,883	–
Accretion of refundable deposits	**1,392,016**	825,214	912,425
	4,186,908	3,401,675	2,760,331

23. Personnel Costs

	2008	2007	2006
Salaries and wages	**157,963,246**	195,618,948	210,336,816
Employee benefits	**83,929,056**	113,463,590	120,085,026
Retirement benefits cost (Note 24)	**8,720,701**	7,128,633	6,479,716
	250,613,003	316,211,171	336,901,558

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 his 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 the consolidated statements of income and the funding status and amounts recognized in the consolidated balance sheets:

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

	2008		
	PSC	**CDI**	**Total**
Current service cost	**4,353,211**	**124,321**	**4,477,532**
Interest cost	**4,229,201**	**135,003**	**4,364,204**
Expected return on plan assets	**(543,538)**	**(41,597)**	**(585,135)**
Net actuarial loss (gain)	**552,819**	**(88,719)**	**464,100**
Net retirement benefits cost	**8,591,693**	**129,008**	**8,720,701**

	2007		
	PSC	CDI	Total
Current service cost	3,526,882	146,985	3,673,867
Interest cost	3,649,522	140,282	3,789,804
Expected return on plan assets	(675,313)	(50,884)	(726,197)
Net actuarial loss (gain)	480,398	(89,239)	391,159
Net retirement benefits cost	6,981,489	147,144	7,128,633

	2006		
	PSC	CDI	Total
Current service cost	1,877,379	165,501	2,042,880
Interest cost	4,435,033	379,758	4,814,791
Expected return on plan assets	(584,243)	(59,554)	(643,797)
Net actuarial loss	265,842	–	265,842
Net retirement benefits cost	5,994,011	485,705	6,479,716

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

	2008		
	PSC	**CDI**	**Total**
Present value of retirement obligations	**54,006,788**	**4,174,204**	**58,180,992**
Less fair value of net plan assets	**6,165,743**	**471,869**	**6,637,612**
Unfunded retirement obligation	**47,841,045**	**3,702,335**	**51,543,380**
Unrecognized net actuarial losses	**(14,994,391)**	**(721,252)**	**(15,715,643)**
Net retirement obligations	**32,846,654**	**2,981,083**	**35,827,737**

	2007		
	PSC	CDI	Total
Present value of retirement obligations	50,892,911	1,674,978	52,567,889
Less fair value of net plan assets	6,039,312	462,193	6,501,505
Unfunded retirement obligation	44,853,599	1,212,785	46,066,384
Unrecognized net actuarial gains (losses)	(17,804,137)	1,853,155	(15,950,982)
Net retirement obligations	27,049,462	3,065,940	30,115,402

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

	2008		
	PSC	**CDI**	**Total**
Beginning balances	**50,892,911**	**1,674,978**	**52,567,889**
Current service cost	**4,353,211**	**124,321**	**4,477,532**
Interest cost	**4,229,201**	**135,003**	**4,364,204**
Benefits paid	**(2,927,849)**	**(224,070)**	**(3,151,919)**
Actuarial loss (gain)	**(2,540,686)**	**2,463,972**	**(76,714)**
Ending balances	**54,006,788**	**4,174,204**	**58180992**

	2007		
	PSC	CDI	Total
Beginning balances	44,889,567	1,784,759	46,674,326
Current service cost	3,526,882	146,985	3,673,867
Interest cost	3,649,522	140,282	3,789,804
Benefits paid	(3,921,938)	(300,149)	(4,222,087)
Actuarial loss (gain)	2,748,878	(96,899)	2,651,979
Ending balances	50,892,911	1,674,978	52,567,889

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

	2008		
	PSC	**CDI**	**Total**
Beginning balances	**6,039,312**	**462,193**	**6,501,505**
Expected return on plan assets	**543,538**	**41,597**	**585,135**
Contribution	**2,794,501**	**213,865**	**3,008,366**
Benefits paid	**(2,927,849)**	**(224,070)**	**(3,151,919)**
Actuarial loss	**(283,759)**	**(21,716)**	**(305,475)**
Ending balances	**6,165,743**	**471,869**	**6,637,612**

	2007		
	PSC	CDI	Total
Beginning balances	6,139,207	462,580	6,601,787
Expected return on plan assets	675,313	50,884	726,197
Contribution	3,624,673	277,399	3,902,072
Benefits paid	(3,921,938)	(300,149)	(4,222,087)
Actuarial loss	(477,943)	(28,521)	(506,464)
Ending balances	6,039,312	462,193	6,501,505

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

	2008	2007
Cash in bank	**1,303**	292,568
Investments in equity securities and trust and mutual funds	**6,647,004**	7,346,701
Liabilities	**(10,695)**	(1,137,764)
	6,637,612	6,501,505

Actual return on plan assets amounted to 259,779 in 2008 and 197,370 in 2007 for PSC and 19,881 in 2008 and 22,363 in 2007 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. There has been no significant change in the expected rate of return on plan assets.

PSC and CDI expect to contribute 3,794,501 and 3,000,000, respectively, to their defined benefit plans in 2009.

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

	PSC			CDI		
	2008	2007	2006	**2008**	2007	2006
Number of employees	**742**	795	826	**19**	19	22
Discount rate per annum	**37.56%**	8.31%	8.13%	**32.28%**	8.06%	7.86%
Expected annual rate of return on plan assets	**9.00%**	9.00%	11.00%	**9.00%**	9.01%	11.00%
Salary increase rate	**5.00%**	5.00%	5.00%	**5.00%**	5.00%	5.00%

Amounts for the current and prior periods are as follows:

	2008		
	PSC	**CDI**	**Total**
Present value of retirement obligations	**54,006,788**	**4,174,204**	**58,180,992**
Fair value of net plan assets	**6,165,743**	**471,869**	**6,637,612**
Unfunded retirement obligation	**47,841,045**	**3,702,335**	**51,543,380**
Experience loss adjustments on retirement obligations	**46,616**	**2,532,432**	**2,579,048**
Experience loss adjustments on plan assets	**(283,759)**	**(21,716)**	**(305,475)**

	2007		
	PSC	CDI	Total
Present value of retirement obligations	50,892,911	1,674,978	52,567,889
Fair value of net plan assets	6,039,312	462,193	6,501,505
Unfunded retirement obligation	44,853,599	1,212,785	46,066,384
Experience loss (gain) adjustments on retirement obligations	2,872,179	(94,636)	2,777,543
Experience loss adjustments on plan assets	(477,943)	(28,521)	(506,464)

	2006		
	PSC	CDI	Total
Present value of retirement obligations	44,889,567	1,784,759	46,674,326
Fair value of net plan assets	6,139,207	462,580	6,601,787
Unfunded retirement obligation	38,750,360	1,322,179	40,072,539
Experience gain adjustments on retirement obligations	(3,964,900)	–	(3,964,900)

	2005		
	PSC	CDI	Total
Present value of retirement obligations	37,269,186	3,282,261	40,551,447
Fair value of net plan assets	5,842,432	595,542	6,437,974
Unfunded retirement obligation	31,426,754	2,686,719	34,113,473
Experience gain adjustments on retirement obligations	(9,579,134)	–	(9,579,134)

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 between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

Significant transactions with related parties consist of:

a. Licensing agreement of the Group with Seven Eleven, Inc. (SEI), a related party 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.

   In 2006, the Group and SEI entered into a Store Renovation Agreement (Agreement), wherein SEI waived a maximum amount of USD 10,000 royalty fee per 7-Eleven Store renovated from February 1, 2006 until January 31, 2007.

   Royalty fees recorded by the Group amounted to 62,035,597 in 2008, 54,906,673 in 2007 and 24,634,225 in 2006.

   Royalty payable amounted to 5,671,223 and 9,151,719 as of December 31, 2008 and 2007, respectively.

   b. PSC has transactions with PFI, an affiliate, consisting of non-interest bearing advances pertaining primarily to salaries, taxes and other operating expenses initially paid by PSC for PFI. Outstanding current receivable and payable included under others in "Other current liabilities" to PFI amounted to 53,883 and 18,650 as of December 31, 2008.

   c. Compensation of key management personnel are as follows:

	2008	2007	2006
Short-term employee benefits	**15,451,726**	18,357,896	18,288,784
Post-employment benefits	**358,512**	2,256,441	356,304
Other long-term benefits	**294,118**	–	507,563
	15,957,212	20,614,337	19,152,651

26. **Leases**

a. 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.

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

	2008	2007
Within one year	**2,782,500**	2,887,500
After one year but not more than five years	**7,020,000**	9,802,500
Total minimum lease payments	**9,802,500**	12,690,000
Less unearned interest income	**1,032,211**	1,646,365
Present value of future minimum lease payments	**8,770,289**	11,043,635
Less current portion	**2,317,248**	2,273,346
	6,453,041	8,770,289

Collection of lease receivable amounted to 2,887,500 in 2008 and 840,000 in 2007.

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

	2008	2007
Within one year	**2,317,248**	2,273,346
After one year but not more than five years	**6,453,041**	8,770,289
Total minimum lease payments	**8,770,289**	11,043,635
Less current portion	**2,317,248**	2,273,346
Present value of future minimum lease payments	**6,453,041**	8,770,289

Unearned interest income as of December 31, 2008 and 2007 amounted to 1,032,211 and 1,646,365, respectively. Related interest income amounted to 614,154 and 347,883 in 2008 and 2007, respectively.

Difference between the present value of the minimum lease payments at the date of lease inception against the carrying value of the finance leased asset resulted in a deferred revenue on finance lease amounting to 6,550,753, which is to be amortized on a straight-line basis over the term of the lease. Deferred revenue amounted to 3,166,197 and 4,476,348 as of December 31, 2008 and 2007. Amortization of deferred revenue amounted to 1,310,151 in 2008 and 764,254 in 2007.

b. 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 242,449,643 in 2008, 231,418,192 in 2007 and 236,887,280 in 2006. Of the total rent expense, 478,829 in 2008, 1,054,585 in 2007 and 1,059,295 in 2006 pertains to contingent rent of some stores based on percentage ranging from 1.5% to 3.0% of store sales. Amortization of deferred lease amounted to 811,861 in 2008, 1,174,560 in 2007 and 569,564 in 2006.

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

	2008	2007
Within one year	**69,316,737**	83,777,578
After one year but not more than five years	**164,360,319**	174,286,236
More than five years	**17,337,068**	34,157,715
	251,014,124	292,221,529

c. 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% every after two years starting on the third year of the lease.

Rent expenses related to this lease agreements amounted to 22,925,240 in 2008, 2007 and 2006. Amortization of deferred lease amounted to 1,090,500 in 2008, 545,250 in 2007 and 1,090,500 in 2006.

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

	2008	2007
Within one year	***19,680,994***	*19,454,030*
After one year but not more than five years	***110,512,189***	*106,361,159*
More than five years	***154,626,371***	*178,458,395*
Total	***284,819,554***	*304,273,584*

The Company also has other various short-term operating leases pertaining to rental of warehouse fixtures and equipments. Related rent expense amounted to 4,732,223 in 2008, 3,908,705 in 2007 and 3,716,730 in 2006.

d. The Group has various sublease agreements with third parties which provide for lease rentals based on an agreed fixed monthly rate or as agreed upon by the parties.

Rental income related to these sublease agreements amounted to 36,502,151 in 2008, 39,648,977 in 2007 and 39,889,745 in 2006.

The approximate annual minimum sublease payments expected to be received under its existing sublease agreements as of December 31 are as follows:

	2008	2007
Within one year	**669,515**	25,470,739
After one year but not more than five years	**1,338,531**	45,498,280
More than five years	–	1,587,360
	2,008,046	72,556,379

27. **Income Tax**

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

	2008	2007	2006
Current:			
RCIT	**62,259,735**	41,716,094	28,453,281
Final tax on interest income	**436,148**	487,190	366,402
	62,695,883	42,203,284	28,819,683
Deferred	**(2,240,115)**	(773,980)	(1,792,867)
	60,455,768	41,429,304	27,026,816

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

	2008	2007
Accrued rent	**25,506,292**	25,666,870
Net retirement obligations	**10,748,321**	10,540,391
Allowance for impairment	**2,622,052**	2,708,994
Deferred revenue on exclusivity agreement	**2,348,214**	–
Unamortized capitalized interest	**(1,502,201)**	(2,084,857)
Accrued rent income	**(541,642)**	–
Unamortized past service cost	**223,161**	606,183
Unrealized foreign exchange loss - net	**212,777**	–
Other accrued expense	**121,800**	–
Unearned rent	**–**	61,078
	39,738,774	37,498,659

c. Deferred income tax liability as of December 31, 2008 and 2007 pertains to taxable temporary difference on revaluation increment in land of SSHI, which was recognized only in the consolidated financial statements amounting to 1,384,241 and 1,614,948 as of December 31, 2008 and 2007, respectively.

d. Excess of MCIT over RCIT applied to RCIT payable amounted to 17,283,785 in 2007.

e. The reconciliation of the provision for income tax computed at the statutory income tax rate to provision for income tax shown in the consolidated statements of income follow:

	2008	2007	2006
Provision for income tax computed at statutory income tax rate	**50,610,083**	34,268,786	16,509,818
Adjustments for:			
Nondeductible expenses:			
Inventory losses	**3,292,664**	5,740,408	7,653,722
Interest expense and others	**1,790,317**	3,223,992	2,915,948
Impairment loss on goodwill	**1,613,979**	–	–
Nontaxable income:			
Other income	**(2,882,506)**	(1,072,495)	–
Interest income on accretion	**(487,206)**	(365,995)	(319,349)
Bank interest income	**(327,110)**	(365,392)	(274,801)
Effect of change in tax rate in 2009	**6,845,547**	–	–
Others	**–**	–	541,478
Provision for income tax	**60,455,768**	41,429,304	27,026,816

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

	2008	2007	2006
a. Net income	**84,271,651**	54,828,138	20,144,092
b. Weighted average number of shares outstanding	**261,663,450**	261,663,450	261,663,450
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)**	**260,977,200**	260,977,200	260,977,200
e. Basic/diluted earnings per share **(a/d)**	**0.32**	0.21	0.07

The Group does not have potentially dilutive common shares as of December 31, 2008, 2007 and 2006. 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.

29. **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 December 31:

	2008		2007	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FINANCIAL ASSETS				
Loans and Receivables				
Cash and cash equivalents				
Cash	**314,241,734**	**314,241,734**	308,251,838	308,251,838
Cash equivalents	**638,623**	**638,623**	622,106	622,106
	314,880,357	**314,880,357**	308,873,944	308,873,944
Receivables:				
Franchisee	**76,989,185**	**76,989,185**	16,372,484	16,372,484
Suppliers	**55,045,630**	**55,045,630**	41,226,889	41,226,889
Employees	**5,137,033**	**5,137,033**	6,215,487	6,215,487
Current portion of lease receivable	**2,317,248**	**2,328,007**	2,273,346	2,338,506
Insurance claims	**938,402**	**938,402**	3,098,193	3,098,193
Due from PFI	**53,883**	**53,883**	–	–
Others	**5,373,132**	**5,373,132**	3,900,064	3,900,064
	145,854,513	**145,865,272**	73,086,463	73,151,623

(Forward)

	2008		2007	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Deposits:				
Utilities	**21,766,646**	**21,766,646**	20,792,804	20,792,804
Refundable	**9,314,578**	**11,883,424**	9,686,454	14,825,245
Others	**3,968,879**	**3,968,879**	1,958,879	1,958,879
	35,050,103	**37,573,766**	32,438,137	37,576,928
Other noncurrent assets - lease receivable - net of current portion	**6,453,041**	**6,405,327**	8,770,290	8,788,067
Total Loans and Receivables	**502,238,014**	**504,724,722**	423,168,833	428,390,562
AFS Financial Assets	**2,314,575**	**2,314,575**	2,314,575	2,314,575
TOTAL FINANCIAL ASSETS	**504,552,589**	**507,039,297**	425,483,408	430,705,137
FINANCIAL LIABILITIES				
Other Financial Liabilities				
Bank loans	**330,000,000**	**330,000,000**	375,000,000	375,000,000
Accounts payable and accrued expenses:				
Trade payable	**697,108,015**	**697,108,015**	461,121,365	461,121,365
Rent	**85,020,970**	**85,020,970**	73,333,906	73,333,906
Employee benefits	**22,364,011**	**22,364,011**	18,873,320	18,873,320
Utilities	**12,288,794**	**12,288,794**	11,381,244	11,381,244
Outsourced services	**5,764,897**	**5,764,897**	5,575,997	5,575,997
Advertising and promotion	**4,242,668**	**4,242,668**	2,630,489	2,630,489
Security services	**2,395,139**	**2,395,139**	2,054,228	2,054,228
Interest	**1,825,689**	**1,825,689**	1,351,599	1,351,599
Bank charges	**1,678,000**	**1,678,000**	1,418,700	1,418,700
Others	**15,355,584**	**15,355,584**	5,564,305	5,564,305
	848,043,767	**848,043,767**	583,305,153	583,305,153
Other current liabilities:				
Non-trade accounts payable	**120,494,703**	**120,494,703**	62,902,460	62,902,460
Retention payable	**15,129,370**	**15,129,370**	10,065,404	10,065,404
Royalty	**5,671,223**	**5,671,223**	9,151,719	9,151,719
Others	**6,038,237**	**6,038,237**	6,096,889	6,096,889
	147,333,533	**147,333,533**	88,216,472	88,216,472
Cumulative redeemable preferred shares	**6,000,000**	**6,000,000**	6,000,000	6,000,000
TOTAL FINANCIAL LIABILITIES	**1,331,377,300**	**1,331,377,300**	1,052,521,625	1,052,521,625

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.

30. 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:

	2008	2007
Cash and cash equivalents:		
Cash in bank (excluding cash on hand)	**117,428,091**	192,264,866
Cash equivalents	**638,623**	622,106
	118,066,714	192,886,972
Receivables:		
Franchisee	**76,989,185**	16,372,484
Suppliers	**55,045,630**	41,226,889
Employees	**5,137,033**	6,215,487
Current portion of lease receivables	**2,317,248**	2,273,346
Insurance claims	**938,402**	3,098,193
Due from PFI	**53,883**	–
Others	**5,373,132**	3,900,064
	145,854,513	73,086,463

(Forward)

	2008	2007
Deposits:		
Utilities	**21,766,646**	20,792,804
Refundable	**9,314,578**	9,686,454
Others	**3,968,879**	1,958,879
	35,050,103	32,438,137
Other noncurrent assets:		
Lease receivables - net of current portion	**6,453,041**	8,770,289
AFS financial assets	**2,314,575**	2,314,575
	8,767,616	11,084,864
	307,738,946	309,496,436

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

	2008			
	Neither Past Due nor Impaired		Past Due	
	High Grade	Standard Grade	or Impaired	Total
Cash and cash equivalents:				
Cash in bank	**117,428,091**	**–**	**–**	**117,428,091**
Cash equivalents	**638,623**	**–**	**–**	**638,623**
	118,066,714	**–**	**–**	**118,066,714**
Receivables:				
Franchisee	**76,989,185**	**–**	**–**	**76,989,185**
Suppliers	**–**	**51,671,352**	**9,979,319**	**61,650,671**
Employees	**–**	**5,137,033**	**–**	**5,137,033**
Current portion of lease receivables	**–**	**2,317,248**	**–**	**2,317,248**
Insurance claims	**–**	**938,402**	**–**	**938,402**
Due from PFI	**–**	**53,883**	**–**	**53,883**
Others	**–**	**5,373,132**	**2,135,133**	**7,508,265**
	76,989,185	**65,491,050**	**12,114,452**	**154,594,687**
Deposits:				
Utilities	**–**	**21,766,646**	**–**	**21,766,646**
Refundable	**–**	**9,314,578**	**–**	**9,314,578**
Others	**–**	**3,968,879**	**–**	**3,968,879**
	–	**35,050,103**	**–**	**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**
	195,055,899	**109,308,769**	**12,114,452**	**316,479,120**

	2007			
	Neither Past Due nor Impaired		Past Due	
	High Grade	Standard Grade	or Impaired	Total
Cash and cash equivalents:				
Cash in bank	192,264,866	–	–	192,264,866
Cash equivalents	622,106	–	–	622,106
	192,886,972	–	–	192,886,972
Receivables:				
Suppliers	39,196,480	–	9,050,402	48,246,882
Franchisee	–	16,372,484	–	16,372,484
Employees	–	6,215,487	–	6,215,487
Current portion of lease receivables	–	3,098,193	–	3,098,193
Insurance claims	–	2,273,346	–	2,273,346
Others	–	3,900,064	719,987	4,620,051
	39,196,480	31,859,574	9,770,389	80,826,443
Deposits:				
Utilities	–	20,792,804	–	20,792,804
Refundable	–	9,686,454	–	9,686,454
Others	–	1,958,879	–	1,958,879
	–	32,438,137	–	32,438,137
Other noncurrent assets:				
Lease receivables - net of current portion	–	8,770,289	–	8,770,289
AFS financial assets	–	2,314,575	–	2,314,575
	–	11,084,864	–	11,084,864
	232,083,452	75,382,575	9,770,389	317,236,416

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:

	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	**1,353,58 8**	**1,040,45 7**	**980,233**	**3,374,278**	**6,605,041**	**9,979,319**
Others	**–**	**–**	**–**	**–**	**2,135,133**	**2,135,133**
	1,353,58 8	**1,040,45 7**	**980,233**	**3,374,278**	**8,740,174**	**12,114,452**

	2007					
	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	1,609,251	24, 034	397,124	2,030,409	7,019,993	9,050,402
Others	–	–	–	–	719,987	719,987
	1,609,251	24,034	397,124	2,030,409	7,739,980	9,770,389

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 liabilities of the Group based on remaining undiscounted contractual obligations:

	2008			
	Less than three months	**More than three months but less than one year**	**More than one year**	**Total**
Bank loans	**–**	**342,807,778**	**–**	**342,807,778**
Accounts payable and accrued expenses:				
Trade payable	**697,108,015**	**–**	**–**	**697,108,015**
Rent	**85,020,970**	**–**	**–**	**85,020,970**
Employee benefits	**22,364,011**	**–**	**–**	**22,364,011**
Utilities	**12,288,794**	**–**	**–**	**12,288,794**
Outsourced services	**5,764,897**	**–**	**–**	**5,764,897**
Advertising and promotion	**4,242,668**	**–**	**–**	**4,242,668**
Security services	**2,395,139**	**–**	**–**	**2,395,139**

(Forward)

	2008			
	Less than three months	**More than three months but less than one year**	**More than one year**	**Total**
Interest	**1,825,689**	**–**	**–**	**1,825,689**
Bank charges	**1,678,000**	**–**	**–**	**1,678,000**
Others	**15,355,584**	**–**	**–**	**15,355,584**
	848,043,767	**–**	**–**	**848,043,767**
Other current liabilities:				
Non-trade accounts payable	**–**	**120,494,703**	**–**	**120,494,703**
Retention payable	**–**	**15,129,370**	**–**	**15,129,370**
Royalty	**–**	**5,671,223**	**–**	**5,671,223**
Others	**–**	**6,038,237**	**–**	**6,038,237**
	–	**147,333,533**	**–**	**147,333,533**
Cumulative redeemable preferred shares	**–**	**–**	**6,000,000**	**6,000,000**
	848,043,767	**490,141,311**	**6,000,000**	**1,344,185,078**

	2007			
	Less than 3 months	More than three months but less than one year	More than one year	Total
Bank loans	–	391,596,63	9–	391,596,639
Accounts payable and accrued expenses:				
Trade payable	461,121,365	–	–	461,121,365
Rent	73,333,906	–	–	73,333,906
Employee benefits	18,873,320	–	–	18,873,320
Utilities	11,381,244	–	–	11,381,244
Outsourced services	5,575,997	–	–	5,575,997
Advertising and promotion	2,630,489	–	–	2,630,489
Security services	2,054,228	–	–	2,054,228
Interest	1,351,599	–	–	1,351,599
Bank charges	1,418,700	–	–	1,418,700
Others	5,564,305	–	–	5,564,305
	583,305,153	–	–	583,305,153
Other current liabilities:				
Non-trade accounts payable	–	62,902,460	–	62,902,460
Retention payable	–	10,065,404	–	10,065,404
Royalty	–	9,151,719	–	9,151,719
Others	–	6,096,889	–	6,096,889
	–	88,216,472	–	88,216,472
Cumulative redeemable preferred shares	–	–	6,000,000	6,000,000
	583,305,153	479,813,111	6,000,000	1,069,118,264

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:

	2008	2007
Due in less than one year	**0,000**	375,000,000
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				
		(3,300,000)		(3,750,000)

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

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 networth of between 30% and 50% in relation to its total assets. The Group's ratios were 33% and 35% in December 31, 2008 and 2007, respectively. No changes were made in the objectives, policies and processes during the year.

	2008	2007
Capital stock	**261,663,450**	237,938,250
Additional paid-in capital	**293,525,037**	293,525,037
Retained earnings	**196,616,699**	136,070,248
	751,805,186	667,533,535
Less cost of shares held in treasury	**2,923,246**	2,923,246
	748,881,940	664,610,289
Total assets	**2,264,185,951**	1,878,708,176
Net worth	**33%**	35%

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 35,401,274 in 2008, 51,389,093 in 2007 and 65,278,976 in 2006, and franchise revenue for the 7-Eleven charge amounted to 215,454,387 in 2008, 152,882,460 in 2007 and 82,718,404 in 2006.

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 fee included under outside services as shown as part of "General and administrative expenses" in the consolidated statements of income amounted to 103,170,576 in 2008, 83,248,355 in 2007 and 82,307,663 in 2006.

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 21,213,531 in 2008, 21,924,224 in 2007 and 28,635,785 in 2006.

d. The Group has entered into an exclusivity agreement with Unilever RFM Ice Cream, Inc. on October 1, 2007. Upon the effectivity of the agreement, all existing branches of 7-Eleven shall exclusively carry Selecta ice cream products, and 7-Eleven should not carry any other ice cream product including similar or parallel products. The agreement is for a period of three years starting October 1, 2007 and shall continue in force and effect until December 31, 2010. In June 2008, the Group received a total consideration of 11,741,071 in relation to the agreement, to be amortized over three years. Income from exclusivity contract included under "Other income" in the 2008 consolidated statement of income amounted to 3,913,690.

33. **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.

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

In 2008, the principal non-cash transaction of the Group under financing activities pertains to the issuance of stock dividends amounting to 23,725,200.

In 2007, the principal non-cash transaction of the Group under investing activities pertains to the disposal of transportation equipment with undepreciated cost of 4,985,000, which was transferred to the Group in settlement of an outstanding receivable from an armored car service provider. This was subsequently transferred back to the latter after entering into a sale and leaseback transaction under a finance lease agreement.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 and 2006

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Revaluation Increment in Land	Treasury Stock	Total
BALANCES AS OF DECEMBER 31, 2005	**237,938,250**	**293,525,037**	**61,098,018**	**–**	**(2,923,246)**	**589,638,059**
Net income for the year	–	–	20,144,092	–	–	20,144,092
BALANCES AS OF DECEMBER 31, 2006	**237,938,250**	**293,525,037**	**81,242,110**	**–**	**(2,923,246)**	**609,782,151**
Net income for the year	–	–	54,828,138	–	–	54,828,138
Appraisal increase in value of land, net of deferred income tax liability (Notes 8 and 27)	–	–	–	2,999,188	–	2,999,188
BALANCES AS OF DECEMBER 31, 2007	**237,938,250**	**293,525,037**	**136,070,248**	**2,999,188**	**(2,923,246)**	**667,609,477**
Issuance of stock dividends (Note 17)	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	**261,663,450**	**293,525,037**	**196,616,699**	**3,229,895**	**(2,923,246)**	**752,111,835**

See accompanying Notes to Consolidated Financial Statements.