COVER SHEET

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S.E.C Registration Number

P H I L I P P I N E

S E V E N

C O R P O R A T I O N

(Company's full Name)

7th Flr. The Columbia Tower

Ortigas Ave. Mandaluyong City

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

Atty. Evelyn S. Enriquez
Corporate Secretary

Contact Person

724-44-41 to 51

Company Telephone Number

1 2	3 1
Month	Day

Fiscal Year

2 0 - I S

FORM TYPE

0 7	3rd Thursday
Month	Day

Annual Meeting

Definitive Information Statement

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITES AND EXCHANGE COMMISSION

SEC FORM 20- IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

__________ Preliminary Information Statement
____X____ Definitive Information Statement

2. Name of Registrant as specified in its charter: **PHILIPPINE SEVEN CORPORATION**

3. Country of Incorporation: **PHILIPPINES**

4. SEC Identification Number: **108476**

5. BIR Tax Identification Number: **000-390-189-000**

6. Address of Principal Office:

7th Floor, The Columbia Tower
Ortigas Avenue, Mandaluyong City
1550

7. Telephone Number: **(632) 724-4441 to 51**

8. Date, time and place of the meeting of security holders:

July 30, 2015 (Thursday)
2:00 p.m.
Crowne Plaza Galleria Manila
Ortigas Avenue corner ADB Avenue, Quezon City

9. Approximate date on which the Information Statement is first to be sent or given to security holders:

June 23, 2015

10. In case of proxy solicitations:

Name of Person Filing the Statement/Solicitor: ____**N/A**__________________

Address and Telephone No.: _________________

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sec. 4 & 8 of the RSA:

Title of Each Class	Number of Shares of Common Stocks *Outstanding or Amount of debt Outstanding*
Common	**458,435,323**
Warrants	-0-

12. Are any or all registrant's securities listed on the Stock Exchange?

Yes __**X**__ No ________

Title of each Class	*Listed Shares*	*Stock Exchange*
Common Shares	**459,121,573**	**Philippine Stock Exchange**

PHILIPPINE SEVEN CORPORATION
7th Floor, The Columbia Tower
Ortigas Avenue, Mandaluyong City
Tel. Nos. 724-4441 to 51
Fax No. 705-52-09

Notice is hereby given that the annual stockholders meeting of PHILIPPINE SEVEN CORPORATION (the "Corporation"), will be held at the **Crowne Plaza Galleria Manila, Ortigas Avenue corner ADB Avenue, Quezon City**, on **Thursday, 30 July 2015 at 2:00 P.M**. for the purpose of taking up the following:

1. Certification of Quorum and Call to Order

2. Approval of Minutes of the Annual Stockholders Meeting held on July 22, 2014

3. a. Chairman's Message
   b. President's Report

4. Approval of 2014 Audited Financial Statements contained in the Corporation's 2014 Annual Report and in the Information Statement accompanying this Notice and Agenda

5. Ratification of Actions Taken by the Board of Directors, Executive Committee, Board Committees and Management since the last annual stockholders meeting

6. Election of the Board of Directors for 2015

7. Appointment of External Auditor

8. Other Matters

9. Adjournment

Each agenda item for approval is explained with brief details and rationale in the next page.

For purposes of the meeting, only stockholders of record as of June 18, 2015 are entitled to vote in the said meeting.

For your convenience in registering your attendance, please have some available form of identification (ID), such as company ID, government IDs, passport or driver's license. Registration will start at 1:00 p.m.

We are not soliciting your proxy. However, you may attend the meeting by submitting a duly-accomplished proxy substantially in the form attached hereto which must be submitted to the Office of the Corporate Secretary, 7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City on or before July 23, 2015. The proxies shall be validated on July 27, 2015, at 10:00 AM at BDO South Tower, Makati Ave., cor. H.V. Dela Costa St., Makati City.

EVELYN S. ENRIQUEZ
Corporate Secretary

EXPLANATION OF AGENDA ITEMS

1. **Certification of Quorum and Call to Order.** The Corporate Secretary shall certify that copies of this Notice have been duly sent to stockholders of record as of June 18, 2015, and shall attest whether a quorum is present. The Chairman of the Board shall then formally open the 2015 Annual Stockholders' Meeting of PSC.

2. **Approval of Minutes of the Annual Stockholders Meeting held on July 22, 2014.** Copy of the Minutes is posted in the PSC Website www.7-eleven.com.ph printed copies are available for examination during office hours at the Office of the Corporate Secretary and included in the Information Statement distributed to Stockholders prior to meeting date.

3. **a. Chairman's Message**
   b. President's Report

   Stockholders will be provided information about the PSC's activities, business and financial performance, and other relevant data for the preceding year.

4. **Approval of 2014 Audited Financial Statements contained in the Corporation's 2014 Annual Report and in the Information Statement accompanying this Notice and Agenda.** Stockholders will be provided information about the financial position, performance and changes in financial position of PSC.

5. **Ratification of Actions Taken by the Board of Directors, Executive Committee, Board Committees and Management since the last annual stockholders meeting.** Submit to stockholders' ratification all acts of the Board of Directors, Executive Committee, Board Committees and Management since the last annual stockholders meeting as contained in the Information Statement accompanying this notice and agenda.

6. **Election of the Board of Directors for 2015.** The Chairman and the Corporate Secretary will explain and clarify the criteria and process observed by the Nomination & Governance Committee to screen nominees and recommend the final list of nominees qualified for election as directors/independent directors. The Chairman will present the nominees for election as members of the Board of Directors, including the independent directors.

7. **Appointment of External Auditor.** The stockholders will ratify the Audit Committee's and Board's selection of external auditor SyCip Gorres Velayo & Co.

8. **Other Matters.** All matters that arise after the notice, agenda, and information statement have been sent out, may be presented for the consideration of the stockholders. Other businesses as may properly come before the stockholders may also be raised.

9. **Adjournment**

P R O X Y

KNOW ALL MEN BY THESE PRESENTS:

The undersigned stockholder of **Philippine Seven Corporation** hereby constitutes and appoints ______________________________, or in his/her absence the Chairman of the meeting, as Proxy to represent the undersigned, and vote all shares owned by, and / or registered in the name of the undersigned in the books of the Corporation at the regular meeting of stockholders of the Corporation scheduled on **July 30, 2015 (Thursday) at the Crowne Plaza Galleria Manila Ortigas Avenue corner ADB Avenue, Quezon City at 2:00 P.M.** <u>The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with (√) below.</u>

PROPOSAL	ACTION			
	VOTE ALL SHARES FOR ALL	WITHHOLD FOR ALL	NO. OF SHARES VOTED	FULL DISCRETION OF PROXY
1. Election of Directors				
a. Jorge L. Araneta				
b. Jui-Tang Chen				
c. Chi-Chang Lin				
d. Lien-Tang Hsieh				
e. Nan-Bey Lai				
f. Ma. Cristina P. Paterno				
g. Jose Victor P. Paterno				
h. Wen-Chi Wu				
i. Jose T. Pardo (Independent Director)				
j. Antonio Jose U. Periquet, Jr. (Independent Director)				
k. Michael B. Zalamea (Independent Director)				
	YES	**NO**	**ABSTAIN**	
2. Approval of Minutes of the Annual Stockholders Meeting held on July 22, 2014				
3. Approval of 2014 Annual Report and Audited Financial Statements				
4. Ratification of Actions Taken by the Board of Directors, Executive Committee, Board Committees and Management since the last annual stockholders meeting				
5. Election of SyCip Gorres Velayo & Co. as the independent auditor				
6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting				

Signed this _____ day of _______________, 2015 at _________________________.

________________________________ PRINTED NAME OF STOCKHOLDER

______________________________ SIGNATURE OF STOCKHOLDER / AUTHORIZED SIGNATORY

This proxy should be received by the Office of the Corporate Secretary on or before July 23, 2015. This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder. If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting as recommended by the management or the board of directors. A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholders attends the meeting in person and expressed his intention to vote in person.

(N.B. Partnerships, Corporations and Associations must attach a certified resolution thereof designating their Proxy/Representative and Authorized Signatories).

PHILIPPINE SEVEN CORPORATION
INFORMATION STATEMENT

This Information Statement is being furnished to stockholders of record of Philippine Seven Corporation as of June 18, 2015 in connection with its annual stockholders' meeting.

WE ARE NOT ASKING FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Shareholders

Date of Meeting	:	July 30, 2015
Time of Meeting	:	2:00 P.M.
Place of Meeting	:	Crowne Plaza Galleria Manila Ortigas Avenue corner ADB Avenue, Quezon City
Complete Mailing Addres	:	Philippine Seven Corporation 7th Floor, The Columbia Tower Ortigas Avenue, Mandaluyong City 1550

This Information Statement will be first sent or given to security holders on June 23, 2015.

Item 2. Dissenter's Right of Appraisal

The stockholders of the Company may exercise their right of appraisal against any proposed corporate action which qualifies as an instance under Section 81 of the Corporation Code which gives rise to the exercise of such appraisal right pursuant to and in the manner provided in Section 82 of the Corporation Code.

Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the terms of corporate existence.
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code; and
3. In case of a merger or consolidation.

An appraisal right is also available to dissenting shareholders in case the corporation decides to invest its funds in another corporation or business as provided for in Section 42 of the Corporation Code.

Item 3. Interest of Certain Persons in Matters to be Acted Upon

None of the members of the Board of Directors or senior management has any substantial interest in the matters to be acted upon by the shareholders in the stockholders meeting, except for the election of directors. The following are the incumbent directors for the year 2014 - 2015 (prior to the 30 July 2015 Annual Stockholders' Meeting):

1. Jose T. Pardo*	6. Mao-Chia Chung
2. Nan-Bey Lai	7. Lien-Tang Hsieh
3. Jose Victor P. Paterno	8. Wen-Chi Wu
4. Jorge L. Araneta	9. Antonio Jose U. Periquet, Jr.*
5. Jui-Tang Chen	10. Michael B. Zalamea*

* Independent Director
** Vicente T. Paterno is Chairman of the Board and director until his demise in November 21, 2014
*** Diana P. Aguilar is a director and resigned as of January 20, 2015,effective immediately

The Board of Directors and senior management, as a group, own 38,558,599 common shares which constitute approximately 8.41% of the issued and outstanding common stock. The Board of Directors of the Company is not aware of any party who has indicated an intention to oppose the motions set forth in the Agenda.

Cumulative voting is allowed for the election of the members of the Board of Directors. Each stockholder may vote the number of shares of stock outstanding in his own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected and provided, however, that no delinquent stock shall be voted.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of May 31, 2015, there were 458,435,323 shares of the common stock of Philippine Seven Corporation outstanding and entitled to vote for election of directors and matters scheduled for approval at the Annual Meeting. Only holders of the company's stock as of the close of business on record date of June 18, 2015 acting in person or by proxy on the day of the meeting are entitled to notice and to vote at the Annual Meeting to be held on July 30, 2015.

The following is the breakdown of the number of shares owned by local and foreign shareholders as of May 31, 2015 as provided by the Stock Transfer Agent BDO Unibank, Inc.:

	No. of shares	**%**
Foreign Owned Shares	348,744,054	76.0727%
Local Owned Shares	109,691,269	23.9273%
Outstanding Shares	458,435,323	100.00%

For the purpose of electing the directors, shareholders entitled to vote as of above record date shall vote cumulatively in accordance with Section 24 of the Corporation Code to elect the 11 directors of the company. Each share entitled to vote shall be entitled to 11 votes.

For the purpose of approving the other matters set forth in the Agenda of the Annual Meeting, the shareholders entitled to vote as of above record date shall be entitled to one (1) vote for each share entitled to vote.

a) As of May 31, 2015, 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	Citizenship	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 May 31, 2015
Common	President Chain Store (Labuan) Holding, Ltd.[1] 7(E), Main Tower, Financial Park, Labuan, Malaysia	Malaysian	Stockholder	236,376,070 (R)	51.56%
Common	Arisaig Asia Consumer Fund Limited[2] Craigmuir Chambers, P.O. Box 71 Road Town, Tortola British Virgin Islands	BVI	Stockholder	48,020,358	10.47%
Common	Jose Victor P. Paterno[3] and siblings 7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City	Filipino	President/CEO/Director /Stockholder	11,983,375 (R) 25,636,860 (B) 37,620,235	2.61% 5.59% 8.21%
Common	Asian Holdings Corporation [4] 4th Floor, Uni-Oil Bldg., Commerce Ave. cor. Acacia St., Madrigal Business Park, Ayala Alabang, Muntinlupa City	Filipino	Stockholder	30,671,003 (R)	6.69%

Footnotes:

[1] Mr. Jui-Tang Chen of President Chain Store (Labuan) Holding, Ltd. has the voting power in behalf of the Corporation

[2] Ms. Rebecca Lewis of Arisaig Asia Consumer Fund Limited has the voting power in behalf of the Corporation

[3] Mr. Jose Victor P. Paterno has the power of attorney to vote the 25,636,860-shares of his siblings: Ma. Cristina Paterno-8,000,045; Paz Pilar P. Benares -5,665,971; Ma. Elena P. Locsin-6,962,534; Ma. Theresa P. Dickinson-5,008,310

[4] Ms. Elizabeth Orbeta or Ms. Diana Pardo-Aguilar has the voting power in behalf of Asian Holdings Corporation

b) Security Ownership of Management as of May 31, 2015

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Jose T. Pardo	1[3]	Filipino	0.00%
Common	Jose Victor P. Paterno	11,983,375 (R)[2] 25,636,860 (B)[1] 37,620,235	Filipino	2.61% 5.59% 8.21%
Common	Jorge L. Araneta	1[3]	Filipino	0.00%
Common	Antonio Jose U. Periquet, Jr.	1[3] 927,006[2] 927,007	Filipino	0.20%
Common	Michael B. Zalamea	1[3]	Filipino	0.00%
Common	Jui-Tang Chen	1[3]	R.O.C.	0.00%
Common	Mao-Chia Chung	1[3]	R.O.C.	0.00%
Common	Nan-Bey Lai	1[3]	R.O.C.	0.00%
Common	Wen-Chi Wu	1[3]	R.O.C.	0.00%
Common	Lien-Tang Hsieh	1[3]	R.O.C.	0.00%
Common	Evelyn G. Sadsad-Enriquez	3,573[2]	Filipino	0.0008%
Common	Liwayway T. Fernandez	5,104[2]	Filipino	0.0011%
Common	Violeta B. Apolinario	2551[2]	Filipino	0.0006%
Common	Eduardo P. Bataclan	121[2]	Filipino	0.0000%

[1] Jose Victor P. Paterno has the power of attorney for 25,636,860 shares or 5.59% held by his 4 siblings
[2] Directly owned shares
[3] Qualifying shares

c) Power of Attorney to vote shares of 5% or more

Mr. Jose Victor P. Paterno, Director and President/CEO, has the power of attorney for 25,636,860 shares or 5.59% owned/registered in the name of his siblings: Ma. Cristina Paterno – 8,000,045 shares, Paz Pilar P. Benares - 5,665,971 shares, Ma. Elena P. Locsin - 6,962,534 shares, and Ma. Theresa P. Dickinson – 5,008,310 shares.

d) Changes in Control

There has been no arrangement which may result in a change in control of the Company. There has been no change in control of the Company since Y2000.

Item 5. Directors and Executive Officers

a) Directors and Corporate Officers

The Board of Directors is responsible for the overall management and direction of the Corporation. The Board meets at least twice every year or as needed to review and monitor the Corporation's financial position and operation.

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 Chairman of the Board and the President are separate individuals. Mr. Vicente T. Paterno served as the Chairman of the Board until his demise last November 21, 2014 and Mr. Jose Victor P. Paterno serves as PSC President and Chief Executive Officer (CEO). The Vice-Chairman Mr. Nan-Bey Lai assumed the functions and duties of the Office of the Chairman of the Board as Acting Chairman on November 21, 2014 until the election of a new Chairman Mr. Jose T. Pardo on January 20, 2015. The members of the Board of Directors and corporate officers of the Company as of May 31, 2015 are the following:

1. CHIN YEN KAO

Personal Information	**Age:** _85_; **Nationality:** _R.O.C._; **Gender:** _Male_; **Current Position in PSC:** _Honorary Chairman of the Board_; **No. of Years in PSC:** _13 yrs._; **First Election to the Position:** _July 26, 2002_; **Last Election:** _July 22, 2014_
Affiliations in Publicly Listed Companies (PLCs)	• *Honorary Chairman, Philippine Seven Corporation* • *Director- Uni-President Enterprises Corp.; President Chain Store Corporation; President Fair Development Corp.*
Affiliations in Non-PLCs	• *Director- President International Development Corp.; President Chain Store (BVI) Holdings Ltd.; Kao Chyuan Investment Co. Ltd.; Tainan Spinning Co., Ltd.; Ton Yi Industrial Corp.*
Educational Background & Achievements/Awards	• *Honorary PhD, Lincoln University, USA; Honorary PhD, Sun Yat-sen University; Honorary PhD, National Cheng Kung University*

2. JOSE T. PARDO

Personal Information	**Age:** _75_; **Nationality:** _Filipino_; **Gender:** _Male_; **Current Position in PSC:** _Chairman of the Board & Independent Director;_ **First Election to the Position:** _Jan. 20, 2015_; **Last Election:** _Jan. 20, 2015_
Affiliations in PLCs	• *Chairman & independent Director- Philippine Seven Corporation* • *Chairman & Independent Director- Philippine Stock Exchange, Philippine Savings Bank* • *Independent Director- JG Summit Holdings, Inc.*

Affiliations in Non-PLCs	• *Chairman & Independent Director- Securities Clearing Corporation of the Philippines; Bank of Commerce* • *Chairman- De La Salle University, Inc.; ECOP Councils of Business Leaders; PCCI Council of Business Leaders; Philippine Business Center, Inc.; Foundation for Crime Prevention; Assumption Antipolo* • *Co- Chairman- De La Salle Philippines* • *Vice Chairman- EDSA People Power Commission, Office of the President* • *Director- National Grid Corporation of the Philippines; ZNN Radio Veritas*
Educational Background & Achievements/Awards	• *Doctor of Humanities, Honoris Causa, Gregoria Araneta University Foundation* • *Observation Grant to France on Promotion and Financing of Small and Medium Scale Enterprises* • *Awarded a Fellowship Grant to the United States on the Development of Small Medium Scale Industries* • *Masters Degree in Business Administration, First Graduate under the Harvard-DLSU Advisory Program, De La Salle University, Manila, Philippines* • *Bachelor of Science in Commerce, De La Salle University, Manila Philippines* • *Awards- Communication Excellence in Organizations Excel Award, IABC Philippines (2013); The Outstanding Filipino (TOFIL) Award (2012); La Sallian "Masters" Award, De La Salle University (2010); Distinguished La Sallian, De La Salle University (2006); Man of the Year Awardee 2000, Catholic Educators Association of the Philippines (2001); Productivity Excellence in Leadership-Industry Sector, Asian Productivity Organization Society of the Philippines (1997); Outstanding Alumnus Awardee, De La Salle University Graduate of School of Business (1994); Papal night of St. Sylvester (1983); Honorary Fellow, Asian productivity Organization, Tokyo Japan (1981); The Outstanding Young Men (TOYM) Awardee (1972); President Roxas Memorial Award (1972); Founding Fellow, Development Academy of the Philippines (DAP); Citation as Monetary Board Member, Central Bank of the Philippines; Outstanding Rotarian Award, Rotary Club District 380*

3. NAN-BEY LAI

Personal Information	**Age:** 63; **Nationality:** R.O.C.; **Gender:** Male; **Current Position in PSC:** Vice-Chairman and Director; **No. of Years in PSC:** 4 yrs. & 9 mos.; **First Election to the Position:** July 29, 2010; **Last Election:** July 22, 2014
Affiliations in PLCs	• *Director & Vice-Chairman- Philippine Seven Corporation* • *Director & Senior Vice President- President Chain Store Corporation*
Affiliations in Non-PLCs	• *Chairman- Duskin Serve Taiwan Co.; Bank Pro E-Service Technology Co., Ltd; PCSC (Vietnam) Supermarket Ltd.* • *Director- Books.com Co., Ltd.; Mech-President Corp.; President Transnet Corp.; President Collect Services Co., Ltd.; Uni-President Department Store Corp.; President Organics, Co.; President SATO Co., Ltd.; Q-ware Systems & Services Corp.; Ren-Hui Investment Corp.; SATO (Shanghai) Catering Mathematics Co., Ltd.; Tong-Ho Development Corp.*
Educational Background & Achievements/Awards	• *Bachelor's Degree in Business Administration, Department of Business Administration, Tunghai University*

4. JOSE VICTOR P. PATERNO

Personal Information	**Age:** 46; **Nationality:** Filipino; **Gender:** Male; **Current Position in PSC:** President/CEO and Director; **No. of Years in PSC:** 9 yrs. & 5 mos.; **First Election to the Position:** June 21, 2005; **Last Election:** July 22, 2014
Affiliations in PLCs	• *Director & CEO- Philippine Seven Corporation*
Affiliations in Non-PLCs	• *Chairman & President – Convenience Distribution, Inc* • *Chairman and Trustee- PhilSeven Foundation, Inc.* • *Chairman – Supply Chain Networks, Inc.* • *President – First MFI Network, Inc.* • *Director – Electronic Commerce Payment Network, Inc. (EC-Pay); The Straits Wine Company, Inc.* • *Board Co-Chair (Retailer), ECR Philippines* • *VP-National Chapter Development, Philippine Franchise Association* • *Member- Management Association of the Philippines; Makati Business Club; Young Presidents Organization; Coca- Cola Retailing Research Council*
Educational Background & Achievements/Awards	• *BS Mechanical Engineering (Magna Cum Laude), Lehigh University, Bethlehem Pennsylvania, USA* • *Awards- CEO Excel Award, International Association of Business Communicators (IABC), 2013 CEO Excel Awards; Master Entrepreneur Award, 2012 Ernst & Young Entrepreneur of the Year Awards*

5. JORGE L. ARANETA

Personal Information	**Age:** 79; **Nationality:** Filipino; **Gender:** Male; **Current Position in PSC:** Director; **No. of Years in PSC:** 26 yrs.; **First Election to the Position:** 1988; **Last Election:** July 22, 2014
Affiliations in PLCs	• *Director- Philippine Seven Corporation*
Affiliations in Non-PLCs	• *Consul A.H. – Embassy of the Republic of Colombia* • *Chairman & CEO – Araneta Group* • *Chairman of the Board - Araneta Center Inc.; Progressive Development Corporation; Uniprom, Inc.; Philippine Pizza Inc.* • *Director – Wendy's Philippines*
Educational Background & Achievements/Awards	• *Bachelor of Science in Business Administration, University of the Philippines* • *Awards- President's Award as Pioneer of Retail Entertainment, Philippine Retailers Association; UP College of Business Administration 2005 Distinguished Alumni Awardee; Franchisee Awardee of the Year. 2003 and 2002, Philippine Pizza, Inc.; Top 5 Best Employer in Asia/Philippines, 2003, Hewitt Associates/Wall Street Journal/MAP; David Novak YUM Award, 2000; Plaque of Appreciation from Cubao merchants Association; Plaque of Appreciation*

	for Business Leadership from Upsilon Sigma Phi; Plaque of Merit from Quezon City Chamber of Commerce and Industry, Inc. as Recognized Business Leader of Quezon City; Plaque of Appreciation for Outstanding Contribution from the Consular Corps and Displomatic Corps of the Philippines; Plaque of Appreciation from De La Salle University on the occasion of the establishment of the Don J. Amado Araneta Distinguished Chair of Financial Management.

6. ANTONIO JOSE U. PERIQUET, JR.

Personal Information	**Age:** 53; **Nationality:** Filipino; **Gender:** Male; **Current Position in PSC:** Independent Director; **No. of Years in PSC:** 4 yrs. & 5 mos.; **First Election to the Position:** July 29, 2010; **Last Election:** July 22, 2014
Affiliations in PLCs	• *Independent Director- Philippine Seven Corporation; Ayala Corporation; DMCI Holdings, Inc.; Bank of the Philippine Islands; ABS-CBN Holdings Corp.; Max's Group, Inc.*
Affiliations in Non-PLCs	• *Chairman- Pacific Main Holdings, Inc; Campden Hill Group, Inc.; Campden Hill Advisors, Inc.* • *Director- The Straits Wine Company, Inc.* • *Independent Director- BPI Capital, BPI Family Bank* • *Trustee- Lyceum University of the Philippines* • *Member- Deans Global Advisory Council, Darden School of Business, University of Virginia*
Educational Background & Achievements/Awards	• *AB Economics, Ateneo de Manila University* • *MSc Economics, Oxford University* • *MBA, University of Virginia*

7. MICHAEL B. ZALAMEA

Personal Information	**Age:** 50; **Nationality:** Filipino; **Gender:** Male; **Current Position in PSC:** Independent Director; **No. of Years in PSC:** 9 yrs. & 5 mos.; **First Election to the Position:** June 21, 2005; **Last Election:** July 22, 2014
Affiliations in PLCs)	• *Independent Director- Philippine Seven Corporation*
Affiliations in Non-PLCs	• *Director- Campden Hill Advisors, Inc; Clark Pipeline & Depot Company, Inc.; Wespak Holdings, Inc; The Straits Wine Company, Inc.* • *Trustee- The Beacon Academy*
Educational Background & Achievements/Awards	• *BS in Finance, Fordham University USA* • *MBA, University of Virginia*

8. WEN-CHI WU

Personal Information	**Age:** 45; **Nationality:** R.O.C.; **Gender:** Female; **Current Position in PSC:** Director; **No. of Years in PSC:** 6 yrs. & 6 mos.; **First Election to the Position:** July 17, 2008; **Last Election:** July 22, 2014
Affiliations in PLCs	• *Director- Philippine Seven Corporation* • *Chief Financial Officer- President Chain Store Corporation*
Affiliations in Non-PLCs	• *Director- PCSC Restaurant (Cayman) Holdings, Ltd.; President Investment Trust Corp.* • *Supervisor – Books.com. Co., Ltd.; Mister Donut Taiwan Corp.; President Coffee Corp.; Q-ware Systems & Services Corp.; President Information Corp.; Ren Hui Investment Corp.; President Chain Store (Shanghai) Ltd.; Shanghai President Starbucks Coffee Corp.; President (Shanghai) Health Product Trading Company Ltd.; Mech-President Corp.; President Collect Services Co., Ltd.; Uni-President Department Store Corp.; President Pharmaceutical Corp.; President Transnet Corp.*
Educational Background & Achievements/Awards	• *Bachelor's Degree in Accountancy, School of Accountancy in University of Missouri in Columbia*

9. JUI-TANG CHEN

Personal Information	**Age:** 57; **Nationality:** R.O.C.; **Gender:** Male; **Current Position in PSC:** Director; **No. of Years in PSC:** 2 yrs. & 2 mos.; **First Election to the Position:** November 13, 2012; **Last Election:** July 22, 2014
Affiliations in PLCs	• *Director- Philippine Seven Corporation* • *President & Director- President Chain Store Corporation*
Affiliations in Non-PLCs	• *President- Ren-Hui Investment Corp.* • *Chairman- President Yilan Art and Culture Corp., President Transnet Corp.; President Collect Services Co., Ltd.; President Coffee Corp.; Retail Support International Corp.; President Musashino Corp.; Ren-Hui Investment Corp.; President Chain Store (Shanghai) Ltd.; Shanghai President Starbucuks Coffee Corp.* • *Director- President Drugstore Business Corp.; President Beijing Corp.; President Pharmaceutical Corp.; Uni-President Department Store Corp.; 21 Century Enterprise Co., Ltd.; Wisdom Distribution Service Corp.; Uni-President Cold-Chain Corp.; President Development Corp.; President International Development Corp.; Shan Dong President Yinzuo Commercial Ltd.; President (Shanghai) Health Product Trading Company Ltd.; President Chain Store (BVI) Holdings, Ltd.; PCSC (China) Drugstore Ltd.; President Chain Store (Labuan) Holdings, Ltd.; President Chain Store (Hong Kong) Holdings Ltd.; President Coffee (Cayman) Holdings Ltd.; Uni-President Logistics (BVI) Holdings, Ltd.; Nanlien International Corp.*
Educational Background & Achievements/Awards	• *Bachelor's Degree in Economics, Department of Economics, National Taiwan University*

10. MAO-CHIA CHUNG

Personal Information	**Age:** 56; **Nationality:** R.O.C.; **Gender:** Male; **Current Position in PSC:** Director; **No. of Years in PSC:** 2 yrs. & 2 mos.; **First Election to the Position:** November 13, 2012; **Last Election:** July 22, 2014
Affiliations in PLCs	• *Director- Philippine Seven Corporation* • *Senior Vice President of President's Office – President Chain Store Corporation*
Affiliations in Non-PLCs	• *Chairman – Capital Inventory Services Corp.; President Information Corp.; President Insurance Brokers Co., Ltd.; President Chain Store Good Neighbor Foundation; President (Shanghai) Health Product Trading Company Ltd.* • *Director – President Drugstore Business Corp.; President Being Corp.; President Pharmaceutical (Hong Kong) Holdings Ltd.; Books.com Co., Ltd.; Q-ware Systems & Services Corp.; Bank Pro E-Service Technology Co., Ltd.; PCSC (China) Drugstore Limited; Presiclerc Limited; PK Venture Capital Corp.; President Chain Store (Shanghai) Ltd..; President Pharmaceutical Corp.; President Transnet Corp.; President Collect Services Co., Ltd.;*
Educational Background & Achievements/Awards	• *Bachelor's Degree in International Trade, Department of International Trade, Feng Chia University*

11. LIEN-TANG HSIEH

Personal Information	**Age:** 54; **Nationality:** R.O.C.; **Gender:** Male; **Current Position in PSC:** Director; **No. of Years in PSC:** 2 yrs. & 2 mos.; **First Election to the Position:** November 13, 2012; **Last Election:** July 22, 2014
Affiliations in PLCs	• *Director- Philippine Seven Corporation* • *Vice President of Operations Group– President Chain Store Corporation*
Affiliations in Non-PLCs	• *Director- Duskin Serve Taiwan Co.; Uni-President Cold-Chain Corp.; President Baseball Team Corp.; President Information Corp.; ICASH Corporation; President Chain Store Good Neighbor Foundation* • *Supervisor – Capital Inventory Services Corp.*
Educational Background & Achievements/Awards	• *Bachelor's Degree in Business Administration, Department of Business Administration, Chinese Culture University*

12. PING-HUNG CHEN

Personal Information	**Age:** 40; **Nationality:** R.O.C.; **Gender:** Male; **Current Position in PSC:** Treasurer/CFO and Vice President for Finance & Administration; **No. of Years in PSC:** 3 yrs.; **First Election to the Position:** November 13, 2012; **Last Election:** July 22, 2014
Affiliations in PLCs	• *Treasurer/CFO & Vice-President for Finance & Administration- Philippine Seven Corporation* • *Head of Investment Management; Head of Investor Relations, and Financial Planning Specialist - President Chain Store Corporation*
Affiliations in Non-PLCs	• *Director- Store Sites Holding, Inc.* • *Trustee- PhilSeven Foundation, Inc.*
Educational Background & Achievements/Awards	• *Degree in Economics TungHai University;* • *MBA, National Kaoshiung First University of Science and Technology*

13. EVELYN G. SADSAD-ENRIQUEZ

Personal Information	**Age:** 51; **Nationality:** Filipino; **Gender:** Female; **Current Position in PSC:** Corporate Secretary; **No. of Years in PSC:** 25 yrs. **First Election to the Position:** June 21, 2005; **Last Election:** July 22, 2014
Affiliations in PLCs	• *Corporate Secretay & Compliance Officer, Head of Legal & Corp. Services Div. - Philippine Seven Corporation*
Affiliations in Non-PLCs	• *Director & Corp. Sec- Store Sites Holding, Inc.; Ferguson Park Tower Condominium Corporation* • *Corporate Secretary - Convenience Distribution Inc.;* • *Trustee & Corp. Secretary-PhilSeven Foundation, Inc.,.* • *President and Director– Columbia Owners' Association Inc.* • *Director & Corp. Secretary- Sterling Fluid Systems Enterprises, Inc* • *Internal Auditor- Good Governance Advocates & Practitioners of the Philippines (GGAPP)*
Educational Background & Achievements/Awards	• *B.S. Commerce Major in Economics, University of Santo Tomas* • *Bachelor of Laws (Cum Laude), Faculty of Civil Law University of Santo Tomas*

* Vicente T. Paterno – Chairman of the Board and Director in PSC until his demise in November 21, 2014
** Diana P. Aguilar – Director in PSC until her resignation in January 20, 2015

The Board of Directors are expected to attend board meetings held by the Corporation which is scheduled before the start of the financial year. The Chairman, the President & CEO, majority of the directors, and independent directors of PSC attended these meetings. Absence of a director in more than 50% of all the regular and special meetings during his incumbency or any 12 month period during such incumbency is a ground for his temporary disqualification in the succeeding election unless the absence is due to serious illness, death in the immediate family or serious accident. All directors complied with attendance requirement of at least 50% of all board meetings for the year. Below is the list of directors of PSC and their attendance to board meetings held for the fiscal year 2014.

Attendance of the Board of Direcotrs for 2014				
Director	Position	April 24	July 22	
			AM	PM (Organizational)
1. Vicente T. Paterno[1]	Chairman/Director	✓	✓	✓
2. Nan-Bey Lai	Vice Chairman/Director	✓	✓	✓
3. Jose Victor P. Paterno	President/Director	✓	✓	✓
4. Jorge L. Araneta	Director	x	✓	✓
5. Diana Pardo-Aguilar[2]	Director	✓	✓	✓
6. Jui-Tang Chen	Director	✓	✓	✓
7. Mao-Chia Chung	Director	✓	x	✓
8. Lien-Tang Hsieh	Director	✓	✓	✓
9. Wen-Chi Wu	Director	✓	✓	✓
10. Michael B. Zalamea	Independent Director	✓	✓	✓
11. Antonio Jose U. Periquet, Jr.	Independent Director	✓	✓	✓

[1] *Deceased-November 21, 2014 and disclosure submitted to PSE & SEC last November 21, 2014*
[2] *Resigned as of January 20, 2015, effective immediately and disclosure submitted to PSE & SEC last January 20, 2015*

b) **The Executive Officers**

As of May 31, 2015, the Executive Officers and Management of the Corporation are the following:

CHIN-YEN KAO *Honorary Chairman of the Board*	*Please see profile under Directors and Corporate Officers*
JOSE T. PARDO *Chairman of the Board & Independent Director*	*Please see profile under Directors and Corporate Officers*
NAN-BEY LAI *Vice Chairman of the Board*	*Please see profile under Directors and Corporate Officers*
JOSE VICTOR P. PATERNO *President & CEO*	*Please see profile under Directors and Corporate Officers*
PING-HUNG CHEN *Treasurer/CFO & Vice President for Finance & Administration*	*Please see profile under Directors and Corporate Officers*
EVELYN G. SADSAD-ENRIQUEZ *Corporate Secretary; Compliance Officer Legal & Corporate Services Division Head*	*Please see profile under Directors and Corporate Officers*
YING- JUNG LEE *Vice President for Supply Chain*	*40 years of age, a national of the Republic of China. He has been with PSC since 2010. He is a Director in Convenience Distribution, Inc., a subsidiary of PSC. He was the Leader of the E-Service Team of Marketing Department of President Chain Store Corporation. He obtained his Bachelor's Degree in Cooperative Economic at Feng-Chia University, Taiwan.*
LAWRENCE M. DE LEON *Finance and Accounting Head; Investor Relations Officer*	*40 years of age, Filipino. He has been with PSC since 2009. He is the Treasurer and Director of Store Sites Holding, Inc., Treasurer and Trustee of PhilSeven Foundation, Inc. and the Treasurer of Convenience Distribution, Inc., all are subsidiaries/affiliates of PSC. He is also a Director of Association of Certified Public Accountants in Commerce and Industry and a member of Philippine Institute of Certified Public Accountants. He obtained his Masters in Business Administration from the Ateneo Graduate School of Business and Bachelor of Science in Commerce, Major in Accountancy from University of Santo Tomas.*
CHAO-SHUN TSENG *Corporate Planning Head*	*50 years of age, a national of the Republic of China. He has been with PSC since 2012. He is a Director and Executive Vice President of Convenience Distribution, Inc., a subsidiary of PSC. He was the Business Consultant of President Chain Store Corp. and Head of Dermo-Cosmetic Division of President Pharmaceutic Corporation. He obtained his MBA degree from National Chiao Tung University and Management Science Bachelor from National Cheng Kung University- Transportation and Communication Management Science.*
LIWAYWAY T. FERNANDEZ *Operations Division Head*	*60 years of age, Filipino. She has been with PSC since 1983. She is a Director in Convenience Distribution, Inc. and a Trustee in PhilSeven Foundation, Inc., a subsidiary/affiliate of PSC, respectively. She is a graduate of Bachelor of Science in Business Administration Major in Accountancy (Cum Laude) at Philippine Christian University.*
FRANCIS S. MEDINA *Business Development Division Head*	*40 years of age, Filipino. He has been with PSC since 2005. He started as a franchise manager in PSC before serving as Business Development Division Head. He is also a Trustee in PhilSeven Foundation, Inc., an affiliate of PSC. He is the Committee Head/member of the Philippine Franchise Association and a member of Certified Franchise Executive Alumni Association. He obtained his Bachelor's Degree in Commerce, Major in Marketing, from San Beda College Manila. He also completed the Certified Franchise Executive Program by the Phil. Franchise Association.*
JOSE C. ANG, JR. *General Merchandise Division Head*	*48 years of age, Filipino. He has been with PSC since 2004. He is a Director of Philippine Consumer Centric Trade Association, Inc. (PCCTAI) formerly PASI. He is also a member of National Masters & Senior Athletics Association of the Philippines. He is a BS Electrical Engineering graduate at Adamson University.*
ARMI A. CAGASAN	*40 years of age, Filipino. She has been with PSC since 1999. She is a graduate of Bachelor of Science in*

Strategic Merchandise Division Head	*Industrial Engineering at University of Santo Tomas.*
EDUARDO P. BATACLAN *Procurement Division Head*	*62 years of age, Filipino. He has been with PSC since 1984. He is a Director and Vice President of Convenience Distribution, Inc., a subsidiary of PSC. He obtained his Bachelor of Science Degree in Mass Communication Major in Broadcast Communication from the University of the Philipines.*
VIOLETA B. APOLINARIO *Human Resources and Administration Division Head*	*54 years of age, Filipino. She has been with PSC since 1984. She is the Chairman of the Management Committee of PhilSeven Foundation, Inc., an affiliate of PSC. She is a member of People Management Association of the Philippines and HR Foodlink. She obtained her Bachelor of Arts Degree in English (Cum Laude) from Tanauan Institute.*
JASON JAN NGO *Information Technology Division Head*	*39 years of age, Filipino. He has been with PSC since 1999. He obtained his Masters in Business Administration (Regis Program) at the Ateneo Graduate School of Business. He also obtained his degree of Bachelor of Science in Management Engineering from Ateneo de Manila University.*
EMMANUEL LEE M. ESGUERRA *Marketing Communications Division Head*	*45 years of age, Filipino. He has been with PSC since 2013. He was the Chief Marketing Officer of Click Licensing Asia and Senior Regional Brand Manager of Unilever Asia Private Ltd. He is a graduate of BA in Broadcast Communication from the University of the Philippines.*
MARIA CELINA D. DE GUZMAN *Internal Audit Division Manager*	*51 years of age, Filipino. She has been with PSC since 2005. She was the manager of MIS Business System of PSC before serving as Internal Audit Division Manager. She is a member of Philippine Institute of Certified Public Accountants, Institute of Internal Auditors and Association of Certified Fraud Examiners. She obtained her Bachelor's Degree in Accountancy (Cum Laude) at Polytechnic University of the Philippines.*

c) Identifying 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

Mr. Jose Victor P. Paterno, President & CEO of PSC is concurrent Chairman and President of Convenience Distribution, Inc. (CDI), a wholly owned subsidiary of PSC. He is the son of the Chairman of the Board, Vicente T. Paterno, who passed away on November 21, 2014. He is also the nephew of the new PSC Chairman of the Board & Independent Director, Mr. Jose T. Pardo, elected last January 20, 2015.

e) 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 certain litigations involving minor issues, from time to time, 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, actions on leases for specific performance and other civil claims. The Company also filed criminal cases against employees and other persons arising from theft, estafa and robbery; civil claims for collection of sum of money, specific performance and damages. All such cases are in the normal course of business and are not deemed or 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 (or "PSC") executed a licensing agreement with Seven Eleven, Inc. (SEI), of Texas, USA granting the exclusive right to use the 7-Eleven System in the Philippines and the Company pays, among others, royalty fee to SEI. SEI is also a stockholder in PSC and holds 0.39% of PSC's outstanding stocks.

PSC has transactions with PhilSeven Foundation, Inc. (PFI), a foundation with common key management of the Company. PSC has a MOU with PFI whereby the latter supports the CSR program of PSC in the communities where its 7-Eleven stores are located. The MOU also provides the pledge of PSC to donate ½ of 1% of its net income before tax to support PFI's programs.

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 nephew of Mr. Jose T. Pardo, the Chairman of the Board and Independent Director of PSC.

Store Sites Holdings, Inc. is a landholding company affiliated with PSC and it leases on long term basis 7 parcels of land to PSC for its operation of 7-Eleven Stores.

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 51.56% of PSC's outstanding shares. Certain products are also purchased from Uni-President (Philippines) Corporation, which is an affiliated company of President Chain Store Corporation.

The Company have 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). 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). Diana P. Aguilar, a director of the Company, also a director in Wenphil Corporation (owner of Wendy's Philippine franchise) and in GATE. Jose Victor Paterno, a director and President of the Company, is a director in ECPAY.

In addition to the preceding paragraphs, the related party transactions are described in detail pursuant to the disclosure requirements prescribed by the Commission. 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.

The following related party transactions are classified as normal in the ordinary course of business. The commercial terms covering the said transactions are done on an arms length basis and is priced in such a manner similar to what independent parties would normally agreed with. The discussion on this item can be correlated with Note 25, Related Party Transactions, of the Notes to the 2014 Audited Consolidated Financial Statements of the Company.

Transactions with related parties consist of:

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

Balances arising from the foregoing transactions with related parties are as follows:

Related Parties	Relationship	Nature of Transactions	Terms and Conditions	Transactions for the Year Ended December 31 2014	2013	Outstanding Balance as at December 31 2014	2013
Receivables							
PFI (Note 5)	Under common control	Noninterest-bearing advances	Unsecured, no impairment in 2014 and 2013. Amounts are due and demandable.	**₱406,473**	₱1,481,066	**₱3,525,452**	₱3,118,978
Other current liabilities							
PFI	Under common control	Donations	0.5% of earnings before income tax from PSC and ₱720,000 annual donation from CDI.Payable within 30 days.	**₱7,203,333**	₱3,387,500	**₱2,894,337**	₱–

As at December 31, 2014 and 2013, the Group's defined benefit retirement fund has investments in shares of stock of the Parent Company with a cost of ₱122,417. The retirement benefit fund's incurred a loss arising from changes in market prices amounting to ₱54,140 in 2014 and earned a gain of ₱755,688 in 2013.

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 duly elected and qualified.

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

1. JORGE L. ARANETA	*Please see profile under Directors and Corporate Officers*
2. JUI-TANG CHEN	*Please see profile under Directors and Corporate Officers*
3. LIEN-TANG HSIEH	*Please see profile under Directors and Corporate Officers*
4. NAN-BEY LAI	*Please see profile under Directors and Corporate Officers*
5. JOSE VICTOR P. PATERNO	*Please see profile under Directors and Corporate Officers*
6. WEN-CHI WU	*Please see profile under Directors and Corporate Officers*
7. JOSE T. PARDO (Independent Director)	*Please see profile under Directors and Corporate Officers*
8. ANTONIO JOSE U. PERIQUET, JR. (Independent Director)	*Please see profile under Directors and Corporate Officers*
9. MICHAEL B. ZALAMEA (Independent Director)	*Please see profile under Directors and Corporate Officers*

10. MA. CRISTINA P. PATERNO

Personal Information	**Age:** 44; **Nationality:** Filipino; **Gender:** Female
Affiliations in PLCs	• *Marketing Asst., Advertising & Promotions, Philippine Seven Corporation (1993-1999)*
Affiliations in Non-PLCs	• *President- T. Paterno Conservation, Inc.* • *Executive Director- San Sebastian Basilica Conservation and Development Foundation, Inc.* • *Independent Consultant for Building & Art Restoration (2009-2010)- The Cloisters, Metropolitan Museum of Art, New York, NY; Sta. Ana Church, Sta. Ana Manila; 929-933; Broadway, New York, NY;*
Educational Background & Achievements/Awards	• *M.S. Historic Preservation, University of Pennsylvania, USA* • *B.A. Humanities, Ateneo de Manila University, Philippines* • *Intensive Spanish Language Program, Universidad Complutense, Madrid*

11. CHI-CHANG LIN

Personal Information	**Age:** 54; **Nationality:** R.O.C.; **Gender:** Male
Affiliations in PLCs	• *Vice President of Administration Group- President Chain Store Corporation*
Affiliations in Non-PLCs	• *Director- ICASH Corporation; President Chain Store Corporation Insurance Brokers Co., Ltd.; President Chain Store Good Neighbor Foundation*
Educational Background & Achievements/Awards	• *Honorary PhD - Lincoln University, USA; Sun Yat-sen University; National Cheng Kung University* • *Bachelor's Degree in Business Administration, Department of Social Work, Soochow University*

The above are the current directors of PSC, except for Ms. Cristina P. Paterno and Mr. Chi-Chang Lin, who are new nominees for 2015.

The composition of the Nomination & Governance Committee are as follows:

Chairman:	Jose T. Pardo	-	Chairman of the Board and Independent Director
Members:	Michael B. Zalamea	-	Independent Director
	Jose Victor P. Paterno	-	Director & President/CEO
Non-voting Member :	Evelyn S. Enriquez	-	Corporate Secretary

j) Independent Directors

The independent directors of the Company are Messrs: Jose T. Pardo, Michael B. Zalamea and Antonio Jose U. Periquet, Jr. As of date of this report, the nominees for independent directors are Messrs. Jose T. Pardo, Michael B. Zalamea and Antonio Jose U. Periquet, Jr. Their nominations were submitted by Jorge L. Araneta, Renato B. Valdecantos and Ms. Paz Pilar P. Benares, respectively, stockholders of the Corporation, and pre-screened by the Nomination & Governance Committee of the Corporation in compliance with SEC Circular No. 16 on the Guidelines on Nomination Election of Independent Directors. They are not officers or substantial shareholders of Philippine Seven Corporation nor are they the directors or officers of its related companies. Their shareholdings in the Corporation are less than 2% of the

Corporation's outstanding capital stock pursuant to Section 38 of the SRC. The persons who nominated the independent directors are not related to said nominees. A brief description of the business experiences of Jose T. Pardo, Michael B. Zalamea and Antonio Jose U. Periquet, Jr., are included in Item 5 (a) of this report.

Nomination Procedure:

1. A stockholder may recommend the nomination of a director to the Nomination & Governance 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.

k) Board Committees

Audit Committee

The Audit Committee assists the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations. It also provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation; and perform oversight functions over the Corporation's internal and external auditors.

Audit Committee Report

Further to our compliance with applicable corporate governance laws and rules, we confirm for the year 2014 that:

The Audit Committee is composed of three (3) directors, including the Chairman who is an independent director;

The Committee had two (2) meetings during the year. The Committee in its meetings, reviewed and approved all audit and review services provided by external auditor, SGV & Co., to PSC, and the related fees for such services;

According to its charter, the primary purpose of the Committee is to assist the Board of Directors in fulfilling its oversight responsibility for the financial reporting process, the system of internal control, the maintenance of an effective audit process, and monitoring of compliance with applicable legal and regulatory matters.

The Committee discussed with SGV & Co. all the items required to be discussed by the prevailing applicable Auditing Standard, including the required communications to the Audit Committee on the responsibilities under Philippine Standards in Auditing, the confirmation of independence of SGV & Co. from PSC and its subsidiaries and PSC's management as required by the applicable Independence Standards (Statement of Independence), and fraud inquiry which SGV & Co. confirmed that it is not aware of any matters that require communication;

As part of its oversight responsibilities, the Committee reviewed and discussed the audited financial statements of PSC and the consolidated audited financial statements of PSC and its subsidiaries as of and for the year ended December 31, 2014 with the PSC's management and with SGV. SGV has expressed its opinion on PSC's conformity with Philippine Financial Reporting Standards (PFRS);

Based on the foregoing but subject to the limitations of the Committee's role as encompassed in our Audit Committee Charter, the Committee recommended for approval the audited financial statements of PSC and the consolidated audited financial statements of PSC and its subsidiaries for the year ended December 31, 2014 to the Executive Committee and/or the Board of Directors. The Executive Committee, having authority to act during intervals of Board meetings, approved the same.

Compensation Committee

The Compensation Committee consists of 3 directors as voting members, one of whom is an independent director. It also has 2 non-voting members. The Committee shall establish formal and transparent procedures for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.

Nomination and Governance Committee

The Committee is composed of 3 directors as voting members, two of whom are independent directors. It shall review and evaluate the qualifications of all persons nominated to the Board that require Board approval and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. It also oversees the development and implementation of corporate governance principles and policies as part of its governance functions.

Item 6. Compensation of Directors & Executive Officers

For the calendar years December 31, 2014 and 2013, the total salaries, allowances and bonuses paid to the directors and executive officers are as follows:

(a) Name/Position	(b) Year	(c) Salaries	(d) Bonus	(e) Others
Chairman and Top 4				
Vicente T. Paterno* Chairman of the Board **Deceased as of November 21, 2014 and disclosure submitted to SEC & PSE last November 21, 2014*				
Jose Victor P. Paterno President & CEO				
Jose Ang, Jr. General Merchandise Division Head				
Liwayway Fernandez Operations Division Head				
Francis S. Medina Business Development Division Head				
Total	2015 2014 2013 2012 2011	8,251,648.31 7,314,726.12 6,275,974.68 6,621,039.08 4,940,936.40	8,053,385.17 7,129,630.07 7,086,112.03 6,379,554.44 5,133,368.49	N/A
All other Officers and Directors as a Group Unnamed	2015 2014 2013 2012 2011	9,167,004.18 9,036.757.80 7,553,463.04 7,720,485.56 7,762,145.04	8,299,083.43 7,544,621.30 5,672,367.59 7,690,127.17 6,319,126.01	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 ₱ 15,000.00 (as may be fixed by the Board from time to time) are given to each of the members of the board of directors, members of board committees, designated corporate/executive officers, members of advisory committee or adviser/consultant for every regular or special meeting of the Board, Executive Committee and Board Committees actually attended.

The Compensation Committee approved the policy on Directors Fee and Gratuity for the office of the Chairman of the Board effective February 01, 2015. A monthly director's fee shall be provided for the position of Chairman of the Board as determined by the Compensation Committee, from time to time, as concurred by the Board and/or the Executive Committee. Additional directors' fee (gratuity) shall be given upon the occurrence of any of the following: a) End of term of office and not accepting reappointment (except due to removal); b) Incapacity; c) Resignation due to any of the above; d) Death, which shall be equivalent to 1 month of the Chairman's prevailing monthly directors' fee for every year or term in office.

The company established a policy effective January 01, 2012 to provide guidelines for director's fee to be provided to Independent Directors. As a director and member of the Board, the Independent Director shall be entitled to an annual director's fee of ₱ 100,000.00. If he is a Chairman of any Board Committees, the Independent Director shall be entiled to an annual director's fee of ₱ 150, 000.00, and if a member of any Board Committees, the Independent Director shall be entitled to an annual director's fee of ₱ 50,000.00.

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 not 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. In 2009, Target Incentive and Annual Performance Bonus were granted to management, the officers and support personnel based on achievement of the target rate for pre-tax income for the year as set in the Annual Plan and Budget. These are provided to regular employees and executive officers of the Corporation.

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 7. Independent Public Accountants

The accounting firm of Sycip Gorres Velayo and Company (SGV & Co.) was appointed as the Corporation's auditor in 2005. Since their appointment, the Corporation has no disagreement with them on any matters relating to accounting principles and practices, financial statement disclosures or auditing scope or procedures. The same auditing firm has been endorsed for re-appointment by the Audit Committee to the Executive Committee. The Audit Committee is composed of the Chairman and Independent Director, Antonio Jose U. Periquet, Jr., and members, Jose Victor P. Paterno and Michael B. Zalamea (independent director). The Executive Committee approved the said endorsement and will nominate the appointment of the said auditing firm for stockholders' approval at the scheduled Annual Meeting of the Stockholders. The said auditing firm has accepted the Corporation's invitation to stand for re-election this year and has designated Ms. Belinda T. Beng-Hui as the engagement partner that will handle the 2015 audit for the Company.

Audit services of SGV for the fiscal year ended December 31, 2014 included the examination of the consolidated financial statements of the Company, review of the final income tax returns and other services related to filing made with the Securities and Exchange Commission.

The company is in compliance with SRC Rule 68, paragraph 3(b)(iv) requiring the rotation of external auditors or engagement partners who have been engaged by the company for a period of five (5) consecutive years or more as of December 31, 2005. The present engagement partner is Ms. Belinda T. Beng Hui, an SEC accredited auditing partner of SGV, and in her second year of assignment in the Corporation. Representatives of SGV shall be present during the annual meeting of stockholders on July 30, 2015. They are also expected to respond at the Annual Stockholders Meeting to appropriate questions from stockholders pertaining to said financial statements as needed.

Item 8. External Audit Fees and Services

The following table summarizes the fees paid or accrued for services provided by our external auditors for the fiscal years ended December 31, 2014 and 2013:

	2014	**2013**
	(in thousands)	
Audit Fees	**P2,744**	P1,902
Tax Fees	**1,710**	1,464
All Other Fees	**436**	148
Total	**P4,890**	P3,514

Audit Fees. During the years 2014 and 2013, the Company had engaged the professional services of SGV & Co. The Company incurred and accrued an aggregate audit fee of P 2.7 million in 2014 for the said engagement. This covers the examination of the Company's financial statements in accordance with generally accepted auditing standards. The auditors also provide a discussion of findings and recommendations that will further improve the Company's accounting and reporting practices. Further, SGV also provides updates on recent pronouncements made by the BIR and the SEC.

Tax Services. This category refers to the tax compliance and advisory services rendered by the tax division of SGV & Co.

All Other Fees. This consists primarily of fees for consultations, special engagements relating to issuance of long form audit report and securing documents, which are required for the payment of dividends and other incidental expenses.

The fees presented above include out-of-pocket expenses incidental to our independent auditors' work.

The audit committee's approval policies and procedures for external auditors are as follows:

1. Statutory audit of the Company's annual financial statements.
   a) The Audit Committee ensures that the services of the external auditor conform with the provision of the Company's manual of corporate governance.
   b) The Audit Committee approves the audit plan and scope of audit presented by the external auditor before the conduct of audit. The audit plan is derived from series of discussions and pre-audit planning with Management.
   c) The Audit Committee reports to the Board the approved audit plan.

2. For other services other than the audit of the annual financial statements.
   a) The Audit Committee evaluates the necessity of the proposed services presented by Management taking into account the following factors:
      i. The impact of new tax and accounting regulations and standards.
      ii. Cost and benefit of the proposed undertaking.
   b) The Audit Committee approves and ensures that other services provided by the external auditor shall not be in conflict with the functions of the external auditor for the annual audit of its financial statements.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 11. Financial and Other Information

The Management's Discussion and Analysis and the Company's Consolidated Audited Financial Statements for fiscal years ended December 31, 2014 and 2013, including schedules for Property & Equipment, Accumulated Depreciation, Non-trade

Receivables and Capital Stock, are attached hereto as Annexes "A" and "D", respectively. The Company's 2014 Annual Report will be distributed to stockholders of record during the Annual Meeting.

The Company's 2nd Quarter Interim Unaudited Financial Statement with Management Discussion and Analysis (2nd Quarter Report) shall be available in the company website www.7-eleven.com.ph at least 5 calendar days before the Annual Stockholders' Meeting scheduled on July 30, 2015. Upon request, a hard copy of the 2nd Quarter Report shall be provided free of charge as soon as available but not later than at least 5 days before July 30, 2015.

All request may be sent to:
Mr. LAWRENCE M. DE LEON
Head
Finance & Accounting Services
Philippine Seven Corporation
7th Floor, The Columbia Tower,
Ortigas Avenue, Mandaluyong City,1550
Email Address:
investor-relations@7-eleven.com.ph
psc-corp@7-eleven.com.ph

D. OTHER MATTERS

Item 15. Action with Respect to Reports

During the scheduled Annual Stockholders Meeting, the following reports shall be submitted to the stockholders for approval:

1. Approval of the Minutes of the July 22, 2014 Annual Stockholders Meeting;
2. Approval of the Annual Report of Management and the Audited Financial Statements for the Fiscal Year ending December 31, 2014;
3. Ratification of all Acts and Resolutions of the Board of Directors, Executive Committee, Board Committees and Management during the year 2014 up to April 30, 2015 as discussed in the Minutes of the Meetings of the Board of Directors, Executive Committee and Audit Committee, which include the approval of contracts, loans, investments or purchases in the ordinary course of trade or business, declaration of cash dividends, management reports and interim financial statements of the Corporation, and appointment of corporate officers, corporate signatories, endorsement of external auditor.

The Minutes of the 2014 Annual Stockholders' Meeting and a brief summary of relevant resolutions of the Board of Directors and the Committees for ratification by the stockholders are attached as Annexes "B" and "C."

Item 17. Amendment of Charter, By-laws or Other Documents

No action shall be taken with respect to any amendment of its Charter, By-laws or Other Documents.

Item 18. Other Proposed Action

1. Election of Directors including the independent directors
2. Appointment of External Auditors

Item 19. Voting Procedures

Vote required for approval

For election of directors, a shareholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle to as many candidate as he shall see fit.

Method by which votes will be counted

All matters subject to a vote, except in cases where the By-laws provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

As provided in PSC By-laws, voting at the election of the directors shall be by ballot unless otherwise agreed upon by all the stockholders present in person or by proxy, in which case a viva voce vote shall be made.

Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him. The counting thereof shall be supervised by the external auditors or the stock transfer agent of the Company.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S SEC FORM 17-A (ANNUAL REPORT) DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

ALL REQUESTS MAY BE SENT TO:

psc-corp@7-eleven.com.ph

or

PHILIPPINE SEVEN CORPORATION
7TH FLOOR, THE COLUMBIA TOWER,
ORTIGAS AVENUE, MANDALUYONG CITY
1550

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth on this report is true, complete and correct. This report is signed in the City of Mandaluyong on 10 June 2015.

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 hereto authorized.

PHILIPPINE SEVEN CORPORATION
Issuer
June 10, 2015

By:

EVELYN S. ENRIQUEZ
Corporate Secretary

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

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, 2014 and 2013. 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, capitalized assets and income taxes. We base our estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances.

SELECTED FINANCIAL DATA

	For the Period Ended and as at December 31,				
	2014	**2013**	**2012**	**2014 vs. 2013**	**2014 vs. 2012**
SYSTEM WIDE SALES	**20,571,035**	17,240,457	13,363,925	19.3%	53.9%
Statement of Income Data:					
Revenues and other income					
Revenue from merchandise sales	**17,107,375**	14,133,649	11,713,760	21.0%	46.0%
Franchise revenue	**1,647,590**	1,367,253	683,573	20.5%	141.0%
Marketing income	**463,413**	380,794	405,856	21.7%	14.2%
Others	**449,306**	313,796	241,551	43.2%	86.0%
Cost and expenses					
Cost of merchandise sales	**12,861,596**	10,661,630	8,553,239	20.6%	50.4%
General & administrative expenses	**5,516,374**	4,520,385	3,784,875	22.0%	45.7%
Interest expense	**16,196**	16,248	16,597	-0.3%	-2.4%
Net income	**873,345**	682,628	465,176	27.9%	87.7%
Other comprehensive gain(loss)-Remeasurement gain/loss on retirement obligations	**15,289**	-	-	n/a	n/a
Revaluation increment on land-net of tax (Note 8)	**(2,800)**	(10,696)	(431)	-73.8%	550.0%
Total comprehensive income	**885,834**	671,931	464,745	31.8%	90.6%
Earnings per share (EPS)	**1.91**	1.49	1.01	28.2%	89.1%
Balance Sheet Data:					
Total assets	**7,882,305**	6,024,713		30.8%	
Total liabilities	**4,592,769**	3,483,480		31.8%	
Total stockholders' equity	**3,289,537**	2,541,233		29.4%	
Cash Flow Data:					
Net cash from operating activities	**2,175,488**	1,844,716	869,491	17.9%	150.2%
Net cash used in investing activities	**(1,942,349)**	(1,313,319)	(900,455)	47.9%	115.7%
Net cash used in financing activities	**35,520**	26,536	51,849	33.9%	-31.5%

** Amount in thousands of Pesos, except EPS*

OVERVIEW

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

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

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

At the end of 2014, we have 1,282 7-Eleven convenience stores, mainly in Metro Manila and in major towns and cities in Luzon. We penetrated the Visayas during the middle of 2012 and we ended 2014 with 103 stores in the Cebu and Bacolod market.

Cebu is the 2nd largest city after Metro Manila, and, we believe, the key to the Visayas. It is a tourist favorite, has a fast growing BPO sector, and is rapidly urbanizing. Given the importance of this market, we invested in logistics and advertising, and were rewarded with sales that exceeded our expectations. We intend to have over two hundred stores on our 5th year.

This is the Company's first venture outside Luzon, which is home to half the country's population as well as the capital of Metro Manila. It is a significant first step in the company's push to bring modern convenience wherever feasible to the rest of the archipelago – a more logistically complex market than the contiguous and highly urbanized Luzon.

Our retail chain of convenience stores is sustained by a manpower complement of 4,164 employees engaged in corporate store operations and in support service units. Despite of growing competition, we maintain our leadership in the CVS industry.

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

Financial Condition and Results of Operations in 2014

Results of Operations

For the Fourth Quarter

The net income of Philippine Seven Corporation (PSC) in the fourth quarter rose by 61.3 percent to ₱ 405.1 million, from ₱ 251.2 million registered in the same period in 2013. This was mainly driven by the increase in sales and improvement in gross margin during the period.

System-wide sales, which represent sales of all corporate and franchise-operated stores, rose by 38.8 percent to ₱ 5.8 billion during the quarter. Revenue from merchandise sales, which pertains to retail sales of corporate stores and merchandise sold to franchised stores, grew by 30.8 percent in the fourth quarter. The year ended with 1,282 stores, up by 27.1 percent from 1,009 stores by the end of 2013.

Gross margin improved to 27.8 percent of revenue from merchandise sales in the fourth quarter from only 26.4 percent during the same period in 2013. This can be attributed to the higher discounts and rebates earned.

Earnings per share (EPS) likewise increased by 61.3 percent to ₱ 0.88 per share in the fourth quarter.

For the Twelve Months Ended December 31

PSC registered an increase of 27.9 percent in net income at the end of 2014. Full year net profits reached ₱ 873.3 million from ₱ 682.6 million in 2013. This translated into earnings per share of ₱ 1.91, up by the same rate compared with the preceding year's level of ₱ 1.49.

The improved financial performance was largely driven by the increase in retail sales of all corporate and franchise operated stores, which posted growth of 19.3 percent from ₱ 17.2 billion at the end of 2013 to ₱ 20.6 billion in 2014. Total number of stores reached 1,282, a net increase of 273 stores from 1,009 stores at the end of 2013.

The Company opened the most number of new stores in its history last year. It intends to accelerate the rate of new store openings over the medium-term at a rate of at least twenty percent per year to take advantage of improving economic conditions and to protect its market share in light of increased competition. PSC believes that the CVS sector will remain to be crowded over the next five years. It intends to capitalize on its first-mover advantage and economies of scale to remain the market leader.

PSC has taken steps to protect and expand its leadership in light of increased competition, recognizing that rewards for market share are especially strong in the convenience store sector. This involves not only an increased pace of expansion in areas contested by competition, but strategic entry into new territories. The latter may be unprofitable for the first few years due to the high fixed costs of logistics, but the Company will later be rewarded with strong first mover advantages. Last year, PSC entered Panay and built on its entry into Negros and Cebu the years prior. This year 7-Eleven will be entering Mindanao via Davao and Cagayan de Oro.

Further, new operators boosted franchise store count to 811 franchisees from 690 a year ago. As a result, total franchise revenues went up by 20.5 percent to ₱ 1.6 billion as a result of the higher number of franchisees and also attributed to the restructuring of the industrial-type franchise package or FC2. Previously, under FC2, only the service fees are recorded and the corresponding merchandise sales are recognized by PSC. Under the new setup, revenue from merchandise sales are now credited to the franchisee, while the corresponding share of PSC in the gross profit is treated as part of franchise revenues. There is no significant impact on net income as a result of the restructuring.

Marketing income continued to enhance the bottom-line by generating ₱ 463.4 million as 7-Eleven expanded brand building opportunities for vendor partners, and as increased sales made it easier to request for more equitable treatment vis-à-vis other channels.

As the Company continues to scale up, total selling, general and administrative expenses (SG & A) slightly grew as a percentage of revenues from 32.0 percent in 2013 to 32.2 percent in 2014

EBITDA (earnings before interest, taxes, depreciation and amortization) rose by 24.9 percent from ₱ 1.7 billion in 2013 to ₱ 2.1 billion at end 2014 while EBITDA margin improved to 12.5 percent of revenue from merchandise sales from 12.1 in 2013. Operating margin likewise increased to 7.4 percent from 7.1 percent in 2014 and 2013, respectively.

The ability of the Company to generate free cash flow became stronger in 2014 as cash inflow from operations exceeded cash outflow used in investing activities by ₱ 233.1 million. This enabled the Company to be in a net cash position of ₱ 502.6 million by the end of the year.

Stock price ranged from ₱ 80-90 per share during the fourth quarter. Dividends paid to shareholders were in the form of cash and amounted to ₱ 0.30 per share. Dividends paid correspond to 20.1 percent of previous year's earnings, which is consistent with the 20-25 percent dividend payout policy.

Revenue and Gross Margin

The Company closed the year with total revenue from merchandise sales of ₱17.1 billion, an increase of 21.0 percent compared to ₱14.1 billion in 2013. Cost of merchandise sold rose by ₱2.2 billion to ₱12.9 billion As at December 31, 2014.

Gross Profit stood at ₱ 4.2 billion, an increase of .01 percent compared to Last year's rate of 24.81 percent.

Along with its 24/7 convenience, PSC also offers services including bills payment, phone/call cards, and 7-Connect that allows customers to pay for selected online purchases with cash through any 7-Eleven store. These products in the services category plus consigned goods formed part of commission income, which declined in 2014 as a result of the temporary suspension of services with the aim of enhancing internal controls. The services line were restored to normal prior to the end of the year.

	2014	2013	Increase (Decrease)	
			Value	Percentage
Revenue from merchandise sales	**17,107,375**	14,133,649	2,973,726	21.0
Cost of merchandise sales	**12,861,596**	10,661,630	2,199,967	20.6
Gross profit	**4,245,779**	3,472,020	773,759	22.3
Commission income	**39,215**	43,402	(4,187)	-9.6
(amount in thousand Pesos)				

Other Income

Other income mainly consists of franchise revenues, marketing and rental income. The Company's total other income increased by ₱ 498.5 million, to almost ₱ 2.56 billion as a result of the following:

Franchise revenues went up by 20.5 percent to ₱ 1.6 billion due to the increase in the number of franchisees from 690 at the end of 2013 to 732 in 2014.

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

Net marketing income increased resulting from the reclassification. However, total discounts, rebates and marketing income grew both in absolute terms and as percentage of revenues mainly driven by the increase in sales volume and also due to increased supplier-supported ad and promo spending, driven by system innovations that allow an increasing number of options for our supplier partners to build their brands in our stores. The goal is to leverage the convenience of our locations and the interconnectedness of our systems to become the preferred venue for manufacturer's brand building needs. Increased sales have also made it easier for us to seek a fairer share of manufacturer's trade spend vis-à-vis other more established channels such as supermarkets.

Moreover, rent income related to the stores' subleased spaces increased by 5.7 percent to ₱ 51.1 million and can be attributed to the increase in occupancy rate.

Other income rose by 50.0 percent to ₱ 398.2 million partly due to penalties imposed on suppliers, which incurred low inbound fill rate and delayed deliveries.

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

	2014	2013	Increase (Decrease)	
			Value	Percentage
Franchise revenue	**1,647,590**	1,367,253	280,337	20.5
Marketing income	**463,413**	380,794	82,619	21.7
Rental income	**51,119**	48,342	2,777	5.7
Other income	**398,188**	265,454	132,734	50.0
Total	**2,560,309**	2,061,843	498,467	24.2
(amount in thousand Pesos)				

Selling, General and Administrative Expense

Selling, general and administrative (SG & A) expenses which is comprised of store operating and selling expenses and headquarters' expenses went up by 22.0 percent or almost ₱ 996.0 million to ₱ 5.5 billion in 2014. The rate of increase in SG & A expense of 22.0 percent, while close to the growth rate in system-wide sales of 21.0 percent, is slower than the increase in number of stores of 27.1 percent. This is favorable as managed spending contributed positively to the bottom-line.

Communication, light and water were the highest contributor as it increased by 22.3 percent to ₱ 1.1 billion and was pegged at 6.5 percent of Merchandise sales. The increase was due mainly to the opening of new stores since electricity generation cost was higher in 2014 than 2013.

Depreciation and amortization expense rose by 21.7 percent but its percentage to sales remained at 5.0 percent. Higher depreciation was a result of opening of new stores and renovation of existing stores.

The Company continued to employ outsourced manpower on its new corporate stores and warehouse facilities. However, since new franchised store opened, outsourced services as percentage of sales dropped to 4.6 percent from 4.7 percent in 2013. Franchisees pay for store manpower costs.

Rent, as percentage of sales went up to 4.2 percent, due to store opening, while warehouse and trucking services grew because of Visayas operations.

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

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

	2014	2013	Increase (Decrease)	
			Value	Percentage
Communication, light and water	**1,111,566**	908,792	202,775	22.3
Depreciation and amortization	**862,760**	709,519	153,241	21.6
Outside services	**787,036**	668,605	118,431	17.7
Rent	**716,894**	553,791	163,103	29.5
Personnel costs	**365,590**	342,606	22,984	6.7
Advertising and promotion	**293,246**	218,413	74,834	34.3
Trucking services	**281,259**	246,559	34,699	14.1
Royalties	**204,756**	171,715	33,041	19.2
Warehousing services	**199,369**	141,077	58,291	41.3
Repairs and maintenance	**149,835**	113,160	36,675	32.4
Supplies	**145,070**	136,666	8,404	6.1
Taxes and licenses	**103,144**	104,670	-1,525	-1.5
Entertainment and amusement	**61,541**	46,379	15,162	32.7
Transportation and travel	**38,931**	33,472	5,459	16.3
Others	**195,377**	124,961	70,416	56.4
Total	**5,516,374**	4,520,385	995,989	22.0
(amount in thousand Pesos)				

Interest Expense

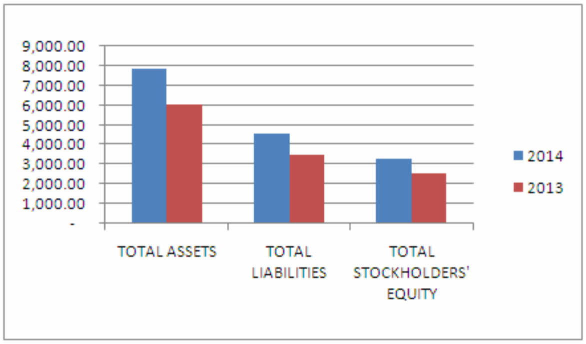
Interest incurred to service debt slightly decreased by .32 percent to ₱ 16.2 million. Outstanding loan balance at the end of 2014 was pegged at ₱ 750.0 million, up by ₱ 190.0 million or 33.9 percent from the start of the year. Loans are short-term in nature and proceeds were used to fund expansion.

Net Income

Net income in 2014 grew by ₱ 190.7 million or 27.9 percent to ₱ 873.3 million. This was primarily due to improved sales, higher margins and continued store expansion.

The net income generated during the year translated into a 4.3 percent return on system wide sales, higher compared with 4.0 percent in 2013, while return on equity went down to 30.0 percent from 30.7 percent. Moreover, EPS reached ₱ 1.91 per share at the end of 2014, up from ₱ 1.49 in 2013.

Financial Condition



Balance Sheet Highlights (in Php Million except book value per share)	2014	% Change
Total Assets	7,882.3	30.8
Current Assets	3,365.5	28.2
Non-current Assets	4,516.9	32.8
Current Liabilities	4,225.3	33.0
Total Liabilities	4,592.8	31.8
Stockholders' Equity	3,289.5	29.4
Book Value Per Share (P)	7.2	29.4

Total assets went up by ₱ 1.86 billion or 30.8 percent to ₱ 7.9 billion at the end of 2014.

This was mainly driven by the increase in Merchandise inventories that reached ₱ 1.2 billion, an increase of ₱ 264.2 million or 29.3 percent compared with 2013 level attributed to forward buying aimed towards generating additional revenues. Inventory turnover slowed to 11.08 times from 11.8 times in the preceding year.

Cash and cash equivalents also increased by 27.6 percent to end the year with ₱ 1.2 billion. Cash level grew as a result of improved profitability and net working capital increase.

Receivables rose by ₱ 120.5 million or 25.7 percent due to the increase in supplier collectibles arising from ad and promo programs implemented during the year. Other receivables also grew as the company leverages its balance sheet to provide collateralized financing to franchisees.

The increase in non-current assets of 32.8 percent was mainly due to store expansion and renovation that drove the 29.5 percent growth in property and equipment account, which stood at ₱ 3.56 billion at the end of 2014. Rental deposits made to acquire new sites contributed to the 46.7 percent increase in this account and reached ₱ 460.5 million at the end of the year.

Property and equipment, net of accumulated depreciation increased by 29.5 percent mainly due to capital expenditure spent in relation to store expansion and investment in store equipment to support new product lines.

On the other hand, current liabilities rose by ₱ 1.05 billion or 33.0 percent owing to the increase in accounts payable and accrued expenses and outstanding loans. Payables grew as a result of increase in inventories, while loan balance was higher by 33.9 percent to partly finance expansion. Average payable period was longer at 51.87 days in 2014 compared to 46.69 days last year.

The Company operates on a negative working capital position, which is manifested by a current ratio of 0.80:1 from 0.83:1 in 2013. This is because cash proceeds from retail sales are invested in long-term assets and at the same time utilizing credit term extended by trade suppliers.

Stockholders' equity at the end of 2014 comprises 41.7 percent of total assets, compared to 42.2 percent at the beginning of the year. The increase in equity account was driven by improved profitability and was reduced by dividends paid to shareholders, which were in the form of stock and cash.

Liquidity and Capital Resources

The ability of the Company to generate free cash flow further strengthened in 2014. Operating cash flow reached ₱ 2.2 billion against net cash outflow from investing activities of P1.9 billion. This translated into a free cash flow of ₱ 233.1 million, which was significantly lower compared with same period in 2013.

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

PSC believes that operating activities and available working capital sources will provide sufficient liquidity in 2015 as it continues to expand its store base. This will enable the Company to fund its capital expenditures, pay dividends and other general corporate purposes.

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

The following are the discussion of the sources and uses of cash in 2014.

	2014	2013	Variance	
	(in million PhP)		Value	Percentage
Income before income tax	**1,255.3**	983.4	271.8	27.6
Depreciation and amortization	**862.8**	709.5	153.2	21.6
Working capital changes	**57.5**	151.8	(94.3)	(62.1)
Net cash from operating activities	**2,175.5**	1,844.7	330.8	17.9
Additions to property and equipment	**(1,653.6)**	(1,179.3)	(474.3)	40.2
Increase in other assets	**(288.8)**	(134.0)	(154.7)	115.4
Net cash used in investing activities	**(1,942.3)**	(1,313.3)	(629.0)	47.9
Net availment of bank loan	**190.0**	82.2	107.8	131.1
Payment of cash dividend	**(137.5)**	(39.9)	(97.7)	245.0
Interest paid	**(16.9)**	(15.8)	(1.1)	7.1
Net cash from financing activities	**35.5**	26.5	9.0	33.9
Effect of exchange rate changes on Cash and Cash Equivalents	**0.0**	(0.2)	0.2	(111.2)
Net increase in cash	**268.7**	557.7	(289.0)	(51.8)
Cash and cash equivalent, beginning	**973.0**	415.3	557.7	134.3
Cash and cash equivalent, ending	**1,241.7**	973.0	268.7	27.6

Cash Flows from Operating Activities

Net cash generated from operating activities in 2014 totaled to ₱ 2.1 billion, 21 percent higher compared to ₱ 1.8 billion generated in 2013. The improvement in operating cash flow can be attributed to the growth in net income and working capital contribution resulting from higher level of current liabilities.

Cash Flows from Investing Activities

Net cash used in investing activities, primarily for capital expenditures, rose by 53.0 percent to almost ₱ 1.95 billion. Major cash outlay went to new store constructions and renovations and acquisition of new equipment to support new product lines. There were 273 new stores that opened in 2014, up by 86 stores or 46.0 percent over 2013 same period.

Cash Flows from Financing Activities
Net cash flow from financing activities reached ₽ 34.6 million representing net availments of new short-term loans in the amount of ₽ 190 million and payment of 30-centavo cash dividend totaling to ₽ 137.5 million.

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

Discussion of the Company's Key Performance Indicators

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

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

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

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

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

Full Year	**2014**	**2013**	**% change**
System wide Sales (in '000s)	**20,571,035**	17,240,457	19.3
Revenue from Merchandise Sales (in '000s)	**17,107,375**	14,133,649	21.0
EBITDA (in '000s)	**2,134,224**	1,709,197	24.9
EBITDA Margin *	**12.5%**	12.1%	3.2
EBIT Margin *	**7.4%**	7.1%	5.1
Net income (in '000s)	**873,345**	682,628	27.9
Net Income Margin *	**5.1%**	4.8%	6.4
Return on Equity	**30.0%**	30.7%	(2.4)
Earnings Per Share	**1.91**	1.49	28.2

** Margin is calculated based from revenue from merchandise sales*

System wide sales generated by all 7-Eleven stores continued with its upward trajectory by posting growth of 19.3 percent to almost ₽ 20.6 billion at the end of 2014.

The increase in total sales can be attributed to the opening of new stores and improvement in average sales of mature stores.

At the end of the year, 7-Eleven stores in the Philippines totaled to 1,282, up by 273 stores or 27.1 percent from same period in 2013.

EBITDA margin improved to 10.4 percent of system wide sales from 9.9 percent during the same period in 2013. As percentage of revenue from merchandise sales, EBITDA rose to 12.5 percent from 12.1 percent.

This was largely driven by the increase in operating income resulting from the faster rate of increase in sales by 27.2 percent compared to the 22.0 percent increase in SG & A expense. Operating income or EBIT margin stood at 7.4 percent of revenues from 7.1 percent in 2013.

Net income rose by 27.9 percent to ₱ 873.3 million, translating into a net margin and EPS of 5.11 percent and ₱ 1.91, respectively.

Financial Soundness Indicator

Full Year	Formula	2014	2013
Liquidity Ratio			
Current ratio	Current Assets/Current Liabilities	**0.80**	0.83
Quick ratio	Cash + Receivables/Current Liabilities	**0.43**	0.46
Financial Leverage			
Debt ratio	Total Debt/Total Assets	**0.58**	0.58
Debt to equity ratio	Total Debt/Total Equity	**1.40**	1.37
Interest coverage	EBIT/Interest charges	**78.51**	61.53
Asset to equity ratio	Total Assets/Total Equity	**2.40**	2.37
Profitability Ratio			
Gross profit margin	Gross profit/Revenue from merchandise sales	**24.82%**	24.57%
Net profit margin	Net income/Revenue from merchandise sales	**5.11%**	4.83%
Return on assets	Net income/Total Assets	**11.08%**	11.33%
Return on equity	Net income/Average Equity	**29.96%**	30.70%
Price/earnings ratio	Stock price (end of year)/EPS	**44.24**	67

Discussion and Analysis of Material Events and Uncertainties

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

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

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

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

5. The Company’s financial risk management objectives and policies are discussed in Note 30 of the December 31, 2014 Notes to Audited Consolidated Financial Statements.

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

SIGNATURES

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

Registrant: **PHILIPPINE SEVEN CORPORATION**

JOSE VICTOR P. PATERNO
President and CEO
June 10. 2015

PING-HUNG CHEN
Treasurer and CFO
June 10, 2015

LAWRENCE M. DE LEON
Head
Finance & Accounting Services Division
June 10, 2015

A. Description of the General Nature and Scope of Business of the Company and its Subsidiaries

Philippine Seven Corporation ("PSC") was registered with the Securities and Exchange Commission ("SEC") on November 23, 1982. It acquired from Southland Corporation (now Seven Eleven, Inc. or "SEI") 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 28, 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 2, 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. PSC listed its shares (SEVN) in the Philippine Stock Exchange and had its initial public offering in February 04, 1998. The shares were offered at the price of P4.40 per share from its par value of P1.00 per share. 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 (Labuan) Holdings, Ltd. (PCSL), a Malaysian investment holding company, 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. PCSL is affiliated with President Chain Store Corporation, which is also the 7-Eleven licensee in Taiwan operating about 2,700 stores. This provided alliance to source for technical support to strengthen PSC's organizational structure and operating systems and pursue store expansion plans on sound and profitable basis. A new affiliate, Store Sites Holding, Inc., was also established on November 9, 2000, as the entity to own land properties. These land properties are leased to PSC by SSHI.

PSC's area license to operate 7-Eleven Stores in the Philippines was renewed in August 31, 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 as of September 25, 2007.

PSC initiated the establishment of PhilSeven Foundation, Inc. (PFI) in October 2, 2007 to support its corporate social responsibility programs. PFI was granted a certificate of registration by DSWD on August 6, 2010, after completing the 2-year operations requirement. BIR issued a certificate of registration to PFI dated December 21, 2011 recognizing PFI as a donee institution. In May 10, 2013, BIR renewed for another 3 years PFI's certification as donee institution in accordance with RR No. 13-98. In October 10, 2013, PFI became a member of the League of Corporate Foundations, Inc.

The company had a manpower complement of 4,164 personnel, 902 of whom are regular employees, 153 contractual/probationary and 3,109 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 a PSC Employees Council which communicates to management the employees concerns. There has been no strike or threat to strike from the employees for the past three years.

The Company has a Retirement Benefit Plan which aims to provide, through a retirement fund, for the payment of retirement, disability, death or separation benefits to its employees or their beneficiaries as the case may be. Further, in accordance with employees' benefits program, the Company provides health and life insurance coverage, wellness program, and work leaves under the law and company policies. The company provides all regular employees with Health Insurance where they are eligible for in-patient care, out-patient care, emergency care, dental care, surgical procedures and other sophisticated procedures and maternity benefits. Employees are also covered with Group Life and Accident Insurance Plan which serves as protection in case of death, whether natural cause or accident, and dismemberment. Wellness program are also provided to the employees to further improve health and fitness among them thereby increasing productivity in the workplace.

Recognizing the need of employees for growth, training and development programs are regularly provided by PSC across all levels. For Senior Management and Officers, the company conducts a Leadership Academy & Mentor's Leadership Training Program with the objective in line with the Company's succession planning program. In-house trainings are also provided by the Company to employees with specialist and rank & file level. Topics of these trainings range from basic communication, basic negotiation, and project management, operational trainings among others, these are offered quarterly, every two months or at least twice a year. These trainings are designed to augment and develop the employee skills and competencies.

The top risks in retail industry to which PSC belongs include economic slowdown, increase in competition and brand reputation. Meanwhile, the main risks arising from the Company's financial instruments are credit risk, liquidity risk, and interest rate risk. The Audit Committee ensures the integrity of internal control activities, develops, oversees, checks and preapproves financial management functions and systems in the areas of credit, market, liquidity, operational, legal and other risks and crisis management. The Internal Audit Division and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities.

At year end, PSC is operating 1,281 stores, 563 of which are franchise stores under FC1, 180 franchise stores under FC2, and the remaining 538 are company-owned stores. The store franchise contracts have a minimum term of 5 years each, renewable for a similar term. The stores under franchise are indicated in the store list provided in the discussion of Leases herein.

PSC continually observes the activities of its major competitors in line with its strategy to maintain its leadership in the Convenience Store ("C-Store") Industry. Entry of foreign brand C-Stores increase in 2014 and a number of other generic or hybrid stores or grocery stores including gas marts continue to be present. PSC has forged a non-exclusive tie-up with Chevron Philippines Inc. in August 2009 for opening of 7-Eleven stores in selected Caltex gas stations and there are 50 7-Eleven Stores as of 2014. Another non-exclusive tie-up was concluded in May 2011 with Total (Philippines) Corporation to establish 7-Eleven Stores in identified Total gasoline stations. The Company continues 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, PSC maintains its leadership in the industry. The Corporation estimates its market share in branded C-store businesses as of December 31, 2014, in terms of number of C-store outlets in Luzon and Visayas, as follows:

	Number of C- stores	*Market Share (as of 31 Dec 2014)*
7-Eleven	*1,282*	*49%*
Mercury Drug Self Serve	*700*	*27%*
Ministop	*479*	*18%*
Family Mart	*86*	*3%*
San Mig Food Ave.	*49*	*2%*
Alfamart	*23*	*1%*
Circle K	*3*	*0%*
TOTAL	*2,622*	*100%*

PSC addresses the threat of competition with expansion and maintaining its dominance in the market. 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 Company expanded operation of 7-Eleven Stores in Visayas in July 2012 and has a total of 103 stores operational, consisting of 76 stores in Cebu, 17 in Negros Occidental and 10 in Iloilo as of end of 2014. PSC shall pursue its expansion in Mindanao for 2015.

The average number of customers that transact in the stores is about 950 per day per store with an average purchase transaction of about P 54.00. The stores carry a wide range of beverages, food service items, fresh foods, hot foods, frozen foods, confectioneries, cookies and chips, personal care products, groceries and other daily needs and services for modern convenience 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 but not limited thereto:

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	Renewed as of Aug. 19, 2012
2. Super Big Bite	Sandwiches, hotdogs and buns	Aug. 29, 2003	Registered for 15 years from Aug. 29, 2003 to Nov. 17, 2018
3. Big Gulp	Post-mix fountain beverage, prepared with a variety of high quality syrups	Nov. 16, 1992	Renewed as of Nov. 16, 2012

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

TRADEMARKS	DESCRIPTION OF PRODUCT	APPLICATION DATE	STATUS OF REGISTRATION
1. MEDI-EXPRESS	Pharmaceutical	19 January 2006	Registered for 10 years (14 April 2008 to 14 April 2018)
2. HOTTA RICE	Ready-to-eat rice meals with different variants	22 September 2008	Registered for 10 years (23 February 2009 to 23 February 2019)
3. CRISP BITES	hot and fried snacks	17 December 2013	With Notice of Allowance of Registration published on 26 August 2014
4. FUNDAE CONE	Ice cream/Sundae	16 December 2013	Application pending
5. BUSOG MEALS	Budget rice meals	24 January 2014	With Notice of Allowance published in July 2014.

6. **HOT POT**	Stewed savory snack with different variants	27 March 2014	With Notice of Allowance of Registration published on 20 October 2014
7. **BIG TIME MEALS**	Rice meals	12 August 2014	Application pending
8. **CHEF CREATIONS**	Affordable, Chef-quality meals	22 September 2014	Application pending
9. **CITY BLENDS**	on-the-go premium coffee	22 September 2014	With Notice of Allowance published last 26 January 2015.
10. **CLIQQ (LOGO)**	provides a fun and interactive all-in-one kiosk that caters a wide range of services	22 September 2014	With Notice of Allowance published last 26 January 2015.
11. **EVERY DAY!**	7-Eleven corporate tagline	22 September 2014	Application pending
12. **EVERY DAY! REWARDS**	store loyalty program	22 September 2014	Application pending
13. **EVERY DAY! WIFI**	store wifi	29 October 2015	Application pending
14. **FUNDAE FROYO**	yogurt in a cup	22 September 2014	Application pending
15. **HOTTAULAM!**	pinoy rice meal variants that can be bought without rice	22 September 2014	Application pending
16. **SIKSIK MEAL DEALS**	a combo promo of BigBite hotdog or Siopao with Gulp softdrink	22 September 2014	With Notice of Allowance published last 16 February 2015.
17. **SOFT BITES**	Bread and bakery line	22 September 2014	With Notice of Allowance published in January 2015
18. **7-ELECTION**	An informal and unique voting campaign through Gulp cups	22 September 2014	Pending application
19. **TRAIL LOGO**	Charitable fund raising activities; event sponsorship for a cause.	08 October 2014	With Notice of Allowance of Registration issued 12 February 2015 for publication
20. **RUN LOGO**	Charitable fund raising activities; event sponsorship for a cause	08 October 2014	Application pending
21. **TOUR LOGO**	Charitable fund raising activities; event sponsorship for a cause	08 October 2014	Application pending
22. **PRIMA**	represents premium line for coffee product 'City Blends'	18 February 2015	Application pending

Further, the products or services carried by the stores as described above are generally categorized as General Merchandise which accounts for 76.84%, Food Service and Cupdrinks for 22.71% and Services at 0.45%.

The merchandise stocks are supplied by over 350 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 Unilever Philippines Inc., San Miguel Foods Inc., Coca Cola Bottlers Phils. Inc., Pepsi Cola Products Philippines Inc., Absolute Sales Corp., Universal Robina Corporation, PMFTC Inc., British American Tobacco Philippines Ltd., Nestle Philippines Inc. and Del Monte Philippine Inc. These top suppliers account for 49.48% share in the 7-Eleven business**.**

B. Market Price of and Dividends on Registrant's Common Equity and Related Stockholders Matters

Market Information

The Company's common shares were listed in the Philippine Stock Exchange (PSE) on February 04, 1998.

The public ownership level of the Company's shares is 32.37% as of March 31, 2015. This is above the minimum public ownership requirement of 10%.

The trading record of the Company's shares as of December 31, 2013 and 2014 are as follows:

December 31, 2013

Month	Open	High	Low	Close	Volume
1st Quarter	94.00	94.00	94.00	94.00	200
2nd Quarter	89.00	91.00	89.00	91.00	5,260
3rd Quarter	109.00	109.00	109.00	109.00	280,000
4th Quarter	99.00	99.00	98.00	98.50	1,010

December 31, 2014

Month	Open	High	Low	Close	Volume
1st Quarter	98.40	98.50	98.00	98.00	540
2nd Quarter	87.90	87.90	87.90	87.90	310
3rd Quarter	89.00	91.30	89.00	91.00	17,190
4th Quarter	89.00	89.00	84.00	84.50	125,950

Latest Trading – updated as of June 2015

Month	Open	High	Low	Close	Volume
January 30, 2015	89.50	90.00	89.50	90.00	11,280
February 27, 2015	95.50	97.00	95.50	97.00	1,130
March 31, 2015	109.00	110.20	109.00	110.20	1,640
April 30, 2015	113.00	115.00	112.00	114.00	19,570
May 28, 2015	123.00	126.00	123.00	125.00	151,080
June 3, 2015	125.00	125.00	124.90	125.00	880
June 4, 2015	124.90	124.90	124.90	124.90	20
June 8, 2015	124.90	124.90	124.90	124.90	450,000

Dividends and Dividend Policy

PSC considers the benefit of its shareholders as one of its priority management policies. It aims to sustain revenue stream and progressive growth to further enhance shareholder value. PSC shall continue to return capital to shareholders through a sustainable dividend policy. Effective 2015, the Company intends to pay at least 20% of annual net profits by way of cash dividends. This considers future capital requirements and potential growth opportunities. The Board regularly reviews the dividend policy, including the frequency of distribution, taking into account all of the above.

Dividends to be paid in cash by the PSC are subject to approval by a majority of the Board of Directors and no further approval from the PSC's shareholders is required. Dividends to be paid in the form of stock requires both the approval of a majority of the Board of Directors and the approval of shareholders representing not less than two-thirds of PSC's outstanding capital stock. All dividends to be declared are subject to the approval of the SEC. There are no known restrictions to the PSC's ability to pay dividends on shares.

As per SEC Rules, cash dividends declared by a stock corporation must have a record date not less than 10 or more than 30 days from the date the cash dividends are declared. With respect to stock dividends, the record date shall be not less than 10 or more than 30 days from the date of shareholders' approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

A cash dividend of thirty centavos (Php 0.30) per share was declared and approved during the board of directors meeting last April 24, 2014. Stockholders of record as of May 23, 2014 were entitled to said cash dividend and the corresponding cash payments were paid to stockholders on payment date last June 18, 2014. Total outstanding capital stock of the Corporation after the payment date of the cash dividend is still 458,435,323.

In 2015, a cash dividend of forty centavos (Php 0.40) per share was declared and approved during the board of directors meeting last April 23, 2015. The record date for the said cash dividend is on May 08, 2015 and the payment date on May 22, 2015. Total outstanding capital stock of the Corporation after the payment date of the cash dividend is still 458,435,323. Likewise, there was no sale of any unregistered securities. There is no restriction that limits the ability of the Company to pay dividends on common equity. Below is the summary of cash and stock dividend declaration of the Corporation.

YEAR	CASH	AMOUNT	STOCK	NO. OF SHARES
2015	0.40	183,374,129	-	-
2014	0.30	137,530,597	-	-
2013	0.10	39,863,941	15%	59,795,912
2012	0.10	34,664,297	15%	51,996,445
2011	0.10	30,142,867	15%	45,214,300
2010	0.05	14,353,746	5%	14,353,746
2009	-	-	10%	26,097,720
2008	-	-	10%	23,725,200

Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

There was no sale of any unregistered securities or exempt securities for the past three (3) years.

Holders

As of May 31, 2015, there were 639 shareholders of the Company's outstanding common shares totaling 458,435,323 shares.

The top 20 shareholders and their corresponding shareholdings as of May 31, 2015 are as follows:

TOP 20 SHAREHOLDERS	CITIZENSHIP	SUBSCRIPTION	% HOLDINGS
1. President Chain Store (Labuan) Holdings, Ltd.	Malaysian	236,376,070	51.56%
2. PCD Nominee Corporation (Non-Filipino)	Non-Filipino	62,562,441	13.65%
3. Arisaig Asia Consumer Fund Ltd.	BVI	48,020,358	10.47%
4. Asian Holdings Corporation	Filipino	30,671,003	6.69%
5. Agus Development Corporation	Filipino	12,956,310	2.83%
6. Jose Victor P. Paterno	Filipino	11,983,375	2.61%
7. Progressive Development Corp.	Filipino	11,510,552	2.51%
8. PCD Nominee Corporation (Filipino)	Filipino	8,949,984	1.95%
9. Ma. Cristina P. Paterno	Filipino	8,000,045	1.75%
10. Ma. Elena P. Locsin	Filipino	6,962,534	1.52%
11. Paz Pilar P. Benares	Filipino	5,665,971	1.24%
12. Ma. Teresa P. Dickinson	Filipino	5,008,310	1.09%
13. Maria Henrietta R. Santos	Filipino	2,031,905	0.44%
14. Seven Eleven, Inc. (Formerly: The Southland Corp)	American	1,783,249	0.39%
15. Dante G. Santos	Filipino	1,773,291	0.39%
16. Antonio Jose U. Periquet Jr.	Filipino	927,007	0.20%
17. Manuel U. Agustines	Filipino	813,755	0.18%
18. Antonio Diaz Sta Maria	Filipino	193,228	0.04%
19. Felicia R. Santos	Filipino	156,623	0.03%
20. Luis Y. Locsin	Filipino	115,904	0.03%
20. Leandro Y. Locsin Jr.	Filipino	115,904	0.03%
TOTAL OF TOP 20 SHAREHOLDERS		**456,577,819**	**99.59%**
OTHER SHAREHOLDERS		**1,857,504**	**0.41%**
TOTAL		**458,435,323**	**100.00%**

Discussion on 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 2007 Corporate Governance Scorecard and Survey Form as per SEC Memo Circular No. 2 dated 09 August 2007.

10. August 07, 2008 - Holding of Corporate Governance seminar conducted by Sycip Gorres Velayo & Company to all executive officers and senior management of the Corporation.

11. October 2007 – Creation of PhilSeven Foundation Inc. to support the CSR program of PSC.

9. November 10, 2008 - Submission of 2008 Corporate Governance Scorecard for Publicly Listed Company to SEC.

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.

11. March 26, 2009 – participated in Corporate Governance Scorecard survey sponsored by Asian Institute of Management.

12. December 18, 2009 - Submission of 2009 Corporate Governance Scorecard for Publicly Listed Company to SEC.

13. August 24, 2009 - Adoption of Code of Ethics

14. July 29, 2010 - Adoption of Self-rating scorecard for directors and the Board

15. November 15, 2010 - Submission of Online Corporate Governance Scorecard to Institute of Corporate Directors

16. January 28, 2011 - Accomplished and submitted PSE Corporate Governance Disclosure Survey Form for 2010

17. February 11, 2011 - Revised Internal Audit Charter

18. January 21, 2011 – Submission and compliance of minimum public float pursuant to PSE Memorandum

19. September 15, 2011 - Became signatory to the Integrity Pledge: A commitment to ethical business practices and good corporate governance

20. October 18, 2011 – Execution of Memorandum of Understanding (MOU) between Philippine Seven Corporation (PSC) and PhilSeven Foundation (PFI) providing that PFI shall implement the CSR programs of PSC and PSC has committed to donate each year to PFI ½ of 1% of PSC's annual net income before tax.

21. December 05, 2011 – Participation in the Corporate Governance Scorecard of the Institute of Corporate Directors (ICD)

22. January 01, 2012 - Issued Policy on Director's Fee for Independent Directors

23. February 08, 2012 - Accomplishment of Self Assessment Forms for the Board of Directors and Directors

24. March 21, 2012 - Accomplished and submitted PSE Corporate Governance Disclosure Survey Form for 2011

25. May 2012 - PSC recognized as Silver Awardee for the ICD 2011 Corporate Governance Scorecard

26. September 30, 2012 - Adoption of Audit Committee Charter and an evaluation process to assess the Committees performance

27. Participated in 2012 Corporate Governance Trainings/Seminars:

    a. August 30-31, 2012 - Enterprise Risk Management: Robust framework to identify, assess and manage risks
    b. September 9, 2012 - 2nd Integrity Summit: Driving Culture to Change by Makati Business Club/European Chamber of Commerce (ECCP)
    c. September 11, 2012 - ASEAN CG Scorecard Launch by Institute of Corporate Directors

28. January 01, 2013 - Adopted the Insider Trading Policy (Trading Blackouts)

29. January 30, 2013 - Accomplished and submitted PSE Corporate Governance Disclosure Survey Form for 2012

30. April 2013 - Accomplishment of Self Assessment Forms for the Board of Directors and Directors

31. July 1, 2013 - Submission of Annual Corporate Governance Report (ACGR) pursuant to SEC Memo Circular No. 5 Series of 2013

32. Participated in 2013 Corporate Governance Trainings/Seminars:

    a. March 5, 2013 - FORUM 11: SEC Reforms to Strengthen an Ethical and Competitive Business Environment
    b. March 20, 2013 - ASEAN CG Scorecard Information Briefing by Institute of Corporate Directors
    c. March 20, 2013 - Rountable Discussion: Commercial Arbitration, What a Corporate Director Should Know by Institute of Corporate Directors
    d. August 15 & 22, 2013 - Enhancing Audit Committee Effectiveness by Institute of Corporate Directors
    e. September 19, 2013 - 2nd Integrity Initiative, "Building Nation with Integrity" by Makati Business Club and European Chamber of Commerce (ECCP)
    f. November 15, 2013 - Mastering the ASEAN Corporate Governance Scorecard by Institute of Corporate Directors
    g. November 26, 2013 - 2nd Philippine International Corporate Governance Forum by CG Asia
    h. November 26, 2013 - ACMF Industry Consultation on ASEAN Disclosure Standards and Review Framework by Securities and Exchange Commission
    i. December 2, 2013 - PSE Electronic Disclosure Generation Technology System (PSE EDGE)
    j. December 18-20 - PSE EDGE Dry-run by the Philippine Stock Exchange

33. January 21, 2014 - Submission of Board Meeting Attendance pursuant to SEC Memorandum Circular No. 1 Series of 2014

34. January 22, 2014 – Membership in Good Governance Advocates and Practitioners of the Philippines (GGAPP)
35. February 20, 2014- Revised Internal Audit Charter and Revised Audit Committee Charter

36. March 2014 - Accomplishment of Self Assessment Forms for the Board of Directors and Directors

37. March 2014 - Accomplishment of Audit Committee Self-Assessment Work Sheet

38. March 17, 2014 - Accomplished and submitted PSE Corporate Governance Disclosure Survey Form for 2013

39. April 3, 2014 - Adopted: a) Nomination & Governance Committee Charter b) Corporate Governance Framework & Program

40. July 21, 2014, November 27, 2014 & January 14, 2015- Provided CG Training to Directors and Key Officers: Creating Advantage Through Governance conducted by SGV & Co.

41. July 22, 2014 – Amendment of Revised Corporate Governance Manual in compliance with SEC Memo 9-2014

42. July 31, 2014 – Posting in Website of Consolidated Changes to ACGR for the year 2013

43. December 28, 2014 – Completed posting in website of information required under SEC Memo 11-2014

44. Participated in 2014 Corporate Governance Training/Seminar:

    a. January 20-21, 2014 - 2nd Run of PSE Investor Relations Seminar by Philippine Stock Exchange
    b. February 20, 2014 - Clifford Chance – PSE Presentation on Dual-class Share Structures and Current Trends in Corporate Governance
    c. April 21,2014 - ASEAN Corporate Governance Scorecard Workshop on ACGS
    d. April 26, 2014 - AIG Seminar on What will you do when the regulator comes knocking?!
    e. June 30, 2014 – SEC Seminar on Corporate Governance for Publicly Listed Companies
    f. November 21, 2014 - Securities Exchange Commission-Philippine Stock Exchange Corporate Governance Forum
    g. August 28, September 4-5 & 11-12, 2014 – Institute of Corporate Directors Professional Director's Program
    h. September 22, 2014 - PSE Electronic Disclosure Generation Technology System ("PSE EDGE") Training
    i. November 24, 2014 - 2014 Annual Listing & Disclosure Rules Seminar

45. 2014-2015 - Participated in best practice and knowledge-sharing events organized by GGAPP.

46. January 05, 2015 - Submission of Board Meeting Attendance pursuant to SEC Memorandum Circular No. 1 Series of 2014

47. January 10, 2015 – Posting in website of Consolidated Changes to ACGR for the year 2014 in compliance with SEC Memo 12-2014

48. March 30, 2015 - Accomplished and submitted PSE Corporate Governance Disclosure Survey Form for 2014

49. April 15, 2015 – Submitted as attachment to SEC Form 17-A attached Consolidated ACGR 2014 as required by SEC

50. Participated in 2015 Corporate Governance Training/Seminar:

    i. February 23, 2015 - Corporate Governance Round Table Discussion with PLC's Compliance Officers

ii. May 5, 2015 – Follow up session on Corporate Governance Round Table Discussion with PLC's Compliance Officers

The Consolidated Changes to ACGR for the year 2014 is posted on the Corporate Governance section of PSC's website in the link below.
http://www.7-eleven.com.ph/files/2014%20ACGR%20Consolidated%20Changes%201-8-15%20formatted.pdf.

Risk Management

PSC recognizes that risk management is an integral part of sound management practice and good corporate governance as it improves decision-making and enhances outcomes and accountability. PSC acknowledges its responsibility to manage risks and supports a structured, systematic and focused approach to managing them by approval of the risk management strategy.

The top risks in retail industry to which PSC belongs include economic slowdown, increase in completion and brand reputation. Meanwhile, the main risks arising from the Company's financial instruments are credit risk, liquidity risk, and interest rate risk. The Audit Committee ensures the integrity of internal control activities, develops, oversees, checks and preapproves financial management functions and systems in the areas of credit, market, liquidity, operational, legal and other risks and crisis management. The Internal Audit Division and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities.

The PSC Board of Directors or Executive Committee, via the Audit Committee, oversees the establishment and implementation of the risk management system and annually reviews the effectiveness of the system. In particular the Audit Committee considers on a regular basis whether:

- PSC's ongoing risk management program identifies all material and critical areas of risk;
- Adequate risk mitigation strategies have been designed and implemented by PSC to manage all material and critical identified risks;
- PSC undertakes a regular program of audits (Internal Audit, Compliance Audit and External Audit) to test the effectiveness of internal controls and compliance with PSC's prescribed policies; and
- Timely remedial action is undertaken to redress areas of weakness.

The Audit Committee also reviews and approves PSC's risk management policy.

List of Directors, Corporate Officers, Executive Committee and Board Committees Chairmen and Members

BOARD OF DIRECTORS

Name		Position
1. Jose T. Pardo	-	Chairman of the Board and Independent Director
2. Nan-Bey Lai	-	Vice-Chairman and Director
3. Jose Victor P. Paterno	-	President & Director
4. Jui-Tang Chen	-	Director
5. Mao-Chia Chung	-	Director
6. Lien-Tang Hsieh	-	Director
7. Wen-Chi Wu	-	Director
8. Jorge L. Araneta	-	Director
9. Antonio Jose u. Periquet, Jr.	-	Independent Director
10. Michael B. Zalamea	-	Independent Director

EXECUTIVE COMMITTEE

Name		Position
1. Jose T.Pardo	-	Chairman of the Board & the Executive Committee and Independent Director
2. Jose Victor P. Paterno	-	Member and President/CEO
3. Antonio Jose U. Periquet, Jr.	-	Member and Independent Director
4. Michael B. Zalamea	-	Member and Independent Director
5. Ping-Hung Chen	-	Member and Treasurer/ CFO and Vice President for Finance & Administration
6. Ying-Jung Lee	-	Member and Vice President for Supply Chain

AUDIT COMMITTEE

Name		Position
1. Antonio Jose U. Periquet, Jr.	-	Chairman and Independent Director
2. Michael B. Zalamea	-	Member and Independent Director
3. Jose Victor P. Paterno	-	Member and President/CEO

COMPENSATION COMMITTEE

Name		Position
1. Nan-Bey Lai	-	Chairman and Vice-Chairman of the Board
2. Jose Victor P. Paterno	-	Member and President/CEO
3. Michael B. Zalamea	-	Member and Independent Director
4. Ping-Hung Chen	-	Non-voting member and Treasurer/ CFO and Vice President for Finance & Administration
5. Ying-Jung Lee	-	Non-voting member and Vice President for Supply Chain

NOMINATION & GOVERNANCE COMMITTEE

Name		Position
1. Jose T. Pardo	-	Chairman of the Board & the Committee and Independent Director
2. Michael B. Zalamea	-	Member and Independent Director
3. Jose Victor P. Paterno	-	Member and Director
4. Evelyn S. Enriquez	-	Non-voting member and Corporate Secretary

CORPORATE OFFICERS

1. Chin-Yen Kao	-	Honorary Chairman of the Board
2. Jose T. Pardo	-	Chairman of the Board and Independent Director
3. Nan-Bey Lai	-	Vice-Chairman
4. Jose Victor P. Paterno	-	President & CEO
5. Ping-Hung Chen	-	Treasurer/CFO and Vice-President for Finance & Administration
6. Evelyn S. Enriquez	-	Corporate Secretary & Compliance Officer

** Vicente T. Paterno- Chairman of the Board and Director in PSC until his demise in November 21, 2014*
*** Diana P. Aguilar- Director in PSC until her resignation in January 20, 2015*

ANNEX "B"

MINUTES OF THE MEETING OF THE STOCKHOLDERS
PHILIPPINE SEVEN CORPORATION
RUBY B, LEVEL 4 CROWNE PLAZA GALLERIA MANILA
ORTIGAS AVENUE CORNER ADB AVENUE, QUEZON CITY
JULY 22, 2014
2:00 P.M.

TOTAL NUMBER OF SHARES OUTSTANDING	-	**458,435,323**
TOTAL NUMBER OF SHARES HELD BY THE STOCKHOLDERS PRESENT AND/OR REPRESENTED	-	**401,820,620**

Directors in Attendance:

1. Vicente T. Paterno - Chairman of the Board and Director
2. Jose Victor P. Paterno - President and Director
3. Jorge L. Araneta - Director
4. Diana Pardo-Aguilar - Director
5. Antonio Jose U. Periquet - Independent Director and Chairman of Audit Committee
6. Michael B. Zalamea - Independent Director

PROCEEDINGS OF THE MEETING

I. CERTIFICATION OF QUORUM AND CALL TO ORDER

Upon request of the Chairman, Mr. Vicente T. Paterno, the Corporate Secretary, Atty. Evelyn S. Enriquez, announced that Philippine Seven Corporation's (the "Corporation" or "PSC") stock and transfer agent, BDO Unibank Inc. – Trust & Investment Group (BDO- TIG), in accordance with the Code of By-laws, sent copies of the Notice and Agenda of the meeting, together with Information Statement, 2013 Annual Report and Proxy Form to all stockholders of record as of June 05, 2014 by personal delivery and by mail. The Notice and Agenda was also published in the Classified Section of the July 01, 2014 issue of the Philippine Star. She reported the computation of PSC's Stock and Transfer Agent that out of 458,435,323 shares of stock outstanding and entitled to vote, 401,820,620 shares or 87.65% were represented at the meeting in person and/or by proxy. The Corporate Secretary then certified the existence of a quorum. Thereupon, the Chairman called the meeting to order.

II. APPROVAL OF MINUTES OF THE LAST STOCKHOLDERS' MEETING

The Chairman proceeded to the next item in the agenda which was the approval of the Minutes of the annual meeting of the stockholders held on July 18, 2013. It was manifested by the Corporate Secretary that the Minutes of said meeting were appended to the Definitive Information Statement sent to all stockholders of record as of June 05, 2014 and also provided in the materials distributed to the stockholders in this meeting. On motion duly made and seconded, the stockholders dispensed with the reading of minutes of the last stockholders' meeting of the Corporation held on July 18, 2013 and approved the same as recorded.

III. MANAGEMENT REPORT AND APPROVAL OF 2013 AUDITED FINANCIAL STATEMENTS

The Chairman announced that the next item in the agenda is the Report on Review of Operations and he requested the Treasurer/CFO, Mr. Ping-Hung Chen, to render first the financial highlights of the audited consolidated financial statements for Y2013 for an overview of operations results.

Mr. Chen reported to the stockholders that 2013 is an important milestone for the Corporation. It did not only reach to 1000 stores but also hit a record high profitability. Net income went up 47% to P683 M. This is driven by total merchandise sales which went up 21% to P14.1 B. From year 2009 to 2013, net income increased from P156 M to P683 M, with an average growth rate of 44.7%. From 2009 to 2013, the store number increased from 447 to 1009; system-wide sales increased from P7.1 B to P17.2 B. Total assets increased 30% to P6 B. This is due to the increase from cash, inventory and equipment. Due to improved profitability, total cash inflow from operating activity went up 107% to P1.8 B. Total cash outflow from investing activity went up 41% to P1.2 B, P68 M was utilized to support store expansion. Total cash inflow for financing activities is P26.5 M which is due to loan availment and payment of dividend. Hence, cash and cash equivalent ending balance went up 134% to P973 M. Due to better profitability and more healthy balance sheet, Return on Equity (ROE) increased to 30.7%, EBITDA margin increased to 12% and net margin increased to 4.8 %.

The Board Chairman, Mr. Vicente Paterno, then read his message to the stockholders, followed by the President, Mr. Jose Victor P. Paterno, reporting the 2013 Review of Operations. Print copies of the 2013 Annual Report and Audited Financial Statements were distributed to the stockholders during the meeting. The copies of the Message of the Chairman to the Shareholders and the President's 2013 Review of Operations are attached to these minutes as **Annexes "A" and "B"**, respectively.

An open forum followed the reports, wherein the stockholders were given the opportunity to ask questions or give comments. The following queries were asked and answered, among others:

a) A stockholder asked for the reason for the increase in Other Income from P120 M to P240 M and what is the nature of the Other Income. The Chairman requested the Finance Division Head, Mr. Lawrence de Leon to respond and it was explained that such income are from suppliers in the form of penalties in case of delays.

b) A stockholder asked that in the financial statement there was a negative working capital of P500 M and if there was an annual budget and planning to prevent this? The Finance Division Head answered this in the affirmative.

c) A stockholder commented that he noticed that there was no presentation of stock prices last week and the share price went down to P85 and asked for the possible reason. The President replied that we could not ascertain the reason of the traders who buy and sell the stock. A possible reason could be the entry of the 4 biggest retailers in the market and the stockholders traded their shares. A follow up question from the stockholder was if PSC provides guidelines on stock price and why it is not part of the annual report. The President responded that it was part of the Annual Report but the report came out many months after the end of the fiscal year. Another stockholder made a comment that any one may check the stock price at PSE Website and further commented that in his 15 years of trading PSC shares, this is the highest so far.

d) A stockholder asked for a copy of the a Memo from the Human Resource Manager, authorizing a certain employee, other than the stock transfer agent, BDO-TIG, to process the credentials of a stockholder. The Chairman asked the Corporate Secretary to reply. The Corporate Secretary replied that the stock transfer agent representatives seated at the registration table in front of the entrance of the room handles the verification. If he has further concerns it shall be discussed with the STA after the meeting. The stockholder further requested for a certain employee be called for a debate on the floor. Another stockholder made a comment that the request of the earlier stockholder is out of order since this is a stockholders' meeting and not the proper place for debate. The Chairman noted the same and ruled that the matter is not in the agenda and the stockholders' meeting is not the proper forum to act on such matter.

After responding to said questions and comments, on motion duly made and seconded, the stockholders approved and accepted the report on operations for Y2013 and the audited financial statements for the same year, under the following resolution:

> "**RESOLVED**, that the stockholders of the Philippine Seven Corporation hereby approve the 2013 Annual Report and the Audited Consolidated Financial Statements of Philippine Seven Corporation for Y2013 as presented."

IV. RATIFICATION OF ALL CORPORATE ACTS

On motion duly made and seconded, the stockholders unanimously ratified all acts of the Corporation, its Board of Directors, Executive Committee, Board Committees and Management from the last annual stockholders' meeting to the present, as follows:

> "**RESOLVED**, that the stockholders of Philippine Seven Corporation (the "Corporation") hereby approve and ratify all the actions taken by the Corporation's Board of Directors, Executive Committee, Board Committees and Management for Y2013 and up to the present."

V. ELECTION OF MEMBERS OF THE BOARD

The Articles of Incorporation of the Corporation provide for 11 directors. The Corporate Secretary stated that the names of the eleven nominees being presented to the stockholders were submitted to the Nomination Committee in its meeting on April 03, 2014 and were cleared to have complied with the "non-compete" provision of PSC's Code of By-laws. These nominees also include the Final List of Candidates eligible for election as independent directors, pre-screened pursuant to the procedures provided in the SEC Circular No. 16 on the Guidelines on Nomination and Election of Independent Directors. Hence, the following are the nominees submitted to and screened by the Nomination Committee. The Corporate Secretary announced the names of the persons nominated for election as directors/independent directors of the Company as follows (in alphabetical order):

1. Diana Pardo-Aguilar
2. Jorge L. Araneta
3. Jui-Tang Chen
4. Mao-Chia Chung
5. Lien-Tang Hsieh
6. Nan-Bey Lai
7. Vicente T. Paterno
8. Jose Victor P. Paterno
9. Wen-Chi Wu
10. Antonio Jose U. Periquet, Jr. (independent director)
11. Michael B. Zalamea (independent director)

On motion duly made, seconded and unanimously carried, the above-named nominees were nominated as directors and independent directors of the Corporation. There being no objection, the nomination was closed.

On motion duly made, seconded and unanimously carried, the stockholders approved that the body dispense with the individual casting of votes and agreed to vote and count the shares of all the shareholders present and/or represented in favor of the 11 nominees. Hence, the above-named nominees were duly elected as directors of the Corporation for a term of one (1) year and until their successors shall have been duly elected and qualified.

The Chairman directed that the minutes reflect the tabulation of the total number of shares voted and counted in favor of the 11 directors. Based on the tally made by BDO-TIG, the votes cast and counted were as follows:

Name of Director	Votes Received
1. Vicente T. Paterno	395,316,442 or 86.23%
2. Jose Victor P. Paterno	401,485,418 or 87.58%
3. Jorge L. Araneta	398,447,846 or 86.91%
4. Diana Pardo-Aguilar	397,741,762 or 86.76%
5. Jui-Tang Chen	398,447,846 or 86.91%
6. Mao-Chia Chung	398,447,846 or 86.91%
7. Lien-Tang Hsieh	398,447,846 or 86.91%
8. Nan-Bey Lai	401,076,964 or 87.49%
9. Wen-Chi Wu	398,447,846 or 86.91%
10. Antonio Jose U. Periquet, Jr.	401,820,620 or 87.65%
11. Michael B. Zalamea	401,820,620 or 87.65%

VI. APPOINTMENT OF EXTERNAL AUDITOR

The stockholders were informed that present auditor, Sycip Gorres Velayo & Co. (SGV), was appointed Company auditor in 2005. The Audit Committee and the Executive Committee recommend the re-appointment of SGV and SGV has accepted the invitation to stand for re-election this year. SGV has designated a new engagement partner, Ms. Belinda T. Beng Hui, to be assigned in Philippine Seven Corporation. This is to replace last year's audit partner, Ms. Julie Christine O. Mateo, who has reached her fifth year assignment in PSC. This is in compliance with Rule 68 of the Securities Regulation Code requiring the rotation of external auditors or engagement partners who have served the company for a period of 5 consecutive years.

On motion duly made and seconded, the stockholders unanimously approved the re-appointment of Sycip Gorres Velayo & Company as the external auditor of the Corporation for 2014.

> "**RESOLVED**, that the stockholders of Philippine Seven Corporation (the "Corporation") hereby approve and ratify the appointment of Sycip Gorres Velayo and Company (SGV) as the external auditor of the Corporation for Y2014"

VII. APPROVAL OF THE AMENDMENT OF THE THIRD ARTICLE OF THE AMENDED ARTICLES OF INCORPORATION OF THE CORPORATION

The Corporate Secretary informed the stockholders of the resolutions passed by the Board of Directors in its meeting of April 24, 2014, approving the Amendment of the Third Article of the Amended Articles of Incorporation of the Corporation to change the principal Office of the Corporation from Metro Manila, Philippines to specifically state the complete office address as The Columbia Tower, Ortigas Avenue, Mandaluyong City, Metro Manila, Philippines. This is to comply with SEC Circular 6, wherein affected corporations are given until December 31, 2014 to effect the change.

The said resolutions passed by the Board approving the amendment of the Company's Articles of Incorporation requires the approval by at least 2/3 of the stockholders of the Corporation. On motion duly made and seconded, stockholders representing 87.65% of outstanding capital stock of the Corporation approved and ratified the action of the Board under the following resolutions:

> "**RESOLVED**, that the Stockholders of Philippine Seven Corporation (the "Corporation") hereby approve to amend the Third Article of the Corporation's Amended Articles of Incorporation, so that the said article, as herein amended, shall henceforth read as follows:

"THIRD – That the principal office of the Corporation shall be located and established at the The Columbia Tower, Ortigas Avenue, Mandaluyong City, Metro Manila, Philippines; however, the Board of Directors may establish and maintain such branch offices within or outside the country as it may deem convenient or necessary for the business of the Corporation."

"RESOLVED, FURTHER, that any one of the Chairman of the Board, President, Treasurer or Corporate Secretary is hereby authorized to file the necessary petition and other requisite documents and papers to secure approvals from the appropriate government agencies and other entities to implement the foregoing resolution."

VIII. ADJOURNMENT

There being no further business to transact, on motion duly made and seconded, the Chairman adjourned the meeting at 4: 01 in the afternoon. The Chairman thanked all the stockholders for their attendance and participation.

Copies of the Attendance of Stockholders and the Vote Canvassing Results on Actions Approved are attached to this Minutes as **Annexes "C" and "D"**, respectively.

Certified Correct:

EVELYN S. ENRIQUEZ
Corporate Secretary

Attested by:

VICENTE T. PATERNO
Chairman of the Board

Annex "A"

Chairman's Message

Dear Shareholders,

Last year the country suffered serious national calamities. In the month of October, strong earthquakes in Cebu and Bohol caused serious damage to buildings including centuries old stone churches. In the following month typhoon Haiyan, the strongest yet experienced in this country destroyed whole towns in East Visayas and wrought widespread damage in its westward path through the Visayan islands. Destruction caused by this typhoon will take months, in some areas years, to rebuild. Despite the extensive destruction wrought in Central Philippines by these natural calamities and an armed conflict in Zamboanga, the national economy was able to register growth for the year 2013 of 7.2% in Gross Domestic Product (GDP).

In contrast, your company experienced an unusually profitable year in 2013. Systemwide sales rose 29% over the previous year, to PhP17.2 billion. Net income of PhP683 million was an unusually large gain of PhP217 million over 2012; per share earnings rose from PhP1.01 to PhP1.49. Our President will trace such large increase in net income in his report.

During inauguration of your 500th store in June 2010, chairman Gao of our parent company, Taiwan's President Chain Store Corp., challenged your management to double the size of the company, i.e. to open and operate a thousand stores by the end of 2013, just 3-1/2 years hence. Your company met that challenge. Opening of 187 new stores exceeded previous years openings bringing operating stores at end 2013 to over 1,000. Daily customer visits remains at about a thousand, so it means over a million customers visit 7-Eleven stores every day.

Continuing growth of our major market in Luzon requires continuing increase in warehouse facilities. The multistory National Distribution Center (NDC) in Pasig is being expanded from a roofed area of 23,000 square meters. to 30,000 by November this year, with concomitant facilities for receiving, storage, handling, stock picking, cold rooms and dispatch of merchandise according to stores' orders, mainly in four ton lorries. Lorry deliveries to stores are made as often as daily in Metro Manila and environs. Supplier trucks deliver their merchandise on pallets which are handled by forklift until they find their way to the stock picking area.

Suppliers deliver to Pasig National Distribution Center (Pasig NDC) all merchandise (except frozen and some bulk items identified later) for sale in every 7-Eleven store in Luzon and Visayas. Each store electronically orders the merchandise it needs, by 6:00 a.m. All items for the day's delivery are picked and consolidated on pallets to be trucked to stores by lorries in the Mega Manila and Calabarzon areas.

Last year's message quoted a European fund manager that PSC's innovation-driven culture equips us "to better navigate the unique island culture of the Philippines". That drive for innovation is demonstrated in the planning and execution of the move to Visayas, preceded by opening of Luzon's Sison, then of Naga Distribution Centers. Opening of 7-Eleven Visayas stores started in Cebu island with 19 stores in 2012, and a first store in Bacolod City. In 2012 a Regional DC was established in Mandaue, Cebu occupying 6,200 square meters. At year end 2013 Mandaue DC was servicing 56 stores in Cebu and 14 in Bacolod City. It is accessible to East Visayas – Cebu, Bohol, Negros Oriental and to Leyte through ferry to Ormoc. A separate Regional DC of 3,765 square meters now under construction in Iloilo City will be operational by end of 2014. It will service the entire West Visayas - all of Panay island's four provinces of Iloilo, Antique, Capiz, and Aklan with Negros Occidental.

The directive for establishment in Visayas comes from the PSC President, my son Victor, a graduate mechanical engineer, magna cum laude, from Lehigh University. After three years in US as plant engineer, he joined PSC in Operations, and built up our IT and logistics. In 2005, he was chosen President and CEO directly responsible to the Board of Directors. His special interest lies in adapting business models to different (and recently, fast changing) environments.

Marketing

7-Eleven customers in Visayas now follow buying patterns similar to the customers in our early Manila stores. Foods and drinks still make up almost half of our Visayan customers' present market basket. We expect gradual change in their buying habits to take advantage of 7-Eleven convenience for their every day needs. Visayas office is studying how those needs differ from Luzon and how best to serve them. Every Day! Rewards, a loyalty card costing 10 pesos, provides ability to track the nature, amount and location of cardholder purchases. Compiling buying habits of customers will guide marketing through Visayas provinces. In Luzon's early years such data had to be gathered through tedious actual surveys.

Early in 2014, the company staged Run 1000 to benefit victims of Typhoon Yolanda. That Run turnout was a record 17,652 registrants, showing both strong support for typhoon's victims, and confidence that following the event Run 1000 is convenient and well organized. Participation in company sponsored events, be they marathon runs or biking in such large numbers, is higher than like efforts by other companies due to confidence in PSC events and organization. Participants register online, pay in their usual store via our 7-Connect system, and claim their race kits in the same store. Such ease of use of stores and their system for all events heightens the company reputation for reliability and efficiency while keeping the organization trim for commercial uses.

Combining ease of access to customers with a deserved reputation for reliability of our service are important to promote other uses of 7-Eleven stores in our country. While the number of active participants at these events seem insignificant compared to the over a million customers we serve daily, their passion is amplified in social media, with organic reach exceeding that of our main Facebook page in the days following the events.

Facebook is one of several other uses to which the company employs social media. The marketing staff created Facebook in 2009. In 2010 the company had ***152,116*** Facebook friends growing to ***352,801*** in 2011, to ***667,695*** in 2012 and ***1,103,467*** in 2013. Facebook has enabled online promos to be launched since 2010, providing valuable interaction with our customers, and as well a measure of what customers think of the company, our products and our services.

Computer assisted activities within and outside the stores organization have taken many years for the company to build and continually improve. We benefited much from assistance of our licensor, SEI, and even more from our parent company PSPC; they provided us basic convenience store systems. It is time to recognize and thank our in-house systems group and outside Filipino computer expertise who brought our systems and logistics to their present level of excellence and reliability.

May I again offer our thanks to all who helped the company this year - franchisees, company employees, suppliers, bankers, local governments, licensors. Our special thanks on donations for Typhoon Hainan victims from our parent company PCSC and Seven Eleven International. And profound thanks to 7 & I of Japan for a most generous gift of One Million US dollars it gathered from people of Japan to assist the typhoon victims; we transmitted the fund to Habitat for reconstruction of destroyed housing. Again I thank God for His blessings to our company and to my own person.

Vicente Tirona Paterno

Chairman of the Board

Annex "B"

President's 2013 Review of Operations

Dear Fellow Shareholders,

2013 was notable on three fronts: Same store sales grew at their highest rate in company history due to unusual events in the first half of the year. The first piece of our digital strategy, the Every Day! Rewards loyalty card, was launched in November. Finally, we opened our 1,000th store in December, and since then have served over a million customers daily.

Growth in Same Store Sales

The record growth in same store sales that contributed to the sharp rise of 47% in income was due to a confluence of several factors, including dry, warm weather, mid-term elections, and the breakfast bundling promotion. Much of the growth, however, came from a dramatic increase in tobacco sales in the first half of 2013, driven by one-time events unlikely to recur.

The Philippine government increased excise taxes on liquor and tobacco on January 1, 2013, with the steepest increases on the latter - some cigarette brands would eventually nearly double in price. As brands held back price increases in bids to increase market share, supply became scarce. Inventory was hoarded throughout the fragmented supply chain - over 80% of cigarettes are sold through over 1 million independent micro-retailers and the network of small wholesalers and distributors that serve them. Cigarettes became even scarcer when manufacturers responded by restricting supply.

Realizing that such an environment favored retailers with tightly integrated supply chains, we set about exposing sales and inventory data across stores and distribution centers to assure manufacturers that we would neither hoard nor profiteer if they would keep us supplied. Having always leaned towards sharing data for mutual benefit rather than restricting it to gain advantage, enabling end to end supply chain visibility was easier for us than most. Cigarette sales leapt as vendors pumped supply through our system and our stores became known for reliable supply of fairly priced product. By March we restricted purchase to two packs per customer to discourage other retailers from turning to our stores for wholesale supply.

By June sales normalized as the last of the brands passed on price increases and traditional supply chains stabilized. Although the category remains favorable for us as new brands enter the market, drawn by a tax regime that treats incumbents and newcomers equally, such sales jumps (and the income they produce) are unlikely to recur, given the more gradual increase in excise taxes scheduled through to 2017.

Loyalty Card and Digital Strategy

In November we launched Every Day! Rewards, a loyalty card. Customers purchase the card for P10, register via SMS, web, or Facebook, and earn points for every transaction. Points are redeemable for a rotating selection of food and drink, usually in take home sizes, and recently for wifi minutes in our stores.

Within 3 months of launch, the card was used for over 10% of transactions (it took the loyalty card market leader 10 years to achieve the same penetration). To date we have 1M registered cardholders, and have begun mining the rich trove of data with an eye towards increasing visit frequency, which lags that in more developed countries. We have also used loyalty data to successfully revise pricing within one category, after finding that we were the preferred channel for some brands more than others.

This year we are working with vendors to acquire new customers and reward loyal buyers of their brands by sending electronic coupons to cardholders' phones based on purchase data. This has received much interest, as we are told we are the only retailer with this capability. We will also be releasing a loyalty app as smartphone penetration has outpaced expectations, and is currently over 50%.

Getting to know our customers better is the first leg of our digital strategy; other legs will emerge this year and next, driven by our view that convenience stores will play an important role in facilitating access to technology-enabled efficiencies in emerging markets. Although the primary motivation is to more completely serve customers daily needs, we also believe such initiatives serve to differentiate from emerging competition, who lack the necessary scale to follow into this space.

Expansion

We opened 180 stores to end 2013 with 1,009 stores, a 22% growth in store base. Compounded growth rate in store openings since aggressive expansion began (on a store base of 311 at the start of 2008) is also 22%.

Going forward, we aim to increase annual store growth rate to 25%, doubling store count every 3 years. This rate is significant for three reasons. First, we believe 25% growth sufficient to protect share in the rapidly expanding market we expect should current economic trends continue. Second, no chain abroad seems to have managed to grow above this rate for a sustained period, probably due to operational constraints. Finally (and a convenient coincidence), it is the maximal rate that can be financed with internally generated funds given current levels of profitability, franchise ratios, and reinvestment in existing stores.

A store expansion rate of 25% is currently a best guess, and will likely change in response to conditions and unknowns. What will remain unchanged is the determination to protect market share (currently estimated at 60% for chained convenience stores and 30% including independents) in the longer term. Based on our review of publicly listed convenience chains here and abroad, there is an almost linear correlation between operating margin and market share.

Though we can do little to keep competition from building stores in the short term, we will continue to use our experience in site selection and network planning to win the majority of strategically desirable locations – to fight from the high ground, if you will – which has been proven here and elsewhere to lead to dominance in the long term. The discipline of location defensibility has in fact guided (and at times slowed) expansion since 2007.

The foregoing is especially relevant given the impending entry of new players and aggressive expansion plans of incumbents, nearly all of them joint ventures between international convenience chains and large local conglomerates. Competition has strengthened us before, and we welcome the opportunity to prove our mettle yet again against such worthy newcomers. Our confidence stems from our strategic preparedness, but more so from our faith in every member of Team 7-Eleven rising to the challenge and rallying around our shared mission of making daily life more convenient for the Filipino.

In closing we would like to thank our customers for their patronage, our stakeholders for their partnership, and our majority shareholder 7-Eleven Taiwan, who along with our licensor 7-Eleven Enterprises have provided invaluable support and guidance as we continue to adapt the convenience model to the Philippine market.

Jose Victor Paterno
President and Chief Executive Officer

Annex "C"

PHILIPPINE SEVEN CORPORATION
DETERMINATION OF QUORUM
ANNUAL STOCKHOLDERS MEETING - JULY 22, 2014

STOCKHOLDERS'S NAME	NOMINEE	NO. OF SHARES	%
ATTENDANCE IN PROXY			
APOLINARIO, DANTE	CHAIRMAN	3,061	0.00%
CAIGOY, JOSEFINA	CHAIRMAN	1,931	0.00%
CHUNG, MAO-CHIA	CHAIRMAN	1	0.00%
CITIBANK N.A. MANILA	CHAIRMAN	2,144,227	0.47%
DELA PERI, JOSEFINA	CHAIRMAN	1,931	0.00%
DEUTSCHE BANK	CHAIRMAN	12,563,212	2.74%
DEUTSCHE BANK	CHAIRMAN	1,208,941	0.26%
HSBC	CHAIRMAN	55,922,803	12.20%
LAURICIO, AMOR	CHAIRMAN	3,864	0.00%
MARQUEZ, ELMER	CHAIRMAN	1,931	0.00%
PRESIDENT CHAIN STORE	CHAIRMAN	236,376,070	51.56%
ESTADO, JR., MARCELINO	MARCIANA ESTADO/CHAIRMAN	1,564	0.00%
PROGRESSIVE DEVELOPMENT COPR.	CHAIRMAN	11,510,552	2.51%
VALENCIA, JESUS SAN LUIS	CHAIRMAN	10	0.00%
MUERANG, ANALIZA	ALAN MUERANG/CHAIRMAN	1,931	0.00%
YAZON, AMARYLLIS	CHAIRMAN	5,796	0.00%
ENRIQUEZ, EVELYN	JENNIFER AGBUNAG/CHAIRMAN	1	0.00%
ENRIQUEZ, EVELYN	SEVERINO BELTRAN III/CHAIRMAN	1	0.00%
ENRIQUEZ, EVELYN	MARIA ROSARIO CAHILOG/CHAIRMAN	1	0.00%

ENRIQUEZ, EVELYN	JEMOD DE GUZMAN/CHAIRMAN	1	0.00%
ENRIQUEZ, EVELYN	RHODA ANGELI MILLA/CHAIRMAN	1	0.00%
ENAJE, JR., GENARO	MARY GRACE ENAJE/CHAIRMAN	1,931	0.00%
AGUS DEVT. CORP.	**JOSE VICTOR PATERNO**	**12,349,310**	2.69%
BENARES, PAZ PILAR	**JOSE VICTOR PATERNO**	**5,665,971**	1.24%
DICKINSON, MA. TERESA	**JOSE VICTOR PATERNO**	**3,767,950**	0.82%
LOCSIN, MA. ELENA	**JOSE VICTOR PATERNO**	**6,962,534**	1.52%
PATERNO , MA. CRISTINA	**JOSE VICTOR PATERNO**	**8,267,592**	1.80%
ASIAN HOLDINGS CORP.	**DIANA AGUILAR**	**30,671,003**	6.69%
SUB TOTAL		***387,434,121***	**84.51%**
ATTENDANCE IN PERSON			
AGUIILAR, DIANA		**1**	0.00%
ALDAY, RODOLFO (COL)		**50**	0.00%
AMBAL, RONALD (ACCORD)		**1,000**	0.00%
ANGELES, AMPARO		**1,931**	0.00%
APOLINARIO, VIOLETA		**2,551**	0.00%
ARANETA, JORGE		**1**	0.00%
BALUGO, EMELITA (COL)		**39**	0.00%
BALUNGAY, DORIS		**781**	0.00%
BALUNGAY, RENATO		**781**	0.00%
BARJA, EDWARD (COL)		**2**	0.00%
BATACLAN, EDUARDO		**121**	0.00%

BUENAVENTURA, NELDA (COL)		220	0.00%
BUESER, BAYANI		1,864	0.00%
CHUA ENG GEE, BONIFACIO		275	0.00%
DELA CRUZ, YOLANDA		132	0.00%
DELA ROSA, NELIA		19,323	0.00%
ENRIQUEZ, EVELYN		3,568	0.00%
ESQUIVAS, FREYA ELENA		335	0.00%
FERNANDEZ, LIWAYWAY		5,104	0.00%
FLORENDO, GILDA (COL)		780	0.00%
GILI, GUILLERMO		1,931	0.00%
GRUYAL, GREG		230	0.00%
HASELMANN, SEVERIN (COL)		120	0.00%
HIBIONADA, ELISA		1,019	0.00%
LACDO-O, MARIO		1,931	0.00%
LOPEZ, SONIA		1,931	0.00%
LUCERO, LUIS MA.		1,019	0.00%
MAGALLANO, GENCIR		1,341	0.00%
NGO, EDGAR (TANSENGCO)		100	0.00%
NUCUM, LARRY		1,216	0.00%
ONG, JR., JOSE (FIRST METRO)		200	0.00%
PATERNO, JOSE VICTOR		11,983,375	2.61%
PATERNO, VICENTE		1,399,822	0.31%
PERIQUET, JOSE ANTONIO		927,007	0.20%
PLANTILLA, VALERIANO (COL)		15	0.00%
ROSEL, HIPOLITO		1,931	0.00%
SANTOS, ARMENIA		508	0.00%

SANVICTORES, HECTOR		1,931	0.00%
SANVICTORES, JULIUS		1,931	0.00%
SOLIVEN, STEPHEN		50	0.00%
TAN TOK SUY (TANSENGCO)		100	0.00%
TING, ED (COL)		20	0.00%
VILLA, ALBERT		19,323	0.00%
VILLANUEVA, FRANK		508	0.00%
YU, BAL (COL)		80	0.00%
ZALAMEA, MICHAEL		1	0.00%
SUB TOTAL		*14,386,499*	*3.14%*
TOTAL		**401,820,620**	**87.65%**

Total Issued & Outstanding Capital: 458,435,323

Total Percentage: 87.65%

Prepared By: ______________________
Roland Raymund P. Rojas

Checked By: ______________________
Janelle Vivien R. Araullo - AM

Approved By: ______________________
Adora A. Yanga - VP

Annex "D"

PHILIPPINE SEVEN CORPORATION
ANNUAL STOCKHOLDERS' MEETING JULY 22, 2014

AGENDA	YES		NO		ABSTAIN	
	NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%
2. APPROVAL OF MINUTES OF THE ANNUAL STOCKHOLDERS MEETING HELD ON JULY 18, 2013	401,820,620	87.65%	-	0.00%	-	0.00%
4. APPROVAL OF 2013 AUDITED FINANCIAL STATEMENTS	401,820,620	87.65%	-	0.00%	-	0.00%
5. RATIFICATION OF ACTIONS TAKEN BY THE BOARD OF DIRECTORS, EXECUTIVE COMMITTEE, BOARD COMMITTEES AND MANAGEMENT SINCE THA LAST ANNUAL STOCKHOLDERS MEETING	401,820,620	87.65%	-	0.00%	-	0.00%
6. AMENDMENT OF THE THIRD ARTICLE OF THE AMENDED ARTICLES OF INCORPORATION TO STATE THE SPECIFIC PRINCIPAL OFFICE ADDRESS OF THE CORPORATION IN COMPLIANCE WITH SEC MEMORANDUM CIRCULAR NO. 6 SERIES OF 2014	401,820,620	87.65%	-	0.00%	-	0.00%
8. APPOINTMENT OF EXTERNAL AUDITOR	401,820,620	87.65%	-	0.00%	-	0.00%

TOTAL VOTES CAST : **401,820,620**

PREPARED BY :ROLAND RAYMUND P. ROJAS

CHECKED BY : JANELLE VIVIEN REYES-ARAULLO - AM

APPROVED BY : ADORA A. YANGA - VP

PHILIPPINE SEVEN CORPORATION

NUAL STOCKHOLDERS' MEETING JULY 22, 2014

4. ELECTION OF DIRECTORS

	NAME OF NOMINEE	VOTES	%
1	VICENTE T. PATERNO	395,316,442	86.23%
2	JOSE VICTOR P. PATERNO	401,485,418	87.58%
3	JORGE L. ARANETA	398,447,846	86.91%
4	DIANA PARDO-AGUILAR	397,741,762	86.76%
5	NAN-BEY LAI	401,076,964	87.49%
6	JUI-TANG CHEN	398,447,846	86.91%
7	MAO-CHIA CHUNG	398,447,846	86.91%
8	LIEN-TANG HSIEH	398,447,846	86.91%
9	WEN-CHI WU	398,447,846	86.91%
10	ANTONIO JOSE U. PERIQUET	401,820,620	87.65%
11	MICHAEL B. ZALAMEA	401,820,620	87.65%

TOTAL VOTES CAST : 401,820,620

PREPARED BY :ROLAND RAYMUND P. ROJAS

CHECKED BY : JANELLE VIVIEN REYES-ARAULLO - AM

APPROVED BY : ADORA A. YANGA - VP

ANNEX "C"

**RELEVANT RESOLUTIONS APPROVED BY THE
BOARD OF DIRECTORS AND BOARD COMMITTEES
FOR RATIFICATION BY THE STOCKHOLDERS**

2014 Minutes

I. Meeting of the Audit Committee – February 20, 2014

- Presentation and approval of the audited financial statements of the Corporation and the consolidated financial statements of the Corporation and its subsidiaries for the year ending December 31, 2013. The status report was presented by SGV and noted no significant exception. For submission and endorsement to Executive Committee for approval.
- Approved the recommendation to re-appoint SGV and Company as external auditor for year 2014 and for ratification by the stockholders in the annual meeting in July.
- Approved the Internal Audit Update Report as of December 31, 2013 and Plans for 2014
- Approved the proposed amendments to the Internal Audit Charter
- Noted and confirmed the Self-Assessment of Audit Committee Performance for 2013.
- Approved the proposed amendments to the Audit Committee Charter.
- Noted the requirement under SEC Memo No. 20-2013 on Attendance to Corporate Governance Training.

II. Meeting of the Executive Committee – February 20, 2014

- Approved the audited financial statements of the Corporation and the consolidated financial statements of the Corporation and its subsidiaries for the year ending December 31, 2013, as submitted by Management, which was earlier endorsed/recommended by the Audit Committee.
- Approved the presentation of the Update Report on Operations as of January 31, 2014.
- Noted the deferment of the discussion to re-appoint SGV and Company as external auditor for year 2014 until the submission by SGV of the book form of the audited PSC financial statements as presented.
- Noted the requirement under SEC Memo No. 20-2013 on Attendance to Corporate Governance Training.

III. Meeting of the Nomination & Governance Committee – April 03, 2014

- Noted and reviewed the documents to ascertain the qualifications of the nominees and recommended the final list of candidates for election as PSC directors and independent directors in the annual meeting in July and for endorsement to the Executive Committee.
- Noted and reviewed the Nomination and Governance Committee Charter and for endorsement to Executive Committee for approval.
- Noted the presentation of Corporate Governance (CG) Program and CG Self-Assessment of Board and directors and for endorsement to Executive Committee for approval.
- Noted the 2013 ASEAN Corporate Governance Scorecard (ACGS) Results.
- Noted the presentation of the PSE CG Disclosure Survey.
- Noted the presentation on PSE Electronic Disclosure (EDGE).

IV. Meeting of the Executive Committee – April 03, 2014

- Approved the presentation of the Update Report on Operations as of February 28, 2014 and the interim financial statements for the same period.
- Approved the endorsement of the Nomination & Governance Committee of the final list of candidates for election as PSC directors and independent directors in the annual meeting in July.
- Approved the Nomination and Governance Committee Charter.
- Approved the corporate governance (CG) program and noted the CG Self-Assessment of Board and directors.
- Noted the PSC's 2013 ASEAN Corporate Governance Scorecard (ACGS) Results.
- Noted the presentation of the PSE CG Disclosure Survey.
- Noted the presentation PSE Electronic Disclosure (EDGE).

V. Meeting of the Board of Directors - April 24, 2014

- Approved the presentation of the Update Report on Operations as of March 31, 2014 and the interim financial statements for the same period.

- Approved the declaration of a thirty centavos (P0.30) cash dividend per share of the outstanding capital stock of the Corporation of 458,435,323 shares.
- Approved the resolutions setting the record date for entitlement of cash dividends on May 23, 2014 and the payment date on June 18, 2014.
- Approved the resolution authorizing the stock transfer agent, BDO Unibank Inc.-TIG, to prepare, sign, issue and mail the cash dividend checks to stockholders.
- Approved the amendment of the Third Article of the Corporation's Articles of Incorporation indicating the specific principal office address of the corporation, as a requirement of SEC Memorandum No. 6, Series of 2014.
- Setting of the record date of June 05, 2014 for determining the stockholders of PSC entitled to vote in its annual stockholders' meeting on July 22, 2014.

VI. Meeting of the Board of Directors – July 22, 2014

- Approved the presentation of the Update on Operations as of June 30, 2014 and Interim Financial Statements for the same period.
- Approved the Amended Corporate Governance (CG) Manual as required under SEC Memo No. 9, S. 2014.
- Approved the Changes and Updates in the Annual Corporate Governance Report (ACGR) 2013 as required under SEC Memo No. 12, S. 2014.
- Approved resolutions to renew credit lines with BDO, METROBANK, BPI, CTBC Bank and CITIBANK upon their expiry.
- Noted the presentation of the templates for publicly- listed companies (PLCs) websites as per SEC Memo No. 11, S. 2014

VII. Organizational Meeting of the Board of Directors – July 22, 2014

- Election of Corporate Officers

The Board of Directors nominated and elected the following corporate officers:

Honorary Chairman of the Board	-	Chin-Yen Kao
Chairman of the Board	-	Vicente T. Paterno
Vice-Chairman	-	Nan-Bey Lai
President and CEO	-	Jose Victor P. Paterno
Treasurer and CFO	-	Ping-Hung Chen
Corporate Secretary and Compliance Officer	-	Evelyn S. Enriquez

- Designation of members of the Executive and other Board Committees

The Board of Directors, pursuant to Section 21 of the Code of By-laws, designated the following as members of the Executive Committee:

1. Vicente T. Paterno	-	Chairman of the Board and Executive Committee
2. Jose Victor P. Paterno	-	Member and President/CEO
3. Antonio Jose U. Periquet, Jr.	-	Member and Independent Director
4. Diana Pardo-Aguilar	-	Member and Director
5. Ping-Hung Chen	-	Member and Treasurer/CFO
6. Ying-Jung Lee	-	Member and Operations Director & Concurrent Marketing Director

The Board of Directors also designated the members of the Board Committees, including one (1) independent director in each Committee, as follows:

<u>Audit Committee:</u>			
Chairman:	Antonio Jose U. Periquet, Jr.	-	Independent Director
Members:	Jose Victor P. Paterno	-	President and Director
	Diana Pardo-Aguilar	-	Director
<u>Compensation Committee:</u>			
Chairman:	Nan-Bey Lai	-	Vice Chairman and Director
Members:	Michael B. Zalamea	-	Independent Director
	Jose Victor P. Paterno	-	President and Director
Non-voting Members:	Ping-Hung Chen	-	Treasurer/CFO
	Ying-Jung Lee	-	Operations Director and Concurrent Marketing Director

Nomination & Governance Committee:

Chairman:	Vicente T. Paterno	-	Chairman of the Board and Director
Members:	Michael B. Zalamea	-	Independent Director
	Diana Pardo-Aguilar	-	Director
Non-voting Member:	Evelyn S. Enriquez	-	Corporate Secretary

- Approval of the resolutions for the corporate signatories of the Corporation and update the names of the corporate officers as appointed above as authorized signatories by virtue of the positions they hold in the Corporation.

VIII. Meeting of the Audit Committee – October 16, 2014

- Approved the presentation by the external auditor, SGV and Company of the 2014 audit scope and plan.
- Approved the interim financial statements for the period ending September 30, 2014
- Approved the internal audit update report as of September 30, 2014.

IX. Meeting of the Executive Committee - October 16, 2014

- Approved the interim financial statements for the period ended September 30, 2014.
- Approved the presentation of the proposed expansion plans under study for the next 3 years and approved to open in Mindanao in 2015.
- Approved the presentation by the external auditor, SGV and Company, of the 2014 audit scope and plan.
- Noted the requirement under SEC Memorandum No. 18, Series of 2014 on the penalty for Non-Compliance with Website Content by PLCs.

2015 Minutes

I. Meeting of the Board of Directors – January 20, 2015

- Approved the presentation of the Update Report on Operations as of December 31, 2014 and the interim financial statements for the same period.
- Reiterated the resolution by the Board of Directors authorizing the Executive Committee to approve the interim financial statements and audited financial statements of the Corporation.
- Approved the resolution expressing its sense of deep loss and profound sympathy on the death of its founding chairman of the board Vicente T. Paterno, and recognizing his invaluable contributions to the board and the corporation.
- Approved the recommendation of the Compensation Committee to grant gratuity to Chairman Vicente T. Paterno and the delivery of the retirement pay to his family.
- Approved the resolution accepting the resignation of Ms. Diana P. Aguilar as Director, Member of Executive Committee, Audit Committee and the Nomination & Governance Committee of PSC, effective immediately.
- Fill–up vacancy position of director and Chairman of the Board. Approved the election of Mr. Jose T. Pardo as Independent Director and appointed as Chairman of the Board for the remaining period of the term for the said positions until his successor is duly elected or appointed, and qualified.
- Designated and appointed the Chairmen and members to fill-up the vacancies in the Committees as follows:

  1. Chairman of the Executive Committee: Jose T. Pardo
  2. Chairman of the Nomination & Governance Committee: Jose T. Pardo

     Membership in:
     a. Executive Committee- Michael B. Zalamea
     b. Audit Committee- Michael B. Zalamea
     c. Nomination & Governance Committee- Jose Victor P. Paterno

- Approved the resolutions for the corporate signatories of the Corporation and update the names of the corporate officers as appointed above as authorized signatories by virtue of the positions they hold in the Corporation.
- Noted the presentation of significant 2014 corporate reports/disclosures submitted to SEC and PSE.
- Noted the presentation of the list of disclosures required for submission on 1st half of 2015.

II. Meeting of the Audit Committee – February 17, 2015

- Presentation and approval of the audited financial statements of the Corporation and its subsidiaries for the year ending December 31, 2014. The status report was presented by SGV and noted no significant exception. For submission and endorsement to Executive Committee for approval.

- Approved the recommendation to re-appoint SGV and Company as external auditor for year 2015 and for ratification by the stockholders in the annual meeting in July.
- Approved the Internal Audit Update Report as of December 31, 2014 and Audit Plans for 2015.
- Noted and confirmed the Self-Assessment of Audit Committee Performance for 2014.

III. Meeting of the Executive Committee – February 17, 2015

- Approved the audited financial statements of the Corporation and the consolidated financial statements of the Corporation and its subsidiaries for the year ending December 31, 2014 as submitted by Management, which was endorsed/recommended by the Audit Committee.
- Approved the recommendation for the re-appointment of SGV and Company as the Corporation's external auditor for Y2015.
- Approved the updated resolutions for the corporate signatories of the Corporation indicating the new Chairman of the Board and also to including any one of the vice-presidents as additional signatories for the confidential payroll.
- Approved the appointment of Consultant to the PSC Executive Committee and Board Committees.
- Concurred to the recommendation of the Compensation Committee and approved the resolution for the alignment of per diem of directors/officers for attendance to board and committee meeetings.
- Noted the represenatation of the PSC 2014 Annual Corporate Governance Scorecard (ACGS) Results.

IV. Meeting of the Nomination & Governance Committee – April 07, 2015

- Noted and reviewed the documents to ascertain the qualifications of the nominees. Recommended the final list of candidates for election as PSC directors and independent directors in the annual meeting in July for submission/endorsement to the Executive Committee.
- Noted the presentation of the PSE CG Disclosure Survey.
- Noted the 2014 CG Self-Assessments for PSC Board & Directors.
- Noted the presentation of the SEC Memo No. 2, S. 2015- Additional Guidelines on CG Training & Programs.
- Noted the presentation of the Areas for Improvement by PSC on ACGS.

V. Meeting of the Executive Committee – April 07, 2015

- Noted the presentation of the Study on Dividend Declaration and Proposed Dividend Policy.
- Approved the endorsement of the Nomination & Governance Committee of the final list of candidates for election as PSC directors and independent directors in the annual meeting in July.
- Setting of the record date of June 16, 2015 for determining the stockholders of PSC entitled to vote in its annual stockholders' meeting on July 28, 2015.
- Noted the presentation of the PSE CG Disclosure Survey.
- Noted the 2014 CG Self-Assessments for PSC Board & Directors.
- Noted the presentation of the SEC Memo No. 2, S. 2015- Additional Guidelines on CG Training & Programs.
- Noted the presentation of the Areas for Improvement by PSC on ACGS.

VI. Meeting of the Board of Directors - April 23, 2015

- Approved the presentation of the Update Report on Operations as of March 31, 2015 and the interim financial statements for the same period.
- Approved the declaration of a forty centavos (P0.40) cash dividend per share of the outstanding capital stock of the Corporation of 458,435,323 shares.
- Approved the dividend policy that effective 2015, PSC intends to pay at least 20% of annual net profits by way of cash dividends, considering future capital requirements and potential growth opportunities. The Board shall regularly review the dividend policy, including the frequency of distribution, taking into account all of the above.
- Approved the resolutions setting the record date for entitlement of cash dividends on May 08, 2015 and the payment date on May 22, 2015.
- Approved the resolution authorizing the stock transfer agent, BDO Unibank Inc.-TIG, to prepare, sign, issue and mail the cash dividend checks to stockholders.
- Approved the change of Annual Stockholders Meeting from July 28 to July 30, 2015 and set the new record date for determining the stockholders of PSC entitled to vote to June 18, 2015.
- Noted the presentation of the SEC Advisory on Best CG Practices dated March 30, 2015.

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Philippine Seven Corporation is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached herein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated 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.

The Board of Directors or the Executive Committee or the Audit Committee, as authorized by the Board, reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co. the independent auditor appointed by the stockholders for the period December 31, 2014 and 2013, respectively, have examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

NAN- BEY LAI
Vice Chairman of the Board

Nan Bey Lai

JOSE VICTOR P. PATERNO
Chief Executive Officer

PING-HUNG CHEN
Treasurer & Chief Financial Officer

SUBSCRIBED AND SWORN TO
BEFORE ME ON THIS __ DAY OF __
20__ AT QUEZON CITY AFFIRMING
HIS / HER RES. CERT. NO. __
ISSUED ON __ AT __
APR 1 3 2015

LAWRENCE M. DE LEON
Head
Finance & Accounting Services Division

ATTY. BENJAMIN [illegible]. ALFONSO
NOTARY PUBLIC
UNTIL December 31, 2016
PTR NO. 0682037-C- 1-05-15 - QUEZON CITY
IBP NO. 975609 12-11-2014 - QUEZON CITY
ROLL NO. [illegible]
ADM. MATTER NO. [illegible] (2015 - 2016)
TIN NO. [illegible]
MCLE [illegible]

DOC. NO. 158
PAGE NO. 32
BOOK NO. 12A
SERIES OF 2015

Signed this 17th day of February, 2015.

Part 1: FINANCIAL INFORMATION

Financial Statements

Annexes

Schedules (ANNEX 68-E)

Philippine Seven Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013
and Years Ended December 31, 2014, 2013 and 2012

and

Independent Auditors' Report

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 0 8 4 7 6

Company Name

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

7TH FLOOR, THE COLUMBIA TOWER, ORTIGAS AVENUE, MANDALUYONG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS		N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	705-5200	(0922) 879 2134

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
640	07/17	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Steve Chen	pchen@7-eleven.com.ph	705-5241	

Contact Person's Address

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

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 14 2015 TSIS
RECEIVED

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philippine Seven Corporation and Subsidiaries (the Group) as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated February 17, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
SEC Accreditation No. 0923-AR-1 (Group A),
March 25, 2013, valid until March 24, 2016
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-78-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4751259, January 5, 2015, Makati City

February 17, 2015

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 14 2015 TSIS
RECEIVED
BIR FORM NO

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

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 consolidated financial statements of Philippine Seven Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
SEC Accreditation No. 0923-AR-1 (Group A),
March 25, 2013, valid until March 24, 2016
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-78-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4751259, January 5, 2015, Makati City

February 17, 2015

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 14 2015 TSIS
RECEIVED
FOR BIR FORM NO. 2316 ONLY

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Philippine Seven Corporation

We have audited the accompanying consolidated financial statements of Philippine Seven Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

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SGV
Building a better working world

Opinion

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PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 29 and 30)	**₱1,241,685,743**	₱973,002,633
Short-term investment (Notes 4, 29 and 30)	**10,884,130**	10,810,229
Receivables (Notes 5, 29 and 30)	**589,387,141**	468,845,049
Inventories (Note 6)	**1,165,094,076**	900,849,891
Prepayments and other current assets (Note 7)	**358,396,530**	270,748,698
Total Current Assets	**3,365,447,620**	2,624,256,500
Noncurrent Assets		
Property and equipment (Note 8)	**3,558,089,998**	2,746,672,621
Deposits (Notes 9, 29 and 30)	**460,528,797**	313,888,467
Deferred income tax assets - net (Note 27)	**79,238,167**	63,203,127
Goodwill and other noncurrent assets (Notes 10, 29 and 30)	**419,000,444**	276,692,257
Total Noncurrent Assets	**4,516,857,406**	3,400,456,472
TOTAL ASSETS	**₱7,882,305,026**	₱6,024,712,972
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 11, 29 and 30)	**₱750,000,000**	₱560,000,000
Accounts payable and accrued expenses (Notes 12, 29 and 30)	**2,445,160,713**	1,872,703,489
Income tax payable	**176,425,816**	109,792,774
Other current liabilities (Notes 13 and 25)	**853,722,638**	634,006,329
Total Current Liabilities	**4,225,309,167**	3,176,502,592
Noncurrent Liabilities		
Deposits payable (Note 14)	**234,502,609**	202,888,935
Net retirement obligations (Note 24)	**100,404,074**	96,481,142
Cumulative redeemable preferred shares (Note 15)	**6,000,000**	6,000,000
Deferred revenue - net of current portion (Note 16)	**26,552,651**	1,607,183
Total Noncurrent Liabilities	**367,459,334**	306,977,260
Total Liabilities	**4,592,768,501**	3,483,479,852

(Forward)

	December 31	
	2014	2013
Equity		
Common stock (Notes 17 and 31) - ₱1 par value		
Authorized - 600,000,000 shares		
Issued - 459,121,573 shares	**₱459,121,573**	₱459,121,573
Additional paid-in capital (Note 31)	**293,525,037**	293,525,037
Retained earnings (Notes 17 and 31)	**2,546,335,563**	1,810,521,305
Other comprehensive income (loss):		
Remeasurements loss on net retirement obligations - net of deferred income tax asset (Notes 24 and 27)	**(25,041,697)**	(22,241,444)
Revaluation increment on land - net of deferred income tax liability (Notes 8 and 27)	**18,519,295**	3,229,895
	3,292,459,771	2,544,156,366
Cost of 686,250 shares held in treasury (Note 17)	**(2,923,246)**	(2,923,246)
Total Equity	**3,289,536,525**	2,541,233,120
TOTAL LIABILITIES AND EQUITY	**₱7,882,305,026**	₱6,024,712,972

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
REVENUES			
Revenue from merchandise sales	**₱17,107,375,250**	₱14,133,649,192	₱11,713,760,468
Franchise revenue (Note 32)	**1,647,589,963**	1,367,253,289	683,572,827
Marketing income (Note 20)	**463,413,150**	380,793,855	405,856,204
Rental income (Note 26)	**51,118,568**	48,341,871	45,751,718
Commission income (Note 32)	**39,214,967**	43,402,035	67,396,391
Interest income (Note 22)	**5,741,549**	7,165,804	5,377,093
Other income	**353,231,243**	214,886,062	123,025,663
	19,667,684,690	16,195,492,108	13,044,740,364
EXPENSES			
Cost of merchandise sales (Note 18)	**12,861,596,475**	10,661,629,518	8,553,239,221
General and administrative expenses (Note 19)	**5,516,373,836**	4,520,385,066	3,784,875,178
Interest expense (Note 21)	**16,195,818**	16,247,890	16,596,830
Other expenses	**18,249,864**	13,799,871	14,595,186
	18,412,415,993	15,212,062,345	12,369,306,415
INCOME BEFORE INCOME TAX	**1,255,268,697**	983,429,763	675,433,949
PROVISION FOR INCOME TAX (Note 27)	**381,923,842**	300,802,114	210,257,926
NET INCOME	**873,344,855**	682,627,649	465,176,023
OTHER COMPREHENSIVE INCOME (LOSS) NOT TO BE RECLASSIFIED TO PROFIT AND LOSS IN SUBSEQUENT PERIODS			
Revaluation increment on land - net of tax (Note 8)	**15,289,400**	–	–
Remeasurement loss on net retirement obligations - net of tax (Note 24)	**(2,800,253)**	(10,696,341)	(430,788)
TOTAL COMPREHENSIVE INCOME	**₱885,834,002**	₱671,931,308	₱464,745,235
BASIC/DILUTED EARNINGS PER SHARE (Note 28)	**₱1.91**	₱1.49	₱1.01

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012

				Other Comprehensive Income (Loss)				
	Common Stock (Note 17)	Additional Paid-in Capital	Retained Earnings (Note 17)	Remeasurement Loss on Net Retirement Obligations - Net of Tax	Revaluation Increment on Land - Net of Tax	Total	Treasury Stock (Note 17)	Total
Balances at January 1, 2014	**₱459,121,573**	**₱293,525,037**	**₱1,810,521,305**	**(₱22,241,444)**	**₱3,229,895**	**₱2,544,156,366**	**(₱2,923,246)**	**₱2,541,233,120**
Net income	–	–	**873,344,855**	–	–	**873,344,855**	–	**873,344,855**
Revaluation increment on land (Note 8)	–	–	–	–	**15,289,400**	**15,289,400**	–	**15,289,400**
Remeasurement loss on net retirement obligations	–	–	–	**(2,800,253)**	–	**(2,800,253)**	–	**(2,800,253)**
Total comprehensive income	–	–	**873,344,855**	**(2,800,253)**	**15,289,400**	**885,834,002**	–	**885,834,002**
Cash dividends (Note 17)	–	–	**(137,530,597)**	–	–	**(137,530,597)**	–	**(137,530,597)**
Balances at December 31, 2014	**₱459,121,573**	**₱293,525,037**	**₱2,546,335,563**	**(₱25,041,697)**	**₱18,519,295**	**₱3,292,459,771**	**(₱2,923,246)**	**₱3,289,536,525**
Balances at January 1, 2013	₱399,325,661	₱293,525,037	₱1,227,553,509	(₱11,545,103)	₱3,229,895	₱1,912,088,999	(₱2,923,246)	₱1,909,165,753
Net income during the year	–	–	682,627,649	–	–	682,627,649	–	682,627,649
Remeasurement loss on net retirement obligations	–	–	–	(10,696,341)	–	(10,696,341)	–	(10,696,341)
Total comprehensive income	–	–	682,627,649	(10,696,341)	–	671,931,308	–	671,931,308
Stock dividends (Note 17)	59,795,912	–	(59,795,912)	–	–	–	–	–
Cash dividends (Note 17)	–	–	(39,863,941)	–	–	(39,863,941)	–	(39,863,941)
Balances at December 31, 2013	₱459,121,573	₱293,525,037	₱1,810,521,305	(₱22,241,444)	₱3,229,895	₱2,544,156,366	(₱2,923,246)	₱2,541,233,120
Balances at January 1, 2012	₱347,329,216	₱293,525,037	₱849,038,228	(₱11,114,315)	₱3,229,895	₱1,482,008,061	(₱2,923,246)	₱1,479,084,815
Net income during the year	–	–	465,176,023	–	–	465,176,023	–	465,176,023
Remeasurement loss on net retirement obligations	–	–	–	(430,788)	–	(430,788)	–	(430,788)
Total comprehensive income	–	–	465,176,023	(430,788)	–	464,745,235	–	464,745,235
Stock dividends (Note 17)	51,996,445	–	(51,996,445)	–	–	–	–	–
Cash dividends (Note 17)	–	–	(34,664,297)	–	–	(34,664,297)	–	(34,664,297)
Balances at December 31, 2012	₱399,325,661	₱293,525,037	₱1,227,553,509	(₱11,545,103)	₱3,229,895	₱1,912,088,999	(₱2,923,246)	₱1,909,165,753

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,255,268,697**	₱983,429,763	₱675,433,949
Adjustments for:			
Depreciation and amortization (Notes 8 and 19)	**862,759,509**	709,518,959	527,786,925
Amortization of:			
Deferred revenue on exclusivity contract (Notes 16 and 32)	**(25,446,429)**	(818,452)	(1,934,524)
Deferred lease (Notes 10 and 26)	**2,277,636**	2,410,613	2,485,728
Software and other program costs (Notes 10 and 19)	**655,605**	1,316,561	1,490,475
Deferred revenue on finance lease (Notes 16 and 26)	**(589,567)**	(589,567)	(589,567)
Net retirement benefits cost (Notes 23 and 24)	**19,867,370**	16,858,692	15,420,495
Interest expense (Note 21)	**16,195,818**	16,247,890	16,596,830
Interest income (Note 22)	**(5,741,549)**	(7,165,804)	(5,377,093)
Noncash donation expense	**297,731**	–	–
Unrealized foreign exchange loss (gain)	**(24,209)**	296,601	439,728
Operating income before working capital changes	**2,125,520,612**	1,721,505,256	1,231,752,946
Increase in:			
Receivables	**(120,327,092)**	(94,042,512)	(130,841,872)
Inventories	**(264,244,185)**	(173,863,328)	(207,727,627)
Prepayments and other current assets	**(87,665,635)**	(11,740,811)	(97,485,749)
Increase in:			
Accounts payable and accrued expenses	**573,804,626**	610,988,026	17,353,481
Other current liabilities	**184,520,376**	89,054,748	244,555,664
Deposits payable	**31,613,674**	20,987,697	10,443,405
Deferred revenue	**86,177,397**	3,442,212	–
Retirement benefits contributions (Note 24)	**(19,944,800)**	(21,670,730)	(20,279,212)
Cash generated from operations	**2,509,454,973**	2,144,660,558	1,047,771,036
Income taxes paid	**(336,660,528)**	(304,294,983)	(181,147,036)
Interest received	**2,693,092**	4,350,085	2,866,833
Net cash provided by operating activities	**2,175,487,537**	1,844,715,660	869,490,833
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Note 8)	**(1,653,573,106)**	(1,179,270,533)	(858,674,993)
Software and other program costs (Note 10)	**(1,247,000)**	(3,019,195)	(190,000)
Increase in:			
Deposits	**(143,591,873)**	(61,940,757)	(35,553,176)
Goodwill and other noncurrent assets	**(143,994,428)**	(68,910,637)	(7,405,740)
Short-term investment	**(73,901)**	(178,114)	(222,208)
Collection of lease receivable (Note 26)	–	–	1,591,280
Proceeds from sale of property and equipment	**131,360**	–	–
Net cash used in investing activities	**(1,942,348,948)**	(1,313,319,236)	(900,454,837)

(Forward)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of bank loans (Note 11)	**₱950,000,000**	₱550,000,000	₱210,000,000
Payments of bank loans (Note 11)	**(760,000,000)**	(467,777,778)	(106,888,889)
Interest paid	**(16,949,091)**	(15,822,416)	(16,597,779)
Cash dividends paid (Note 17)	**(137,530,597)**	(39,863,941)	(34,664,297)
Net cash provided by financing activities	**35,520,312**	26,535,865	51,849,035
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**24,209**	(215,225)	(296,211)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**268,683,110**	557,717,064	20,588,820
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 4)	**973,002,633**	415,285,569	394,696,749
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,241,685,743**	₱973,002,633	₱415,285,569

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of the Consolidated Financial Statements

Corporate Information

Philippine Seven Corporation (the Company or PSC) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 24, 1982. The Company and its subsidiaries (collectively referred to as the "Group"), are primarily engaged in the business of retailing, merchandising, buying, selling, marketing, importing, exporting, franchising, acquiring, holding, distributing, warehousing, trading, exchanging or otherwise dealing in all kinds of grocery items, dry goods, food or foodstuff, beverages, drinks and all kinds of consumer needs or requirements and in connection therewith, operating or maintaining warehouses, storages, delivery vehicles and similar or incidental facilities. The Group is also engaged in the management, development, sale, exchange, and holding for investment or otherwise of real estate of all kinds, including buildings, houses and apartments and other structures.

The Company is controlled by President Chain Store (Labuan) Holdings, Ltd., an investment holding company incorporated in Malaysia, which owns 51.56% of the Company's outstanding shares. The remaining 48.44% of the shares are widely held. The ultimate parent of the Company is President Chain Store Corporation (PCSC), which is incorporated in Taiwan, Republic of China.

The Company has its primary listing on the Philippine Stock Exchange. As at December 31, 2014 and 2013, the Company has 640 and 650 equity holders, respectively.

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

Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements were authorized for issue by the Board of Directors (BOD) on February 17, 2015.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation

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

Statement of Compliance

The consolidated financial statements are 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 following new and amended PFRS which became effective on January 1, 2014.

The nature and the impact of each new standard and amendment are described below:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Accounting Standards (PAS) 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32,*Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*(Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 36, *Recoverable Amount Disclosures for Non-Financial Assets*(Amendments)
  These amendments remove the unintended consequences of PFRS 13,*Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.The application of these amendments has no material impact on the disclosure in the Group's consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement -Novation of Derivatives and Continuation of Hedge Accounting*(Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group's consolidated financial statements.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

- *Annual Improvements to PFRSs* (2010-2012 cycle)
  In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13.The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. These amendments have no significant impact on the Group's consolidated financial statements.

- *Annual Improvements to PFRSs* (2011-2013 cycle)
  In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

New Accounting Standards, Interpretations, and Amendments
<u>to Existing Standards Effective Subsequent to December 31, 2014</u>
The Group will adopt the following standards, interpretations and amendments to existing standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on the Group's consolidated financial statements:

Standards issued but not yet effective

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, *Agreements for the 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. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation will not have any impact on the financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective in 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*(Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant since the Group has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRS (2010-2012 cycle)
The *Annual Improvements to PFRSs* (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group's consolidated financial statements. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  a. A performance condition must contain a service condition
  b. A performance target must be met while the counterparty is rendering service
  c. A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  d. A performance condition may be a market or non-market condition
  e. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39 (or PFRS 9, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures* - *Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRS (2011-2013 cycle)
The *Annual Improvements to PFRSs* (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group's consolidated financial statements. They include:

- PFRS 3, *Business Combinations* - *Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement* - *Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective in 2016
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*(Amendments)
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 11, *Joint Arrangements* - *Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured

on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the balance sheet and present movements in these account balances as separate line items in the statement of comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- PAS 16, *Property, Plant and Equipment,*and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

- PAS 16, *Property, Plant and Equipment,* and PAS 41, *Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as it does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for

annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

Annual Improvements to PFRSs (2012-2014 cycle)
The *Annual Improvements to PFRSs* (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group's consolidated financial statements. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be providedfor any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective in 2018

- PFRS 9, *Financial Instruments- Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39* (2013 version**)**
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on

the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

- PFRS 9, *Financial Instruments*(2014 or final version)
  In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

- International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted.

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to the December 31, 2014 consolidated financial statements. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Basis of Consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at December 31, 2014 and 2013, the Group's financial instruments include loans and receivables and other financial liabilities.

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

The Group's loans and receivables consists of cash and cash equivalents, short-term investment, receivables and deposits (excluding rent deposits) as at December 31, 2014 and 2013 (see Notes4,5,9 and 10).

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

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

The Group's other financial liabilities consist of bank loans, accounts payable and accrued expenses, other current liabilities (excluding statutory liabilities), and cumulative redeemable preferred shares as at December 31, 2014 and 2013 (see Notes11, 12, 13 and 15).

Classification of Financial Instruments Between Liability and Equity

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

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

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

Determination of Fair Value

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

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

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

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

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

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

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

“Day1”Difference

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”difference) in profit or loss 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 profit or loss 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”difference.

Offsetting Financial Instruments

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

Impairment of Financial Assets

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

Financial Assets Carried at Amortized Cost

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

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

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

<u>Derecognition of Financial Assets and Liabilities</u>

Financial Assets

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

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

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

Financial Liabilities

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

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

<u>Inventories</u>

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

<u>Prepayments and Other Current Assets</u>

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

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

<u>Property and Equipment</u>

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

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

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

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

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

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

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

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

Fully depreciated assets are retained in the books until disposed.

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

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

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

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

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

Software and Program Cost

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

Goodwill

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

Impairment ofNon-financial Assets

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

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

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

Deposits Payable

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

Cumulative Redeemable Preferred Shares

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

Deferred Revenue

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

Equity

Common Stock

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

Additional Paid-in Capital

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

Retained Earnings

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

Stock Dividends

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

Treasury Stock

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

OCI

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

Revenue Recognition

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

Merchandise Sales

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

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

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

Franchise

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

Marketing

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

Rental

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

Commission

Commission income is recognized upon the sale of consigned goods.

Interest

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

Other Income

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

Costs and Expenses Recognition

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

Retirement Benefits

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

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

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

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

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

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

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

Termination Benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either an entity’s decision to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

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

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve

months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Leases

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

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

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

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

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

Borrowing Costs

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

Foreign Currency-denominated Transactions

The consolidated financial statements are presented in Philippine Peso, which is the Parent Company’s functional and presentation currency. All subsidiaries evaluate their primary economic and operating environment and determine their functional currency. Transactions in foreign currency are initially recorded at the exchange rate at the date of transaction. Outstanding foreign currency-denominated monetary assets and liabilities are translated using the applicable exchange rate at balance sheet date. Exchange differences arising from translation of foreign currency monetary items at rates different from those at which they were originally recorded are recognized in profit or loss.

Taxes

Current Income Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment Reporting

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

Provisions

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

Contingencies

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

Events after the Balance Sheet Date

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

3. Use of Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

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

The Group's financial instruments consist of loans and receivables and other financial liabilities (see Note 29).

Classification of Leases

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

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

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

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

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

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

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

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

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

The carrying value of loans and receivables amounted to ₱2,026,522,005 and ₱1,579,848,392as at December 31, 2014 and 2013, respectively (see Notes 4, 5, 9, 10 and 30). Allowance for impairment on loans and receivables amounted to ₱18,960,182as at December 31, 2014 and 2013 (see Note 5). Provision for impairment amounted to nil, ₱12,671,486 and ₱788,778in 2014, 2013 and2012, respectively (see Note19).

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

The carrying value of inventories amounted to ₱1,165,094,076 and ₱900,849,891as at December 31, 2014 and 2013, respectively (see Note 6). No provisions for decline in inventory value were recognized in 2014, 2013 and 2012.

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

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

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

As at December 31, 2014 and 2013, the Group has not identified any indicators or circumstances that would indicate that the Group's property and equipment, rent deposits and software and program cost are impaired. Thus, no impairment losses on these non-financial assets were recognized for the years ended December 31, 2014, 2013 and 2012.

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

	2014	2013
Property and equipment (Note 8)	**₱3,558,089,998**	₱2,746,672,621
Rent deposits (Note 9)	**324,638,850**	232,020,464
Software and program cost (Note 10)	**3,477,680**	2,886,285

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

Property and equipment, net of accumulated depreciation and amortization, amounted to ₱3,558,089,998 and ₱2,746,672,621as at December 31, 2014 and 2013, respectively (see Note 8). The carrying amount of software and program cost amounted to ₱3,477,680 and ₱2,886,285 at December 31, 2014 and 2013, respectively (see Note10).

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

The last appraisal made on the Group's parcels of land was in June 2014, where it resulted to an additional appraisal increase of ₱15,289,400, net of ₱6,552,600deferred income tax liability. The carrying amount of land amounted to ₱66,323,000 and ₱44,481,000as at December 31, 2014 and 2013, respectively.

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

Based on the assessment made by the Group, there is no impairment of goodwill as the recoverable amount of the CGUs exceeds the carrying amount of the unit, including goodwill as at December 31, 2014 and 2013.The carrying value of goodwill amounted to ₱65,567,524 as at December 31, 2014 and 2013 (see Note 10). No impairment losses were recognized in 2014, 2013 and 2012.

Estimation of Retirement Benefits

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

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

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

The Group's net retirement obligations amounted to ₱100,404,074 and ₱96,481,142as at December 31, 2014 and 2013, respectively (see Note 24). Retirement benefits cost amounted to ₱ 19,867,370, ₱16,858,692 and₱15,420,495in 2014, 2013 and 2012, respectively (see Notes 23 and 24).

Provisions and Contingencies

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

As at December 31, 2014 and 2013, the Group has provisions amounting to ₱8,718,853 and ₱13,420,068, respectively and is reported as part of "Others" under "Accounts payable and accrued expenses" in the consolidated balance sheets (see Note 12). Provisions and contingencies are further explained in Note 34.

Realizability of Deferred Income Tax Assets

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

The Group's recognized deferred income tax assets amounted to ₱95,008,691 and ₱69,131,632as at December 31, 2014 and 2013, respectively (see Note 27).

4. Cash and Cash Equivalents and Short-Term Investment

	2014	2013
Cash on hand and in banks	**₱1,241,685,743**	₱922,422,571
Cash equivalents	–	50,580,062
	₱1,241,685,743	₱973,002,633

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

As at December 31, 2014 and 2013, short-term investment amounting to ₱10,884,130 and ₱10,810,229, respectively, pertains to time deposit which has a maturity date of more than 90 days.

Interest income from savings and deposits accounts and short-term investment amounted to ₱2,545,822, ₱4,298,717and ₱2,749,430in 2014, 2013 and 2012, respectively (see Note 22).

5. Receivables

	2014	2013
Franchisees (Note 32)	**₱403,074,403**	₱397,720,727
Suppliers	**159,162,156**	48,657,689
Employees	**17,206,304**	14,936,783
Store operators	**12,048,431**	12,547,006
Rent	**5,363,909**	4,760,464
Due from PhilSeven Foundation, Inc. (PFI) (Note 25)	**3,525,452**	3,118,978
Current portion of lease receivable - net of unearned interest income amounting to ₱5,773 and ₱96,445 as at December 31, 2014 and 2013, respectively (Notes 10 and 26)	**3,742,000**	3,086,114
Notes receivable	**990,917**	1,033,914
Insurance receivable	**1,155,417**	585,057
Others	**2,078,334**	1,358,499
	608,347,323	487,805,231
Less allowance for impairment	**18,960,182**	18,960,182
	₱589,387,141	₱468,845,049

The classes of receivables of the Group are as follows:

- Franchisees - pertains to receivables for the inventory loans obtained by the franchisees at the start of their store operations, cash deposits and deposits still in transit, negative balance on franchisees' holding account and inventory variation noted during monthly store audits.
- Suppliers - pertains to receivables from the Group's suppliers for display allowances, annual volume discount and commission income from different service providers.
- Employees - includes car loans, salary loans and cash shortages from stores which are charged to employees. Interest earned on receivable from employees amounted to₱13,660, ₱17,037 and nil in 2014, 2013 and 2012, respectively (see Note 22).
- Store operators - pertains to the advances given to third party store operators under service agreements (see Note 32).
- Rent - pertains to receivables from sublease agreements with third parties, which are based on an agreed fixed monthly rate or as agreed upon by the parties.
- Lease receivable - pertains to a five-year sale and leaseback finance lease agreement entered by the Company with an armored car service provider (see Note 26).
- Notes receivable - pertains to a receivable from third party borrowers evidenced by a written promise of payment with a five-year term maturing on January 31, 2015.As at December 31, 2014 and 2013, unamortized discount amounted to nil and ₱37,165, respectively. Accretion of interest income amounted to ₱37,165, ₱123,182 and ₱236,517 in 2014, 2013 and 2012, respectively (see Note 22).

Receivables are noninterest-bearing and are generally on 30 to 90 day terms except for loans to employees, lease receivable and notes receivable with annual interest rates of 10.00%, 7.00% and 6.32%, respectively (see Note 26).

Impairment on receivables is based on individual assessment of accounts. Movements in allowance for impairment are as follows:

	2014			
	Beginning balances	**Provision for the year (Note 19)**	**Write-off**	**Ending balances**
Franchisees	**₱214,342**	**₱–**	**₱–**	**₱214,342**
Suppliers	**15,565,934**	**–**	**–**	**15,565,934**
Employees	**539,921**	**–**	**–**	**539,921**
Store operators	**365,801**	**–**	**–**	**365,801**
Rent	**2,274,184**	**–**	**–**	**2,274,184**
Total	**₱18,960,182**	**₱–**	**₱–**	**₱18,960,182**

	2013			
	Beginning balances	Provision for the year (Note 19)	Write-off	Ending balances
Franchisees	₱214,342	₱–	₱–	₱214,342
Suppliers	5,804,455	11,700,044	(1,938,565)	15,565,934
Employees	391,918	148,003	–	539,921
Store operators	365,801	–	–	365,801
Rent	1,450,745	823,439	–	2,274,184
Total	₱8,227,261	₱12,671,486	(₱1,938,565)	₱18,960,182

6. Inventories

	2014	2013
At cost (Note 18):		
Warehouse merchandise	**₱716,772,116**	₱618,738,640
Store merchandise	**448,321,960**	282,111,251
	₱1,165,094,076	₱900,849,891

No inventories are pledged nor treated as security to outstanding liabilities as at December 31, 2014.

7. Prepayments and Other Current Assets

	2014	2013
Current portion of:		
Deferred input VAT	**₱99,572,933**	₱78,364,535
Deferred lease (Notes 10 and 26)	**3,554,358**	1,421,460
Prepaid:		
Rent (Note 10)	**133,107,466**	63,373,604
Store expenses	**33,469,093**	34,455,780
Taxes	**7,548,088**	4,765,253
Uniform	**1,531,177**	6,066,259
Repairs and maintenance	**46,294**	1,218,655

Advances to suppliers	**₱33,409,032**	₱55,761,777
Advances for expenses	**25,820,535**	13,788,613
Supplies	**5,810,873**	3,528,830
Dues and subscription	**706,584**	571,651
Others	**13,820,097**	7,432,281
	₱358,396,530	₱270,748,698

Deferred input VAT pertains to the input VAT on the acquisition of capital goods over ₱1,000,000 which are being amortized over the useful life or 60 months, whichever is shorter, commencing on the date of acquisition.

8. Property and Equipment

Movements in property and equipment are as follows:

	2014								
		At Cost							
	Land- at Revalued Amount	**Buildings and Improvements**	**Store Furniture and Equipment**	**Office Furniture and Equipment**	**Transportation Equipment**	**Computer Equipment**	**Leasehold Improvements**	**Construction In-Progress**	**Total**
Cost/Revalued Amount									
Beginning balances	**₱44,481,000**	**₱118,154,849**	**₱2,200,106,026**	**₱763,055,302**	**₱45,130,103**	**₱244,985,364**	**₱1,421,900,034**	**₱95,198,923**	**₱4,933,011,601**
Additions	**–**	**9,397,840**	**746,231,018**	**265,953,317**	**10,688,290**	**66,548,549**	**222,127,663**	**332,626,429**	**1,653,573,106**
Retirements	**–**	**–**	**(48,699,654)**	**(72,902,381)**	**(3,470,814)**	**(13,346,315)**	**(144,419,280)**	**–**	**(282,838,444)**
Reclassifications	**–**	**28,773,655**	**–**	**–**	**–**	**–**	**213,928,133**	**(242,701,788)**	**–**
Revaluation increment	**21,842,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**21,842,000**
Ending balances	**66,323,000**	**156,326,344**	**2,897,637,390**	**956,106,238**	**52,347,579**	**298,187,598**	**1,713,536,550**	**185,123,564**	**6,325,588,263**
Accumulated Depreciation and Amortization									
Beginning balances	**–**	**74,124,862**	**978,021,331**	**358,827,296**	**19,367,872**	**165,369,417**	**590,628,202**	**–**	**2,186,338,980**
Depreciation and amortization (Note 19)	**–**	**4,058,141**	**449,334,458**	**150,730,603**	**10,103,916**	**35,087,298**	**213,445,093**	**–**	**862,759,509**
Retirements	**–**	**–**	**(48,699,654)**	**(72,771,021)**	**(2,363,954)**	**(13,346,315)**	**(144,419,280)**	**–**	**(281,600,224)**
Reclassifications	**–**	**2,041,196**	**–**	**–**	**–**	**–**	**(2,041,196)**	**–**	**–**
Ending balances	**–**	**80,224,199**	**1,378,656,135**	**436,786,878**	**27,107,834**	**187,110,400**	**657,612,819**	**–**	**2,767,498,265**
Net Book Values	**₱66,323,000**	**₱76,102,145**	**₱1,518,981,255**	**₱519,319,360**	**₱25,239,745**	**₱111,077,198**	**₱1,055,923,731**	**₱185,123,564**	**₱3,558,089,998**

	2013								
		At Cost							
	Land- at revalued Amount	Buildings and Improvements	Store Furniture and Equipment	Office Furniture and Equipment	Transportation Equipment	Computer Equipment	Leasehold Improvements	Construction In-Progress	Total
Cost/Revalued Amount									
Beginning balances	₱44,481,000	₱118,154,849	₱1,740,413,143	₱57,9371,098	₱43,646,176	₱211,556,349	₱1,201,609,870	₱67,369,298	₱4,006,601,783
Additions	–	–	525,981,492	207,878,659	10,587,673	33,864,213	205,469,305	195,489,191	1,179,270,533
Retirements	–	–	(66,288,609)	(24,194,455)	(9,103,746)	(435,198)	(152,838,707)	–	(252,860,715)
Reclassifications	–	–	–	–	–	–	167,659,566	(167,659,566)	–
Ending balances	44,481,000	118,154,849	2,200,106,026	763,055,302	45,130,103	244,985,364	1,421,900,034	95,198,923	4,933,011,601
Accumulated Depreciation and Amortization									
Beginning balances	–	70,181,591	677,113,640	270,477,867	20,199,135	134,639,263	557,069,243	–	1,729,680,739
Depreciation and amortization (Note 19)	–	3,943,271	367,196,300	112,543,884	8,272,483	31,165,352	186,397,669	–	709,518,959
Retirements	–	–	(66,288,609)	(24,194,455)	(9,103,746)	(435,198)	(152,838,710)	–	(252,860,718)
Ending balances	–	74,124,862	978,021,331	358,827,296	19,367,872	165,369,417	590,628,202	–	2,186,338,980
Net Book Values	₱44,481,000	₱44,029,987	₱1,222,084,695	₱404,228,006	₱25,762,231	₱79,615,947	₱831,271,832	₱95,198,923	₱2,746,672,621

Construction in-progress pertains to costs of constructing new stores and renovation of old stores. Completion of construction and renovation is expected within three months to one year from construction date. The costs of constructed stores are accumulated until such time the relevant assets are completed and put into operational use.

In June 2014, the Group revalued its land with cost amounting to ₱39,866,864 at appraised value of ₱66,323,000, as determined by a professionally qualified independent appraiser. The additional appraisal increase of ₱15,289,400, net of ₱6,552,600 deferred income tax liability (see Note 27), resulting from the revaluation was credited to "Revaluation increment on land - net of deferred income tax liability" account under 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. Land is categorized under level 3 in the fair value hierarchy.

The cost of fully depreciated property and equipment that are still being used in operations amounted to ₱642,631,189 and ₱428,587,084 as at December 31, 2014 and 2013, respectively. No property and equipment are pledged nor treated as security for the outstanding liabilities as at December 31, 2014 and 2013.

9. Deposits

	2014	2013
Rent	**₱324,638,850**	₱232,020,464
Refundable (Notes 29 and 30)	**75,964,346**	34,871,384
Utilities (Notes 29 and 30)	**53,374,427**	42,509,396
Others (Notes 29 and 30)	**6,551,174**	4,487,223
	₱460,528,797	₱313,888,467

Refundable

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

	2014	2013
Face value of security deposits	**₱52,776,018**	₱46,053,889
Additions	**59,908,303**	7,446,475
Refunded	**(7,785,736)**	–
Unamortized discount	**(28,934,239)**	(18,628,980)
	₱75,964,346	₱34,871,384

Movements in unamortized discount are as follows:

	2014	2013
Beginning balance	**₱18,628,980**	₱20,210,218
Additions	**13,353,716**	948,411
Accretion (Note 22)	**(3,048,457)**	(2,529,649)
Ending balance	**₱28,934,239**	₱18,628,980

10. Goodwill and Other Noncurrent Assets

	2014	2013
Noncurrent portion of:		
Deferred input VAT	**₱204,816,161**	₱143,808,850
Prepaid rent	**64,581,202**	–
Due from franchisees (Note 32)	**48,675,044**	44,763,037
Deferred lease (Note 26)	**21,762,365**	12,819,183
Lease receivable - net of unearned interest income amounting to nil and ₱5,773 as at December 31, 2014 and 2013, respectively (Notes 26, 29 and 30)	**–**	559,441
Intangible assets:		
Goodwill	**₱65,567,524**	₱65,567,524
Software and program cost	**3,477,680**	2,886,285
Garnished accounts (Note 34)	**7,945,958**	4,876,522
Others	**2,174,510**	1,411,415
	₱419,000,444	₱276,692,257

Deferred Lease

Deferred lease pertains to “Day 1”lossrecognized 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:

	2014	2013
Beginning balance	**₱14,240,643**	₱15,702,845
Additions	**13,353,716**	948,411
Less amortization (Note 26)	**(2,277,636)**	(2,410,613)
Ending balance	**25,316,723**	14,240,643
Less current portion (Note 7)	**3,554,358**	1,421,460
Noncurrent portion	**₱21,762,365**	₱12,819,183

Goodwill

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

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 is12.70%in 2014 and 8.27% in 2013. The cash flows beyond the five-year period are extrapolated using a 3.00% growth rate in 2014 and 2013 which is the same as the long-term average growth rate for the retail industry.

No store acquired from Jollimart was closed in 2014 and 2013. In 2011, the Group has closed one store out of the 25 remaining stores it purchased from Jollimart. No impairment loss was recognized in 2014, 2013 and 2012.

Goodwill is allocated to the group of 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 2014 and 2013 follow:

a. 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 2.00% per annum while the cost ratio is set at 69.30% - 70.30% of sales per annum.

b. 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, the following items were considered:

   - 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
   - Alpharisk

c. Growth Rate Estimates
   Rates are based on average historical growth rate which is consistent with the expected average growth rate for the industry. Annual inflation and rate of possible reduction in transaction count were also considered in determining growth rates used.

Management recognized that unfavorable conditions could materially affect the assumptions used in the determination of value-in-use. An increase of 26.25% and 6.84% in the discount rates, or a reduction of growth rates by 13.00% and 12.90%, would give a value-in-use equal to the carrying amount of the CGUin 2014 and 2013, respectively.

Software and Program Cost

Movements in software and program cost are as follows:

	2014	2013
Cost:		
Beginning balance	**₱17,871,180**	₱14,851,985
Additions	**1,247,000**	3,019,195
Ending balance	**19,118,180**	17,871,180
Accumulated amortization:		
Beginning balance	**14,984,895**	13,668,334
Amortization (Note 19)	**655,605**	1,316,561
Ending balance	**15,640,500**	14,984,895
Net book value	**₱3,477,680**	₱2,886,285

Garnished Accounts

Garnished accounts pertain to the amount set aside by the Group, as required by the courts, in order to answer for litigation claims should the results be unfavorable to the Group (see Note 34).

11. Bank Loans

Bank loans in 2014 and 2013 represent unsecured Philippine Peso-denominated short-term borrowings from various local banks, payable in lump-sum in 2015 and 2014, respectively, with annual interest rates ranging from 2.00% to 2.50%,2.50% to 3.30%, and 3.30% to 3.75%in 2014, 2013 and 2012, respectively, which are repriced monthly based on market conditions. The proceeds of these loans were used for the operations of the Group.

Movements in bank loans are as follows:

	2014	2013
Beginning balance	**₱560,000,000**	₱477,777,778
Availments	**950,000,000**	550,000,000
Payments	**(760,000,000)**	(467,777,778)
Ending balance	**₱750,000,000**	₱560,000,000

Interest expense from these bank loans amounted to₱16,060,038, ₱16,033,270and₱16,338,080 in 2014, 2013 and 2012, respectively (see Note 21). Interest payable amounted to₱800,000 and ₱ 1,689,053 as at December 31, 2014 and 2013, respectively (see Note 12).

12. Accounts Payable and Accrued Expenses

	2014	2013
Trade payable	**₱2,031,839,981**	₱1,575,446,279
Utilities	**90,223,127**	71,354,276
Employee benefits	**71,421,033**	39,622,810
Rent (Note 26)	**65,729,071**	58,097,685
Advertising and promotion	**41,339,695**	37,844,609
Outsourced services	**41,302,057**	24,844,921

	2014	2013
Bank charges	**14,254,500**	13,487,060
Security services	**9,112,687**	3,375,831
Interest (Notes 11 and 15)	**1,058,750**	1,947,803
Others (Note 34)	**78,879,812**	46,682,215
	₱2,445,160,713	₱1,872,703,489

The trade suppliers generally provide 15 or 30-day credit terms to the Group. Prompt payment discounts ranging from 0.5% to 5.0% are given by a number of trade suppliers. All other payables are due within 3 months.

Others include provisions and accruals of various expenses incurred in the stores' operations.

13. Other Current Liabilities

	2014	2013
Non-trade accounts payable	**₱441,307,059**	₱362,508,354
Due to franchisees	**128,356,232**	62,939,640
Retention payable	**81,784,397**	48,466,743
Output VAT	**74,165,095**	61,134,099
Withholding taxes	**43,688,935**	33,462,627
Current portion of deferred revenue on:		
Exclusivity contract (Notes 16 and 32)	**25,000,000**	446,429
Customer loyalty programme	**18,173,684**	7,040,017
Finance lease (Notes 16 and 26)	**98,264**	589,567
Royalty (Note 32)	**19,330,605**	16,305,559
Service fees payable	**8,012,505**	10,381,467
Others (Notes 25 and 34)	**13,805,862**	30,731,827
	₱853,722,638	₱634,006,329

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

Retention payable pertains to the 10% of progress billings related to the construction of stores to be paid upon satisfactory completion of the construction.

Service fees payable pertains to management fee to store operators of service agreement stores computed based on a graduated percentage multiplied to stores' gross profit (GP) and is payable the following month.

14. Deposits Payable

	2014	2013
Franchisees (Note 32)	**₱124,767,926**	₱99,370,298
Service agreements (Note 32)	**95,268,832**	89,707,363
Rent	**14,465,851**	13,811,274
	₱234,502,609	₱202,888,935

15. Cumulative Redeemable Preferred Shares

Cumulative redeemable preferred shares, which are redeemable at the option of the holder, represent the share of PSC-ERP through its trustee, BPI-AMTG, in SSHI's net assets pertaining to preferred shares. PSC-ERP is entitled to an annual "Guaranteed Preferred Dividend" in the earnings of SSHI starting April 5, 2002, the date when the 25% of the subscription on preferred shares have been paid, in accordance with the Corporation Code.

The guaranteed annual dividends shall be calculated and paid in accordance with the Shareholder's Agreement dated November 16, 2000 which provides that the dividend shall be determined by the BOD of SSHI using the prevailing market conditions and other relevant factors. Further, the preferred shareholder shall not participate in the earnings of SSHI except to the extent of guaranteed dividends and whatever is left of the retained earnings will be declared as dividends in favor of common shareholders. Guaranteed preferred dividends included under "Interest expense" in the consolidated statements of comprehensive income amounted to ₱135,780, ₱ 214,620, and ₱258,750 in 2014, 2013 and 2012, respectively (see Note 21). Interest payable amounted to ₱258,750 as at December 31, 2014 and 2013(see Note 12).

16. Deferred Revenue

	2014	2013
Noncurrent portion of deferred revenue on:		
Exclusivity contracts(Note 32)	**₱25,000,000**	₱–
Finance lease (Note 26)	**–**	98,264
Others	**1,552,651**	1,508,919
	₱26,552,651	₱1,607,183

Deferred Revenue on Finance Lease

Movements in deferred revenue on finance lease are as follows:

	2014	2013
Beginning balance	**₱687,831**	₱1,277,398
Less amortization (Note 26)	**589,567**	589,567
Ending balance (Note 26)	**98,264**	687,831
Less current portion (Notes 13 and 26)	**98,264**	589,567
Noncurrent portion(Note 26)	**₱–**	₱98,264

Deferred Revenue on Exclusivity Contracts

Movements in deferred revenue on exclusivity contracts are as follows:

	2014	2013
Beginning balance	**₱446,429**	₱1,264,881
Addition	**75,000,000**	–
Less amortization (Notes 20 and 32)	**25,446,229**	818,452
Ending balance (Note 32)	**50,000,000**	446,429
Less current portion (Note 13)	**25,000,000**	446,429
Noncurrent portion	**₱25,000,000**	₱–

17. Equity

Common Stock

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

Below is the Company's track record of the registration of securities:

Date of SEC order rendered effective or permit to sell/ Date of SEC approval	Event	Authorized Capital Stock	Issued shares	Issue price/ Par value
January 9, 1998	Outstanding common shares	400,000,000	166,556,250	₱1.00
	Listed shares:			
February 4, 1998	Public offering	400,000,000	47,000,000	4.40
	Private placement	400,000,000	24,382,000	4.40
August 15, 2008	10% stock dividends	400,000,000	23,725,200	1.00
August 4, 2009	10% stock dividends	400,000,000	26,097,720	1.00
August 27, 2010	5% stock dividends	400,000,000	14,353,746	1.00
August 19, 2011	15% stock dividends	400,000,000	45,214,300	1.00
November 15, 2012	15% stock dividends	600,000,000	51,996,445	1.00
August 15, 2013	15% stock dividends	600,000,000	59,795,912	1.00
As at December 31, 2014			459,121,573	

As at December 31, 2014 and 2013, the Company has a total of 640 and 650 shareholders on record.

On July 24, 2012, the BOD and at least 2/3 of the Company's stockholders approved the increase of the Company's authorized common stock from ₱400,000,000, divided into 400,000,000 common shares with par value of ₱1 per share, to ₱600,000,000, divided into 600,000,000 common shares with a par value of ₱1 per share.

The Philippine SEC approved the Company's application for the increase in its authorized capital stock on October 19, 2012.

Retained Earnings

The Group's retained earnings is restricted to the extent of ₱107,463,213 and ₱83,238,361as at December 31, 2014 and 2013, respectively, for the undistributed earnings of subsidiaries and ₱ 2,923,246 as at December 31, 2014 and 2013 for the cost of treasury shares.

Stock Dividends

There was no stock dividend declaration in 2014. Details of the Group's stock dividend declaration for the years ended December 31, 2013 and 2012 are as follows:

Declaration date	Record date	Stock dividend %	Outstanding no. of common shares as at declaration date	Total stock dividend issued
July 18, 2013	August 15, 2013	15%	398,639,411	59,795,912
July 24, 2012	November 15, 2012	15%	346,642,966	51,996,445

The Group's BOD and at least 2/3 of the Group's stockholders approved all the aforementioned stock dividend declarations.

Cash Dividends
Details of the Group's cash dividend declaration for the years ended December 31, 2014, 2013 and 2012 are shown below:

Declaration date	Record date	Payment date	Dividend per share	Outstanding no. of common shares as of declaration date	Total cash dividends
April 24, 2014	**May 23, 2014**	**June 18, 2014**	₱0.30	**458,435,323**	**₱137,530,597**
July 18, 2013	August 15, 2013	September 9, 2013	0.10	398,639,411	39,863,941
July 24, 2012	August 22, 2012	September 14,2012	0.10	346,642,966	34,664,297

The Group's BOD approved all the cash dividends presented above.

Treasury Shares
There are 686,250 shares that are in treasury amounting to ₱2,923,246 as at December 31, 2014 and 2013. There is no movement in the Group's treasury shares in 2014 and 2013.

18. Cost of Merchandise Sales

	2014	2013	2012
Merchandise inventory, beginning (Note 6)	**₱900,849,891**	₱726,986,563	₱519,258,936
Net purchases	**13,125,840,660**	10,835,492,846	8,760,966,848
	14,026,690,551	11,562,479,409	9,280,225,784
Less merchandise inventory, ending (Note 6)	**1,165,094,076**	900,849,891	726,986,563
	₱12,861,596,475	₱10,661,629,518	₱8,553,239,221

19. General and Administrative Expenses

	2014	2013	2012
Communication, light and water	**₱1,111,566,076**	₱908,791,566	₱822,136,123
Depreciation and amortization (Note 8)	**862,759,509**	709,518,959	527,786,925
Outside services (Note 32)	**787,035,907**	668,604,676	663,221,838
Rent (Note 26)	**716,894,020**	553,791,399	488,292,500
Personnel costs (Note23)	**365,590,415**	342,606,112	269,182,182
Trucking services	**293,246,442**	218,412,580	171,676,338
Advertising and promotion	**281,258,513**	246,559,168	139,445,376
Royalties (Note 32)	**204,755,907**	171,714,747	133,085,007
Warehousing services	**199,368,536**	141,077,370	95,052,873
Supplies	**149,834,763**	113,159,695	119,944,818
Repairs and maintenance	**145,069,812**	136,666,288	120,154,712
Taxes and licenses	**103,144,450**	104,669,922	85,985,255
Transportation and travel	**61,541,457**	46,379,337	38,476,668
Inventory losses	**23,252,340**	12,561,816	23,875,151
Entertainment, amusement and recreation	**38,931,132**	33,472,479	24,609,677
Provision for impairment of receivables (Note 5)	**–**	12,671,486	788,778
Dues and subscription	**14,609,800**	11,579,746	9,355,941
Insurance	**12,136,880**	10,311,574	8,968,897
Amortization of software and program cost(Note 10)	**655,605**	1,316,561	1,490,475
Others	**144,722,272**	76,519,585	41,345,644
	₱5,516,373,836	₱4,520,385,066	₱3,784,875,178

20. Marketing Income

	2014	2013	2012
Promotions	**₱318,031,168**	₱288,895,179	₱339,113,279
Marketing support funds (Notes 16 and 32)	**145,381,982**	91,898,676	66,742,925
	₱463,413,150	₱380,793,855	₱405,856,204

21. Interest Expense

	2014	2013	2012
Interest on bank loans (Note 11)	**₱16,060,038**	₱16,033,270	₱16,338,080
Guaranteed preferred dividends (Note 15)	**135,780**	214,620	258,750
	₱16,195,818	₱16,247,890	₱16,596,830

22. Interest Income

	2014	2013	2012
Bank deposits (Note 4)	**₱2,450,337**	₱4,103,156	₱2,480,805
Accretion of refundable deposits (Note 9)	**3,048,457**	2,529,649	2,099,941
Finance lease (Note 26)	**96,445**	197,219	291,205
Short-term investment (Note 4)	**95,485**	195,561	268,625
Accretion of note receivable (Note 5)	**37,165**	123,182	236,517
Receivable from employees (Note 5)	**13,660**	17,037	–
	₱5,741,549	₱7,165,804	₱5,377,093

23. Personnel Costs

	2014	2013	2012
Salaries and wages	**₱184,489,666**	₱175,765,448	₱217,356,126
Employee benefits	**161,233,379**	149,981,972	36,405,561
Net retirement benefits cost (Note 24)	**19,867,370**	16,858,692	15,420,495
	₱365,590,415	₱342,606,112	₱269,182,182

24. Retirement Benefits

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

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

Changes in net defined benefit liability of funded funds in 2014 are as follows:

		Net retirement benefits cost in consolidated statement of comprehensive income				Remeasurements in other comprehensive income					
	January 1,2014	Current service cost	Net interest	Subtotal	Benefits paid	Remeasurement on plan assets	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	Contribution by employer	December 31,2014
Present value of theretirement obligations											
PSC	**(₱138,054,970)**	**(₱14,826,166)**	**(₱6,322,918)**	**(₱21,149,084)**	**₱2,176,317**	**₱–**	**₱742,576**	**(₱2,612,499)**	**(₱1,869,923)**	**₱–**	**(₱158,897,660)**
CDI	**(8,206,463)**	**(641,611)**	**(353,699)**	**(995,310)**	**–**	**–**	**199,383**	**(546,175)**	**(346,792)**	**–**	**(9,548,565)**
	(146,261,433)	**(15,467,777)**	**(6,676,617)**	**(22,144,394)**	**2,176,317**	**–**	**941,959**	**(3,158,674)**	**(2,216,715)**	**–**	**(168,446,225)**
Fair value of plan assets											
PSC	**48,701,153**	**–**	**2,230,513**	**2,230,513**	**(2,176,317)**	**(1,737,143)**	**–**	**–**	**(1,737,143)**	**18,444,800**	**65,463,006**
CDI	**1,079,138**	**–**	**46,511**	**46,511**	**–**	**(46,504)**	**–**	**–**	**(46,504)**	**1,500,000**	**2,579,145**
	49,780,291	**–**	**2,277,024**	**2,277,024**	**(2,176,317)**	**(1,783,647)**	**–**	**–**	**(1,783,647)**	**19,944,800**	**68,042,151**
Net retirement obligations	**(₱96,481,142)**	**(₱15,467,777)**	**(₱4,399,593)**	**(₱19,867,370)**	**₱–**	**(₱1,783,647)**	**₱941,959**	**(₱3,158,674)**	**(₱4,000,362)**	**₱19,944,800**	**(₱100,404,074)**

Changes in net defined benefit liability of funded funds in 2013 are as follows:

		Net retirement benefits cost in consolidated statement of comprehensive income				Remeasurements in other comprehensive income					
	January 1,2013	Current service cost	Net interest	Subtotal	Benefits paid	Remeasurement on plan assets	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	Contribution by employer	December 31,2013
Present value of the retirement obligations											
PSC	(₱109,977,260)	(₱11,184,138)	(₱5,806,799)	(₱16,990,937)	₱4,021,523	₱–	(₱14,261,393)	(₱846,903)	(₱15,108,296)	₱–	(₱138,054,970)
CDI	(6,625,244)	(1,145,926)	(334,575)	(1,480,501)	–	–	(451,957)	351,239	(100,718)	–	(8,206,463)
	(116,602,504)	(12,330,064)	(6,141,374)	(18,471,438)	4,021,523	–	(14,713,350)	(495,664)	(15,209,014)	–	(146,261,433)
Fair value of plan assets											
PSC	29,548,266	–	1,560,148	1,560,148	(4,021,523)	(56,468)	–	–	(56,468)	21,670,730	48,701,153
CDI	1,041,545	–	52,598	52,598	–	(15,005)	–	–	(15,005)	–	1,079,138
	30,589,811	–	1,612,746	1,612,746	(4,021,523)	(71,473)	–	–	(71,473)	21,670,730	49,780,291
Net retirement obligations	(₱86,012,693)	(₱12,330,064)	(₱4,528,628)	(₱16,858,692)	₱–	(₱71,473)	(₱14,713,350)	(₱495,664)	(₱15,280,487)	₱21,670,730	(₱96,481,142)

Changes in net defined benefit liability of funded funds in 2012 are as follows:

		Net retirement benefits cost in consolidated statement of comprehensive income				Remeasurements in other comprehensive income					
	January 1, 2012	Current service cost	Net interest	Subtotal	Benefits paid	Remeasurement on plan assets	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	Contribution by employer	December 31, 2012
Present value of the retirement obligations											
PSC	(₱96,296,328)	(₱9,655,975)	(₱5,585,187)	(₱15,241,162)	₱4,686,898	₱–	(₱8,858,149)	₱5,731,481	(₱3,126,668)	₱–	(₱109,977,260)
CDI	(6,764,360)	(545,788)	(374,746)	(920,534)	1,245,962	–	(225,804)	39,492	(186,312)	–	(6,625,244)
	(103,060,688)	(10,201,763)	(5,959,933)	(16,161,696)	5,932,860	–	(9,083,953)	5,770,973	(3,312,980)	–	(116,602,504)
Fair value of plan assets											
PSC	12,239,143	–	709,870	709,870	(4,686,898)	2,687,354	–	–	2,687,354	18,598,797	29,548,266
CDI	565,547	–	31,331	31,331	(1,245,962)	10,214	–	–	10,214	1,680,415	1,041,545
	12,804,690	–	741,201	741,201	(5,932,860)	2,697,568	–	–	2,697,568	20,279,212	30,589,811
Net retirement obligations	(₱90,255,998)	(₱10,201,763)	(₱5,218,732)	(₱15,420,495)	₱–	₱2,697,568	(₱9,083,953)	₱5,770,973	(₱615,412)	₱20,279,212	(₱86,012,693)

The fair value of plan assets by each class as at the end of each balance sheet date are as follows:

	PSC		CDI	
	December31,2014	December 31,2013	**December31,2014**	December 31,2013
BPI short term fund:				
Unit investment trust fund	**₱55,493,618**	₱38,677,625	**₱2,067,114**	₱1,079,138
BPI ALFM mutual fund	**–**	–	**512,031**	–
Investments in equity securities:				
PSC - listed shares - 40,848 as at December 31, 2014 and 2013	**3,969,388**	4,023,528	**–**	–
SSHI - unlisted shares	**6,000,000**	6,000,000	**–**	–
Fair value of plan assets	**₱65,463,006**	₱48,701,153	**₱2,579,145**	₱1,079,138

The trustee exercises voting rights over the PSC and SSHI shares held by the retirement fund.

The retirement benefits cost and the present value of the retirement are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the net retirement obligations are shown below:

	PSC		CDI	
	2014	2013	**2014**	2013
Discount rates	**4.61%**	5.28%	**4.63%**	5.05%
Salary increase rates	**5.50%**	5.50%	**5.50%**	5.50%
Turnover rates:				
Age 17-24	**5.00%**	5.00%	**5.00%**	5.00%
25-29	**3.00%**	3.00%	**3.00%**	3.00%
30-49	**1.00%**	1.00%	**1.00%**	1.00%
50-59	**0.00%**	0.00%	**0.00%**	0.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2014, assuming if all other assumptions were held constant:

	Increase (Decrease)	PSC	CDI
Discount rates	+0.5%	(₱11,714,458)	(₱288,081)
	-0.5%	13,054,484	317,083
Turnover rate	+1%	26,665,679	649,259
	-1%	(21,860,805)	(534,339)
Average remaining years of service	+3 years	4,015,070	12,104
	-3 years	(492,444)	161,053

The Group expects to contribute₱18,018,753 and₱1,112,050to the defined benefit retirement plans of PSC and CDI, respectively, in 2015.

Shown below is the maturity analysis and weighted average duration of the retirement benefits obligations:

	Benefits Payments	
	PSC	CDI
Not exceeding 1 year	₱5,938,805	₱4,957,725
More than 1 year to 5 years	5,590,580	290,012
More than 5 to 10 years	33,969,262	1,953,798
More than 10 to 15 years	133,779,302	3,835,523
More than 15 years to 20 years	307,334,651	5,340,767
More than 20 years	1,932,543,485	41,404,367

25. **Related Party Disclosures**

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

Transactions with related parties consist of:

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

Balances arising from the foregoing transactions with related parties are as follows:

Related Parties	Relationship	Nature of Transactions	Terms and Conditions	Transactions for the Year Ended December 31 2014	2013	Outstanding Balance as at December 31 2014	2013
Receivables							
PFI (Note 5)	Under common control	Noninterest-bearing advances	Unsecured, no impairment in 2014 and 2013. Amounts are due and demandable.	**₱406,473**	₱1,481,066	**₱3,525,452**	₱3,118,978
Other current liabilities							
PFI	Under common control	Donations	0.5% of earnings before income tax from PSC and ₱720,000 annual donation from CDI.Payable within 30 days.	**₱7,203,333**	₱3,387,500	**₱2,894,337**	₱–

e. As at December 31, 2014 and 2013, the Group's defined benefit retirement fund has investments in shares of stock of the Parent Company with a cost of ₱122,417. The retirement benefit fund's incurred a loss arising from changes in market prices amounting to ₱54,140 in 2014 and earned a gain of ₱755,688in 2013.

3. Compensation of key management personnel are as follows:

	2014	2013	2012
Short-term employee benefits	**₱44,638,652**	₱35,130,247	₱34,979,611
Post-employment benefits	**2,699,447**	2,855,806	430,000
Other long-term benefits	**–**	776,964	376,073
	₱47,338,099	₱38,763,017	₱35,785,684

26. **Leases**

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

In March 2010, the Company amended its agreement with the armored car service provider extending the lease term for another five years from March 1, 2010 to February 1, 2015, imposing 7% interest per annum on the restructured loan obligation and reducing its monthly rental payments. The unguaranteed residual values accruing to the Company was retained.

a. Lease Receivable (Notes 5 and 10)
Future minimum lease receivables under this lease as at December 31 are as follows:

	2014	2013
Within one year	**₱3,747,773**	₱3,182,560
After one year but not more than five years	**–**	565,213
Total minimum lease payments receivable	**3,747,773**	3,747,773
Less unearned interest income	**5,773**	102,218
Present value of future minimum lease payments receivable	**3,742,000**	3,645,555
Less current portion (Note 5)	**3,742,000**	3,086,114
Noncurrent portion (Note 10)	**₱–**	₱559,441

There were no collections of lease receivable in 2014 and 2013.

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

	2014	2013
Within one year	**₱3,742,000**	₱3,086,114
After one year but not more than five years	**–**	559,441
Total minimum lease payments receivable	**3,742,000**	3,645,555
Less current portion	**3,742,000**	3,086,114
	₱–	₱559,441

Unearned interest income as at December 31, 2014 and 2013 amounted to ₱5,773 and ₱102,218, respectively. Related interest income amounted to ₱96,445, ₱197,219 and ₱291,205 in 2014, 2013 and 2012, respectively (see Note 22).

b. Deferred Revenue on Finance Lease
Difference between the original lease agreement's present value of minimum lease payments at the date of lease inception against the carrying value of the finance lease 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 lease term. The related deferred revenue amounted to ₱98,264 and ₱687,831as at December 31, 2014 and 2013, respectively, with current portion amounting to₱ 98,264 and ₱589,567 as at December31, 2014 and 2013, respectively(see Notes 13 and 16). Noncurrent portion amounted to nil and ₱98,264 as at December 31, 2014 and 2013, respectively. Amortization of deferred revenue on finance lease amounted to ₱589,567 in 2014, 2013 and 2012 (see Note 16).

Operating Lease as Lessee

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

   Rent expense related to these lease agreements amounted to₱673,566,162,₱515,939,520 and₱ 449,915,799in 2014, 2013 and 2012, respectively (see Note 19). Of the total rent expense, ₱5,654,193, ₱2,658,415 and₱2,573,518 in 2014, 2013 and2012, respectively, pertains to contingent rent of some stores based on percentage ranging from 1.5% to 3.0% of merchandise sales. Amortization of deferred lease amounted to ₱545,297, ₱627,081 and ₱ 719,536in 2014, 2013 and 2012, respectively (see Note 10).

   In 2014, PSC entered into various long-term operating lease contracts for its warehouses in Pasig, Cebu, Iloilo and Pampanga. Rent expense for warehouse leases amounted to ₱ 27,334,418 and ₱20,351,496 and nil in 2014, 2013 and 2012, respectively (see Note 19). Amortization of deferred lease amounted to ₱1,717,475, ₱1,090,500 and nil in 2014, 2013 and 2012, respectively (see Note 10).

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

	2014	2013
Within one year	**₱93,555,952**	₱77,013,775
After one year but not more than five years	**325,588,151**	183,063,024
More than five years	**256,080,754**	74,506,720
	₱675,224,857	₱334,583,519

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

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

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

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

Rent expense related to these lease agreements amounted to ₱1,288,305, ₱12,260,201 and ₱33,952,195 and in 2014, 2013 and 2012, respectively (see Note 19). Amortization of deferred lease amounted to₱14,864, ₱693,032 and ₱1,766,192in 2014, 2013 and 2012, respectively (see Note 10).

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

	2014	2013
Within one year	**₱4,309,312**	₱8,804,554
After one year but not more than five years	**–**	32,978,408
More than five years	**–**	17,674,722
	₱4,309,312	₱59,457,684

CDI also has other various short-term operating leases pertaining to rental of warehouse and equipments. Related rent expense amounted to ₱14,705,135, ₱5,240,182and₱4,424,506in 2014, 2013 and 2012, respectively (see Note 19).

Operating Lease as Lessor
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₱51,118,568, ₱48,341,871 and₱45,751,718in 2014, 2013 and 2012, respectively.

27. Income Tax

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

	2014	2013	2012
Current:			
Regular corporate income tax	**₱403,038,636**	₱308,105,233	₱211,923,436
Final tax on interest income	**272,737**	838,382	445,546
	403,311,373	308,943,615	212,368,982
Deferred	**(21,387,531)**	(8,141,501)	(2,111,056)
	₱381,923,842	₱300,802,114	₱210,257,926

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

	2014			
	PSC	**CDI**	**SSHI**	**Total**
Deferred income tax assets:				
Net retirement obligations	**₱28,030,396**	**₱2,090,826**	**₱–**	**₱30,121,222**
Accrued rent	**19,385,001**	**333,721**	**–**	**19,718,722**
Deferred revenue on exclusivity contracts	**15,000,000**	**–**	**–**	**15,000,000**
Unamortized discount on refundable deposit	**8,680,272**	**–**	**–**	**8,680,272**
Unamortized past service cost	**6,904,279**	**485,921**	**–**	**7,390,200**
Allowance for impairment on receivables	**5,688,055**	**–**	**–**	**5,688,055**
Deferred revenue on customer loyalty programme	**5,452,105**	**–**	**–**	**5,452,105**
Provision for litigation losses	**709,523**	**1,991,335**	**–**	**2,700,858**
Unearned rent income	**254,885**	**–**	**–**	**254,885**
Unrealized foreign exchange loss	**–**	**2,372**	**–**	**2,372**
	90,104,516	**4,904,175**	**–**	**95,008,691**

Deferred income tax liabilities:				
Deferred lease expense	**7,595,017**	**–**	**–**	**7,595,017**
Unamortized discount on purchase of refundable deposit	**229,032**	**–**	**–**	**229,032**
Revaluation increment on land	**–**	**–**	**7,936,841**	**7,936,841**
Unrealized foreign exchange gain	**9,634**	**–**	**–**	**9,634**
	7,833,683	**–**	**7,936,841**	**15,770,524**
Net deferred income tax assets (liability)	**₱82,270,833**	**₱4,904,175**	**(₱7,936,841)**	**₱79,238,167**

	2013			
	PSC	CDI	SSHI	Total
Deferred income tax assets:				
Net retirement obligations	₱26,806,145	₱2,138,198	₱–	₱28,944,343
Accrued rent	16,833,945	595,361	–	17,429,306
Unamortized discount on refundable deposit	4,031,977	1,556,717	–	5,588,694
Allowance for impairment on receivables	6,269,624	–	–	6,269,624
Provision for litigation losses	2,119,887	1,991,335	–	4,111,222
Unamortized past service cost	6,193,281	294,794	–	6,488,075
Deferred revenue on exclusivity contracts	133,929	–	–	133,929
Unearned rent income	95,040	–	–	95,040
Unamortized discount on receivable	11,820	–	–	11,820
Unrealized foreign exchange loss	59,579	–	–	59,579
	62,555,227	6,576,405	–	69,131,632
Deferred income tax liabilities:				
Deferred lease expense	2,858,206	1,413,987	–	4,272,193
Unamortized discount on purchase of refundable deposit	267,083	–	–	267,083
Revaluation increment on land	–	–	1,384,241	1,384,241
Unrealized foreign exchange gain	–	4,988	–	4,988
	3,125,289	1,418,975	1,384,241	5,928,505
Net deferred income tax assets (liability)	₱59,429,938	₱5,157,430	(₱1,384,241)	₱63,203,127

c. 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 comprehensive income follow:

	2014	2013	2012
Provision for income tax computed at statutory income tax rate	**₱376,580,609**	₱295,028,929	₱202,630,185
Adjustments for:			
Nondeductible expenses:			
Inventory losses	**4,608,692**	3,768,545	7,162,545
Interest expense and others	**1,263,705**	2,446,834	867,483
Tax effect of rate difference between final tax and statutory tax rate on bank interest income	**(491,010)**	(404,040)	(364,133)
Nontaxable other income	**(38,154)**	(38,154)	(38,154)
	₱381,923,842	₱300,802,114	₱210,257,926

d. Republic Act No. 9504, effective on July 7, 2008, allows availment of optional standard deductions (OSD). Corporations, except for nonresident foreign corporations, may now elect to claim standard deduction in an amount not exceeding 40% of their gross income. The Group did not avail of the OSD for the computation of its taxable income in 2014, 2013 and 2012.

28. Basic/Diluted Earnings Per Share

		2014	2013	2012
a.	Net income	**₱873,344,855**	₱682,627,649	₱465,176,023
b.	Weighted average number of shares issued	**459,121,573**	459,121,573	459,121,573
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)**	**458,435,323**	458,435,323	458,435,323
e.	Basic/diluted earnings per share **(a/d)**	**₱1.91**	₱1.49	₱1.01

The Group does not have potentially dilutive common shares as at December 31, 2014, 2013 and 2012. Thus, the basic earnings per share is equal to the diluted earnings per share as at those dates.

29. Financial Instruments

The comparison of the carrying value and fair value of all of the Group’s financial instruments (those with carrying amounts that are not equal to their fair values) as at December 31 are as follows:

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and Receivables				
Receivables-				
Lease receivable	**₱3,742,000**	**₱3,742,000**	₱3,645,555	₱3,691,723
Deposits-				
Refundable	**75,964,346**	**80,515,547**	34,871,384	41,815,472
	₱79,706,346	**₱84,257,547**	₱38,516,939	₱45,507,195

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

Fair Value Information

Current Financial Assets and Financial Liabilities

The fair value of lease receivable as at December 31, 2014 approximates its carrying value. Due to the short-term nature of the related transactions, the fair values of cash and cash equivalents, short-term investment, receivables(except for lease receivables), accounts payable and accrued expenses and other current liabilities approximates their carrying values as at balance sheet date.

Lease Receivable

The fair value of lease receivable as at December 31, 2014 approximates its carrying value. The fair value of lease receivable as at December 31, 2013 is determined by discounting the sum of future cash flows using the prevailing market rates for instruments with similar maturities as at December 31, 2013 which is 2.73%.

Utility and Other Deposits

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

Refundable Deposits
The fair value of refundable deposits is determined by discounting the sum of future cash flows using the prevailing market rates for instruments with similar maturities as at December 31, 2014 and 2013ranging from 2.55% to 4.76% and 0.50% to 4.35%, respectively.

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

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

Fair Value Hierarchy
As at December 31, 2014 and 2013, the Group has no financial instruments measured at fair value.

30. Financial Risk Management Objectives and Policies

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

Listed below are the summarized risk identified by the BOD.

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

The following tables provide information regarding the maximum credit risk exposure of the Group as at December 31:

	2014	2013
Cash and cash equivalents (excluding cash on hand)		
Cash in bank	**₱1,067,252,100**	₱734,552,645
Cash equivalents	**–**	50,580,062
	1,067,252,100	785,132,707
Short-term investment	**10,884,130**	10,810,229
Receivables		
Franchisees	**402,860,061**	397,506,385
Suppliers	**143,596,222**	33,091,755
Employees	**16,666,383**	14,396,862
Store operators	**11,682,630**	12,181,205
Rent	**3,089,725**	2,486,280
Due from PFI	**3,525,452**	3,118,978

Current portion of:		
Lease receivable	**₱3,742,000**	₱3,086,114
Notes receivable	**990,917**	1,033,914
Insurance receivable	**1,155,417**	585,057
Others	**2,078,334**	1,358,499
	589,387,141	468,845,049
Deposits		
Refundable	**75,964,346**	34,871,384
Utilities	**53,374,427**	42,509,396
Others	**6,551,174**	4,487,223
	135,889,947	81,868,003
Other noncurrent assets		
Noncurrent portion of:		
Due from franchisees	**48,675,044**	44,763,037
Lease receivable	**–**	559,441
	48,675,044	45,322,478
	₱1,852,088,362	₱1,391,978,466

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

	2014			
	Neither Past Due nor Impaired			
	High Grade	**Standard Grade**	**Past Due Or Impaired**	**Total**
Cash and cash equivalents				
Cash in bank	**₱1,067,252,100**	**₱–**	**₱–**	**₱1,067,252,100**
Cash equivalents	**–**	**–**	**–**	**–**
	1,067,252,100	**–**	**–**	**1,067,252,100**
Short-term investment	**10,884,130**	**–**	**–**	**10,884,130**
Receivables				
Franchisees	**–**	**402,860,061**	**214,342**	**403,074,403**
Suppliers	**–**	**120,628,776**	**38,533,380**	**159,162,156**
Employees	**–**	**16,666,383**	**539,921**	**17,206,304**
Store operators	**–**	**11,682,630**	**365,801**	**12,048,431**
Rent	**–**	**3,089,725**	**2,274,184**	**5,363,909**
Due from PFI	**–**	**3,525,452**	**–**	**3,525,452**
Current portion of:				
Lease receivable	**–**	**3,742,000**	**–**	**3,742,000**
Notes receivable	**–**	**990,917**	**–**	**990,917**
Insurance receivable	**–**	**1,155,417**	**–**	**1,155,417**
Others	**–**	**2,078,334**	**–**	**2,078,334**
	–	**566,419,695**	**41,927,628**	**608,347,323**
Deposits				
Utilities	**–**	**53,374,427**	**–**	**53,374,427**
Refundable	**–**	**75,964,346**	**–**	**75,964,346**
Others	**–**	**6,551,174**	**–**	**6,551,174**
	–	**135,889,947**	**–**	**135,889,947**
Other noncurrent asset				
Noncurrent portion of receivable from franchisees	**–**	**48,675,044**	**–**	**48,675,044**
	–	**48,675,044**	**–**	**48,675,044**
	₱1,078,136,230	**₱750,984,686**	**₱41,927,628**	**₱1,871,048,544**

	2013			
	Neither Past Due nor Impaired			
	High Grade	Standard Grade	Past Due Or Impaired	Total
Cash and cash equivalents				
Cash in bank	₱734,552,645	₱–	₱–	₱734,552,645
Cash equivalents	50,580,062	–	–	50,580,062
	785,132,707	–	–	785,132,707

	2013			
	Neither Past Due nor Impaired			
	High Grade	Standard Grade	Past Due Or Impaired	Total
Short-term investment	10,810,229	–	–	10,810,229
Receivables				
Franchisees	–	397,506,385	214,342	397,720,727
Suppliers	–	28,271,501	20,386,188	48,657,689
Employees	–	14,396,862	539,921	14,936,783
Store operators	–	12,181,205	365,801	12,547,006
Rent	–	2,486,280	2,274,184	4,760,464
Due from PFI	–	3,118,978	–	3,118,978
Current portion of:				
Lease receivable	–	3,086,114	–	3,086,114
Notes receivable	–	1,033,914	–	1,033,914
Insurance receivable	–	585,057	–	585,057
Others	–	1,358,499	–	1,358,499
	–	464,024,795	23,780,436	487,805,231
Deposits				
Utilities	–	42,509,396	–	42,509,396
Refundable	–	34,871,384	–	34,871,384
Others	–	4,487,223	–	4,487,223
	–	81,868,003	–	81,868,003
Other noncurrent assets				
Noncurrent portion of:				
Receivable from franchisees	–	44,763,037	–	44,763,037
Lease receivable	–	559,441	–	559,441
	–	45,322,478	–	45,322,478
	₱795,942,936	₱591,215,276	₱23,780,436	₱1,410,938,648

The Group uses the following criteria to rate credit quality:

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

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

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

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

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

	2014					
	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:						
Franchisees	**₱–**	**₱–**	**₱–**	**₱–**	**₱214,342**	**₱214,342**
Suppliers	**995,763**	**4,689,937**	**17,281,746**	**22,967,446**	**15,565,934**	**38,533,380**
Employees	**–**	**–**	**–**	**–**	**539,921**	**539,921**
Store operators	**–**	**–**	**–**	**–**	**365,801**	**365,801**
Rent	**–**	**–**	**–**	**–**	**2,274,184**	**2,274,184**
	₱995,763	**₱4,689,937**	**₱17,281,746**	**₱22,967,446**	**₱18,960,182**	**₱41,927,628**

	2013					
	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:						
Franchisees	₱–	₱–	₱–	₱–	₱214,342	₱214,342
Suppliers	1,601,652	868,379	2,350,223	4,820,254	15,565,934	20,386,188
Employees	–	–	–	–	539,921	539,921
Store operators	–	–	–	–	365,801	365,801
Rent	–	–	–	–	2,274,184	2,274,184
	₱1,601,652	₱868,379	₱2,350,223	₱4,820,254	₱18,960,182	₱23,780,436

Receivables from suppliers are noninterest-bearing and are generally on 30 to 90 day terms.

There are no significant concentrations of credit risk within the Group.

Liquidity Risk

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

As part of its liquidity risk management program, the Group regularly evaluates projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund raising initiatives. The Group uses historical figures and experiences and forecasts of collections and disbursements. These initiatives may include drawing of loans from the approved credit line intended for working capital and capital expenditures purposes and equity market issues.

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

	2014				
	Three months or less	**More than three months to one year**	**More than one year to five years**	**More than five years**	**Total**
Cash and cash equivalents					
Cash on hand and in banks	**₱1,241,685,743**	**₱–**	**₱–**	**₱–**	**1,241,685,743**
Short-term investment	**10,884,130**	**–**	**–**	**–**	**10,884,130**
Receivables					
Franchisees	**402,860,061**	**–**	**–**	**–**	**402,860,061**
Suppliers	**120,628,776**	**22,967,446**	**–**	**–**	**143,596,222**
Employees	**16,666,383**	**–**	**–**	**–**	**16,666,383**
Store operators	**11,682,630**	**–**	**–**	**–**	**11,682,630**
Rent	**3,089,725**	**–**	**–**	**–**	**3,089,725**
Due from PFI	**3,525,452**	**–**	**–**	**–**	**3,525,452**
Current portion of:					
Lease receivable	**3,442,000**	**300,000**	**–**	**–**	**3,742,000**
Notes receivable	**₱990,917**	**₱–**	**₱–**	**₱–**	**₱990,917**
Insurance receivable	**–**	**1,155,417**	**–**	**–**	**1,155,417**
Others	**2,078,334**	**–**	**–**	**–**	**2,078,334**
	564,964,278	**24,422,863**	**–**	**–**	**589,387,141**
Deposits					
Utilities	**–**	**–**	**53,374,427**	**–**	**53,374,427**
Refundable	**–**	**–**	**10,395,653**	**65,568,693**	**75,964,346**
Others	**–**	**–**	**6,551,174**	**–**	**6,551,174**
	–	**–**	**70,321,254**	**65,568,693**	**135,889,947**
Other noncurrent asset					
Noncurrent portion of:					
Receivable from franchisee	**–**	**–**	**48,675,044**	**–**	**48,675,044**
Lease receivable	**–**	**–**	**–**	**–**	**–**
	–	**–**	**48,675,044**	**–**	**48,675,044**
	₱1,817,534,151	**₱24,422,863**	**₱118,996,298**	**₱65,568,693**	**₱2,026,522,005**

	2013				
	Three months or less	More than three months to one year	More than one year to five years	More than five years	Total
Cash and cash equivalents					
Cash on hand and in banks	₱922,422,571	₱–	₱–	₱–	₱922,422,571
Cash equivalents	50,580,062	–	–	–	50,580,062
	973,002,633	–	–	–	973,002,633
Short-term investment	10,810,229	–	–	–	10,810,229
Receivables					
Franchisees	397,506,385	–	–	–	397,506,385
Suppliers	28,271,501	4,820,254	–	–	33,091,755
Employees	14,396,862	–	–	–	14,396,862
Store operators	12,181,205	–	–	–	12,181,205
Rent	2,486,280	–	–	–	2,486,280
Due from PFI	3,118,978	–	–	–	3,118,978
Current portion of:					
Lease receivable	1,955,265	1,130,849	–	–	3,086,114
Notes receivable	1,033,914	–	–	–	1,033,914
Insurance receivable	–	585,057	–	–	585,057
Others	1,358,499	–	–	–	1,358,499
	462,308,889	6,536,160	–	–	468,845,049
Deposits					
Utilities	–	–	42,509,396	–	42,509,396
Refundable	–	–	26,697,286	8,174,098	34,871,384
Others	–	–	4,487,223	–	4,487,223
	–	–	73,693,905	8,174,098	81,868,003
Other noncurrent assets					
Noncurrent portion of:					
Receivable from franchisees	–	–	44,763,037	–	44,763,037
Lease receivable	–	–	559,441	–	559,441
	–	–	45,322,478	–	45,322,478
	₱1,446,121,751	₱6,536,160	₱119,016,383	₱8,174,098	₱1,579,848,392

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

	2014			
	Three months or less	**More than three months to one year**	**More than one year**	**Total**
Bank loans	**₱650,000,000**	**₱100,000,000**	**₱–**	**₱750,000,000**
Accounts payable and accrued expenses				
Trade payable	**2,031,839,981**	**–**	**–**	**2,031,839,981**
Utilities	**90,223,127**	**–**	**–**	**90,223,127**
Rent	**65,719,071**	**–**	**–**	**65,729,071**
Employee benefits	**71,421,033**	**–**	**–**	**71,421,033**
Advertising and promotion	**41,339,695**	**–**	**–**	**41,339,695**
Outsourced services	**41,302,057**	**–**	**–**	**41,302,057**
Bank charges	**14,254,500**	**–**	**–**	**14,254,500**
Security services	**9,112,687**	**–**	**–**	**9,112,687**
Interest	**1,058,750**	**–**	**–**	**1,058,750**
Others	**78,879,812**	–	**–**	**78,879,812**
	2,445,160,713	–	**–**	**2,445,160,713**
Other current liabilities		–	–	
Non-trade accounts payable	**41,686,571**	**399,620,488**		**441,307,059**
Due to franchisees	**128,356,232**	**–**	**–**	**128,356,232**
Retention payable	**–**	**81,784,397**	**–**	**81,784,397**
Royalty	**19,330,605**	**–**	**–**	**19,330,605**
Service fees payable	**–**	**8,012,505**	**–**	**8,012,505**
Others	**–**	**13,805,862**	**–**	**13,805,862**
	189,373,408	**503,223,252**	**–**	**692,596,660**
Cumulative redeemable preferred shares	**6,000,000**	**–**	**–**	**6,000,000**
	₱3,290,534,121	**₱603,223,252**	**₱–**	**₱3,893,757,373**

	2013			
	Three months or less	More than three months to one year	More than one year	Total
Bank loans	₱350,000,000	₱210,000,000	₱–	₱560,000,000
Accounts payable and accrued expenses				
Trade payable	1,575,446,279	–	–	1,575,446,279
Utilities	71,354,276	–	–	71,354,276
Rent	58,097,685	–	–	58,097,685
Employee benefits	39,622,810	–	–	39,622,810
Advertising and promotion	37,844,609	–	–	37,844,609
Outsourced services	24,844,921	–	–	24,844,921
Bank charges	13,487,060	–	–	13,487,060
Security services	3,375,831	–	–	3,375,831
Interest	1,947,803	–	–	1,947,803
Others	46,682,215	–	–	46,682,215
	1,872,703,489	–	–	1,872,703,489
Other current liabilities				
Non-trade accounts payable	43,501,002	319,007,352	–	362,508,354
Due to franchisees	62,939,640	–	–	62,939,640
Retention payable	–	48,466,743	–	48,466,743
Royalty	16,305,559	–	–	16,305,559
Service fees payable	–	10,381,467	–	10,381,467
Others	27,210,000	3,521,826	–	30,731,826
	149,956,201	381,377,388	–	531,333,589
Cumulative redeemable preferred shares	6,000,000		–	6,000,000
	₱2,378,659,690	₱591,377,388	₱–	₱2,970,037,078

Interest Rate Risk

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

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

	2014	2013
Due in less than one year	**₱756,000,000**	₱566,000,000
Rate	**2.0%-2.5%**	2.5%-3.6%

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

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

	2014		2013	
	Increase/ Decrease in Basis Points	**Effect on Income Before Income Tax**	Increase/ Decrease in Basis Points	Effect on Income Before Income Tax
Bank loans - floating interest rate	**+100**	**(₱7,500,000)**	+100	(₱5,600,000)
	-100	**7,500,000**	-100	5,600,000
Cumulative redeemable preferred shares - floating interest rate	**+100**	**(60,000)**	+100	(60,000)
	-100	**60,000**	-100	60,000

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

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group's foreign exchange exposure arises from holding foreign currency denominated rates, cash and cash equivalents and loans and receivables. In order to balance this exposure, the Group maintains a foreign currency accounts in a reputable commercial bank. The Group does not enter into derivatives to hedge the exposure. The Group's cash and receivables denominated in foreign currency and converted into Peso using the closing exchange rates at each balance sheet date are summarized below.

	2014		2013	
	Dollar	**Peso**	Dollar	Peso
Cash in banks	**$59,635**	**₱2,666,877**	$94,533	₱4,197,265

As at December 31, 2014 and 2013, the closing functional currency exchange rate is ₱44.72 and ₱44.40 to US$1, respectively.

The following table represents the impact on the Group's income before income tax brought about by reasonably possible changes in Peso to Dollar exchange rate (holding all other variables constant) as at December 31, 2014 and 2013 until its next financial reporting date:

	Change in Peso to Dollar Exchange Rate	Effect on Income before Income Tax
2014	**Increase by 0.72%**	**(₱19,202)**
	Decrease by 0.72%	**19,202**
2013	Increase by 8.16%	(₱342,497)
	Decrease by 8.16%	342,497

There is no other effect on the Group's equity other than those already affecting 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 attributable to shareholders as capital. The Group manages its capital structure by keeping a net worth of between 30% to 50%

in relation to its total assets. The Group's net worth ratio is 42% as at December 31, 2014 and 2013. No changes were made in the objectives, policies and processes during the year.

	2014	2013
Common stock	**₱459,121,573**	₱459,121,573
Additional paid-in capital	**293,525,037**	293,525,037
Retained earnings	**2,546,335,563**	1,810,521,305
	3,298,982,173	2,563,167,915
Less cost of shares held in treasury	**2,923,246**	2,923,246
	₱3,296,058,927	₱2,560,244,669
Total assets	**₱7,882,305,026**	₱6,024,712,972
Net worth	**42%**	42%

As at December 31, 2014 and 2013, the Group was able to meet its objective.

32. Significant Agreements

a. Franchise Agreements

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

	2014	2013	2012
Share in gross profit of franchisees	**₱1,534,585,425**	₱1,265,753,174	₱602,379,025
Franchise fee	**113,004,538**	101,500,115	81,193,802
	₱1,647,589,963	₱1,367,253,289	₱683,572,827

Receivable from franchisees as at December 31, 2014 and 2013 amounted to ₱ 451,535,105and ₱442,264,422, respectively (see Notes 5, 10, 29, and 30). Due to franchisees as at December 31, 2014 and 2013 amounted to ₱128,356,232 and ₱62,939,640, respectively (see Note 13).The Company also has outstanding deposits payable to franchisees amounting to ₱124,767,926 and ₱99,370,298 as at December 31, 2014 and 2013, respectively (see Note 14).

b. Service Agreements

The Group has service agreements with third parties for the management and operation of certain stores. In consideration thereof, the store operator is entitled to a service fee based on a certain percentage of the store's gross profit and operating expenses as stipulated in the service agreement. Service fees included under outside services shown as part of "Outside services" in "General and administrative expenses" account amounted to₱103,989,092 in 2014, ₱140,848,888 in 2013and ₱231,622,046 in 2012(see Note 19).The Group also has outstanding deposits payable to third parties in relation to service agreements amounting to ₱ 95,268,832 and ₱89,707,363 as at December 31, 2014 and 2013, respectively (see Note 14).

c. Commission Income

The Group has entered into agreements with a phone card supplier and various third parties. Under the arrangements, the Group earns commission on the sale of phone cards and collection of bills payments based on a certain percentage of net sales and collections for the month and a fixed monthly rate. Commission income amounted to₱39,214,967,₱43,402,035 and₱67,396,391in 2014, 2013 and 2012, respectively.

d. 2014 Exclusivity Contract

In 2014, the Group has entered into a 3-year exclusivity contract with a third party ice cream distributor in the Philippines effective January 2014 to December 2016. The contract indicates that the third party ice cream distributor will exclusively supply all ice cream products of 7-Eleven stores. The Group received a one-time signing bonus amounting to ₱75,000,000 upon the effectivity of the exclusivity supply contract amortized over three years. Income from exclusivity contract included as part of “Marketing support funds” under “Marketing income” in profit or loss amounted to ₱25,000,000 in 2014 (see Note 20). Deferred revenue as at December 31, 2014 amounted to ₱50,000,000 (see Notes 13 and 16).

e. 2010 Exclusivity Contract

The Group has entered into a 3-year exclusivity contract with a third party soda manufacturer in the Philippines effective April 2010 to March 2013. The contract indicates the third party soda manufacturer will exclusively supply all slurpee products of 7-Eleven. The Group received a one-time signing bonus amounting to ₱4,464,286 upon the effectivity of the exclusivity supply contract amortized over three years. Income from exclusivity contract included as part of “Marketing support funds” under “Marketing income” in profit or loss amounted to₱372,023 and ₱1,488,095 in 2013 and 2012, respectively (see Note 20). Deferred revenue as at December 31, 2014 and 2013 amounted to nil.

f. 2010 Signing Bonus

In 2010, the Group collected a signing bonus amounting to ₱2,232,143 from one of the Group’s food suppliers for awarding half of the Group’s existing Hotdog Stock Keeping Units (SKUs) to the food supplier for the next five years starting January 1, 2010. Income from exclusivity contract included as part of “Marketing support funds” under “Marketing income” in profit or loss amounted to ₱446,429 both in 2014, 2013 and 2012 (see Note 20). Deferred revenue as at December 31, 2014 and 2013 amounted to nil and ₱446,429, respectively (see Notes 13 and 16).

g. Memorandum of Agreement (MOA) with Chevron Philippines, Inc.

The Group has entered into MOA with Chevron Philippines, Inc. (CPI) on August 6, 2009, wherein CPI has granted the Group as authorized co-locator for a full term of three-years to establish operate and/or franchise its 7-Eleven stores in CPI service stations. Both parties have identified 22 CPI service stations, wherein the Group will give the Retailers of these service stations a Letter Offer to Franchise (LOF) 7-Eleven stores. Upon acceptance of the Retailers of the LOF, the Retailers will sign a Store Franchise Agreement (SFA) with the Group. If LOF is not accepted by one of the 22 original service stations identified, that service station will be replaced with another mutually acceptable service station site.

Upon signing of the MOA, CPI executed a Caltex Retail Agreement with each of the 22 service station Retailers, which shall have a full term of three years and which will be co-terminus with the SFA.

As at December 31, 2014 and 2013, the Group has already opened 35 and 32 franchised serviced stations, respectively.

h. Licensing Agreement with Seven Eleven, Inc. (SEI)
The Group executed a licensing agreement with SEI, a stockholder organized in Texas, U.S.A. This grants the Group the exclusive right to use the 7-Eleven System in the Philippines. In accordance with the agreement, the Group pays, among others, royalty fee to SEI based on a certain percentage of monthly gross sales, net of gross receipts tax. Royalty fee amounted to ₱204,755,907,₱171,714,747 and ₱133,085,007 in 2014, 2013 and 2012, respectively (see Note 19). As at December 31, 2014 and 2013, royalty payable amounted to ₱19,330,605 and ₱16,305,559, respectively (see Note 13).

33. Segment Reporting

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

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

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

The aforementioned revenues are all revenues from external customers.

The segment's relevant financial information is as follows:

	2014	2013	2012
Revenue			
Revenue from merchandise sales	**₱17,107,375,250**	₱14,133,649,192	₱11,713,760,468
Franchise revenue	**1,647,589,963**	1,367,253,289	683,572,827
Marketing income	**463,413,150**	380,793,855	405,856,204
Rental income	**51,118,568**	48,341,871	45,751,718
Commission income	**39,214,967**	43,402,035	67,396,391
Interest income	**5,741,549**	7,165,804	5,377,093
Other income	**353,231,243**	214,886,062	123,025,663
	₱19,667,684,690	₱16,195,492,108	₱13,044,740,364
Expenses			
Cost of merchandise sales	**₱12,861,596,475**	₱10,661,629,518	₱8,553,239,221
General and administrative expenses:			
Depreciation and amortization	**862,759,509**	709,518,959	527,786,925
Others	**4,653,614,327**	3,810,866,107	3,257,088,253
Interest expense	**16,195,818**	16,247,890	16,596,830
Other expenses	**18,249,864**	13,799,871	14,595,186
	18,412,415,993	15,212,062,345	12,369,306,415
Income before income tax	**1,255,268,697**	983,429,763	675,433,949
Provision for income tax	**381,923,842**	300,802,114	210,257,926

Segment Profit	**₱873,344,855**	₱682,627,649	₱465,176,023
Segment Assets	**₱7,882,305,026**	₱ 6,024,712,972	₱4,571,816,164
Segment Liabilities	**₱ 4,592,768,501**	₱ 3,483,479,852	₱2,662,650,411
Capital Expenditure for the Year	**₱1,653,573,106**	₱1,179,270,533	₱858,674,993

34. Provisions and Contingencies

The Group is a party to various litigations and claims. All cases are in the normal course of business and are not deemed to be considered as material legal proceedings. Further, the cases are either pending in courts or under protest, the outcome of which are not presently determinable. Management and its legal counsel believe that the liability, if any, that may result from the outcome of these litigations and claims will not materially affect their financial position or financial performance.

As at December 31, 2014 and 2013, the Group has provisions amounting to ₱8,718,853 and ₱13,704,073, respectively, and is reported as part of "Others" under "Accounts payable and accrued expenses" account in the consolidated balance sheets (see Note 12).

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

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

36. **Reclassification of Accounts**

The Group made reclassification of certain consolidated balance sheet and consolidated statement of comprehensive income accounts in its 2013 consolidated financial statements to conform with the 2014 consolidated financial statement presentation. The reclassifications have no impact on the 2013 profit or loss as well as the December 31, 2013 equity of the Group. A third statement of financial position as at the beginning of the preceding period is not presented because the reclassifications do not have a material impact on the consolidated balance sheets as at December 31, 2013 and January 1, 2013.

The consolidated balance sheet as at December 31, 2013 was restated to effect the reclassification of due to franchisees amounting to ₱62,939,640 which was previously offset from "Receivables" account to "Other current liabilities" account, and noncurrent portion of due from franchisees amounting to ₱44,763,037 from "Receivables" account to "Goodwill and other noncurrent assets" account. The consolidated statements of comprehensive income for the years ended December 31, 2013 and 2012 were restated to effect the reclassification of the marketing support funds amounting to ₱34,657,908 in 2013 and ₱30,087,947 in 2012 which were previously offset from the "Cost of merchandise sales" account to "Marketing income" account.

Philippine Seven Corporation
Schedule of Receivables

	2014	2013
Franchisees (Note 32)	**₱403,074,403**	₱397,720,727
Suppliers	**159,162,156**	48,657,689
Employees	**17,206,304**	14,936,783
Store operators	**12,048,431**	12,547,006
Rent	**5,363,909**	4,760,464
Due from PhilSeven Foundation, Inc. (PFI) (Note 25)	**3,525,452**	3,118,978
Current portion of lease receivable - net of unearned interest income amounting to ₱5,773 and ₱96,445 as at December 31, 2014 and 2013, respectively (Notes 10 and 26)	**3,742,000**	3,086,114
Notes receivable	**990,917**	1,033,914
Insurance receivable	**1,155,417**	585,057
Others	**2,078,334**	1,358,499
	608,347,323	487,805,231
Less allowance for impairment	**18,960,182**	18,960,182
	₱589,387,141	₱468,845,049

The classes of receivables of the Group are as follows:

- Franchisees - pertains to receivables for the inventory loans obtained by the franchisees at the start of their store operations, cash deposits and deposits still in transit, negative balance on franchisees' holding account and inventory variation noted during monthly store audits.
- Suppliers - pertains to receivables from the Group's suppliers for display allowances, annual volume discount and commission income from different service providers.
- Employees - includes car loans, salary loans and cash shortages from stores which are charged to employees. Interest earned on receivable from employees amounted to₱13,660, ₱17,037 and nil in 2014, 2013 and 2012, respectively (see Note 22).
- Store operators - pertains to the advances given to third party store operators under service agreements (see Note 32).
- Rent - pertains to receivables from sublease agreements with third parties, which are based on an agreed fixed monthly rate or as agreed upon by the parties.
- Lease receivable - pertains to a five-year sale and leaseback finance lease agreement entered by the Company with an armored car service provider (see Note 26).
- Notes receivable - pertains to a receivable from third party borrowers evidenced by a written promise of payment with a five-year term maturing on January 31, 2015.As at December 31, 2014 and 2013, unamortized discount amounted to nil and ₱37,165, respectively. Accretion of interest income amounted to ₱37,165, ₱123,182 and ₱236,517 in 2014, 2013 and 2012, respectively (see Note 22).

Receivables are noninterest-bearing and are generally on 30 to 90 day terms except for loans to employees, lease receivable and notes receivable with annual interest rates of 10.00%, 7.00% and 6.32%, respectively (see Note 26).

ANNEX 2

PHILIPPINE SEVEN CORPORATION
Reconciliation of Retained Earnings
Available for Dividend Declaration
As at December 31, 2014

Unappropriated retained earnings as at December 31, 2013		**₱1,727,282,944**
Less: Deferred income tax assets		62,555,227
Non-actual unrealized income, net of tax		
Accretion of interest income*		8,130,359
Treasury shares		2,923,246
Unappropriated retained earnings, as adjusted, as at December 31, 2013		**1,653,674,112**
Net income during the year closed to retained earnings	849,120,003	
Less: Movement in deferred income tax assets	27,549,289	
Non-actual unrealized income, net of tax		
Accretion of interest income	1,815,370	
Net income actually earned during the year		**819,755,344**
Less: Dividend declarations during the year		137,530,597
Unappropriated retained earnings as at December 31, 2014		**₱2,335,898,859**

**Based on accretion of income per PAS 39 from 2005-2013.*

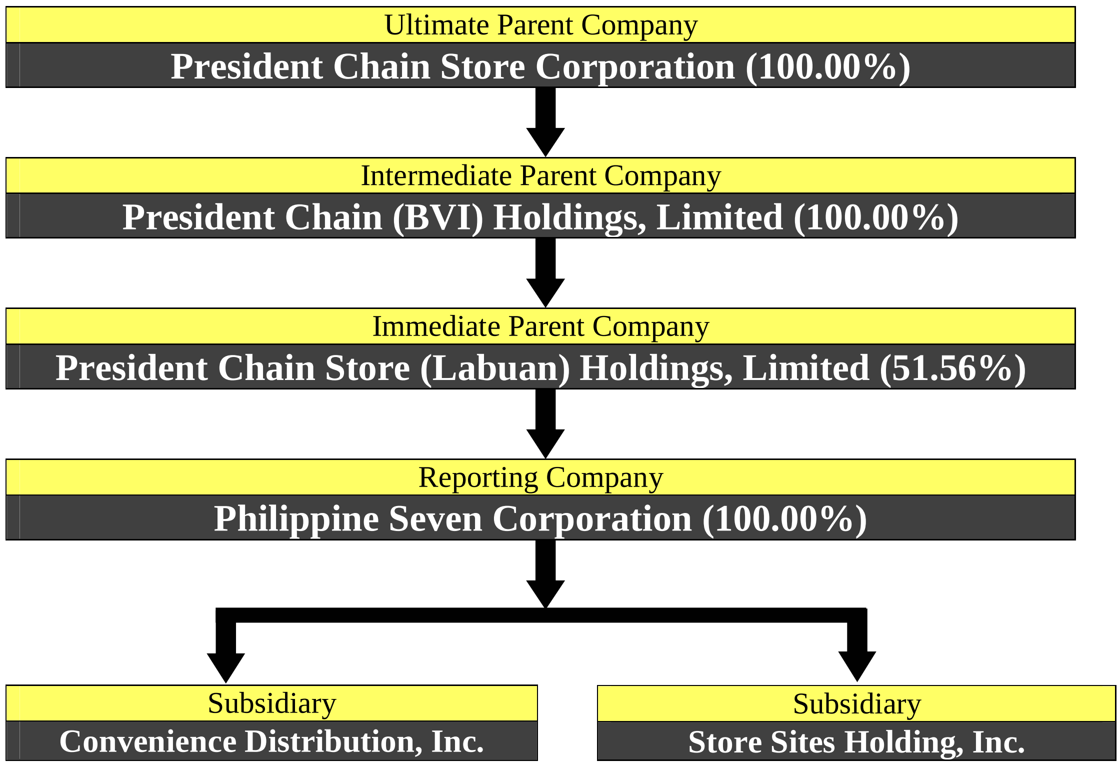
ANNEX 3

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
Financial Soundness Indicators
December 31, 2014

Ratios	Formula	In PhP	2014	2013	% Change
Current Ratio	Current assets / Current liabilities	3,365,447,620 / 4,225,309,167	**0.80**	0.83	-3.61
Debt-to-equity ratio	Total liabilities / Total stockholders' equity	4,592,768,501 / 3,289,536,525	**1.40**	1.37	2.19
Asset-to-equity ratio	Total assets / Total stockholders' equity	7,882,305,026 / 3,289,536,525	**2.40**	2.37	1.27
Interest rate coverage ratio	Earnings before interest and tax / Interest expense	1,271,464,515 / 16,195,818	**78.51**	61.53	27.60
Net income margin	Net income / Revenue	873,344,855 / 19,667,684,690	**4.44%**	4.21%	5.46
Return on equity	Net income / Ave. Total stockholders' equity	873,344,855 / (3,289,536,525+ 2,541,233,120)/2	**29.96%**	30.68%	2.35

ANNEX 4

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
Map of the Relationship of the Companies within the Group
December 31, 2014



ANNEX 5

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
List of Philippine Financial Reporting Standards (PFRSs) and Interpretations Effective as at December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✔		
PFRSs Practice Statement Management Commentary				✔
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✔
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✔
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✔
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✔
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans			✔
	Amendments to PFRS 1: Borrowing Costs			✔
	Amendment to PFRS 1: Meaning of Effective PFRSs			✔
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✔
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
	Amendment to PFRS 2: Definition of Vesting Condition**	Not Early Adopted		
PFRS 3 (Revised)	Business Combinations			✔
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination**	Not Early Adopted		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements**	Not Early Adopted		
PFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔

ANNEX 5

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
	Amendments to PFRS 5: Changes in Methods of Disposals**	Not Early Adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✔		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✔		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✔		
	Amendments to PFRS 7: Disclosures - Servicing Contracts**	Not Early Adopted		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements**	Not Early Adopted		
PFRS 8	Operating Segments	✔		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets**	Not Early Adopted		
PFRS 9	Financial Instruments*	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not early Adopted		
	Amendments to PFRS 9: Hedge accounting and amendments to PFRS 9and PAS 39 (2013 version)**	Not Early Adopted		
	Financial Instruments (2014 or final version)**	Not Early Adopted		
	Financial Instruments (2010 version)*	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✔		
	Amendments to PFRS 10: Investment Entities			✔
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	Not Early Adopted		
PFRS 11	Joint Arrangements			✔
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations**	Not Early Adopted		

ANNEX 5

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✔		
	Amendments to PFRS 12: Investment Entities			✔
PFRS 13	Fair Value Measurement	✔		
	Amendment to PFRS 13: Short-term Receivables and Payables	✔		
	Amendment to PFRS 13: Portfolio Exception**	Not Early Adopted		
PFRS 14	Regulatory Deferral Accounts**	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendment to PAS 1: Capital Disclosures	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✔		
PAS 2	Inventories	✔		
PAS 7	Statement of Cash Flows	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events after the Reporting Period	✔		
PAS 11	Construction Contracts			✔
PAS 12	Income Taxes	✔		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✔		
PAS 16	Property, Plant and Equipment	✔		
	Amendments to PAS 16: Classification of servicing equipment			✔
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation/Amortization**	Not Early Adopted		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization**	Not Early Adopted		
	Amendment to PAS 16 and PAS 41: Bearer Plants**	Not Early Adopted		
PAS 17	Leases	✔		
PAS 18	Revenue	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 19	Employee Benefits	✔		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✔		
PAS 19 (Revised)	Employee Benefits	✔		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution**	Not Early Adopted		
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate**	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✔
PAS 21	The Effects of Changes in Foreign Exchange Rates	✔		
	Amendment: Net Investment in a Foreign Operation			✔
PAS 23 (Revised)	Borrowing Costs	✔		
PAS 24 (Revised)	Related Party Disclosures	✔		
	Amendments to PAS 24: Key Management Personnel**	Not Early Adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✔
PAS 27	Consolidated and Separate Financial Statements	✔		
PAS 27 (Amended)	Separate Financial Statements	✔		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✔
	Amendments to PAS 27: Equity Method in Separate Financial Statements**	Not Early Adopted		
PAS 28	Investments in Associates			✔
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✔
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 31	Interests in Joint Ventures			✔
PAS 32	Financial Instruments: Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendment to PAS 32: Classification of Rights Issues			✔
	Amendments to PAS 32: Tax effect of distribution to holders of equity instruments	✔		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	✔		
PAS 34	Interim Financial Reporting	✔		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	✔		
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'**	Not Early Adopted		
PAS 36	Impairment of Assets	✔		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets	✔		
	Amendments to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation/Amortization**	Not Early Adopted		
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization**	Not Early Adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✔		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✔
	Amendments to PAS 39: The Fair Value Option			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✔
	Amendment to PAS 39: Eligible Hedged Items			✔
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✔
PAS 40	Investment Property			✔
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property**	Not Early Adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		**Adopted**	**Not Adopted**	**Not Applicable**
PAS 41	Agriculture			✔
	Amendment to PAS 16 and PAS 41: Bearer Plants**	Not Early Adopted		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✔		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✔
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✔
IFRIC 8	*Scope of PFRS 2*			✔
IFRIC 9	Reassessment of Embedded Derivatives			✔
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39,*Embedded Derivatives*			✔
IFRIC 10	*Interim Financial Reporting and Impairment*			✔
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programmes	✔		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✔
	Amendments to Philippine Interpretations IFRIC- 14, *Prepayments of a Minimum Funding Requirement*			✔
IFRIC 15	Agreements for the Construction of Real Estate*	Not Early Adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 18	Transfers of Assets from Customers			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies	✔		
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-15	Operating Leases - Incentives	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔

** Standards and interpretations which will become effective subsequent to December 31, 2014*
*** Standards and amendments already approved by the Financial Reporting Standards Council (FRSC) but still for approval by the Board of Accountancy*

Note: Standards and interpretations tagged as “Not Applicable” are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2014.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
Supplementary Schedules Required by Paragraph 6D, Part II
Under SRC Rule 68, As Amended (2011)
December 31, 2014

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received and accrued
Loans and Receivables				
Cash and cash equivalents	N/A	₱1,241,685,743	N/A	₱2,450,337
Short-term investment	N/A	10,884,130	N/A	95,485
Receivables	N/A	589,387,141	N/A	147,270
Deposits	N/A	135,889,947	N/A	3,048,457
Other noncurrent assets	N/A	48,675,044	N/A	–
		₱2,026,522,005		₱5,741,549

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Amounts Written off	Current	Non Current	Balance at end of period
AUDIT - Internal Cont	₱167,961	₱12,953	₱76,489	₱–	₱61,829	₱42,596	₱104,425
AUDIT - Inventory	94,486	7,425	29,841	–	23,713	48,357	72,070
BDD - Common	12,099	510,799	60,883	–	40,528	421,487	462,015
BDD - Const & Design	560,945	210,544	373,998	–	164,247	233,244	397,491
BDD - Fran Mktg & Plng	518,718	526,586	322,060	–	214,097	509,147	723,244
BDD - Site Acqui North	465,757	522,068	386,489	–	106,578	494,758	601,336
BDD - Site Acqui South	612,160	339,527	523,179	–	104,508	324,000	428,508
BDD - Site Acqui Central	–	439,840	119,055	–	172,076	148,709	320,785
FIN - Accounting	237,132	–	193,275	–	31,494	12,363	43,857
FIN - Finl Mngt	296,022	–	296,022	–	–	–	–
FIN - Tax	274,572	–	274,572	–	–	–	–
HRAD - Common	302,419	23,101	124,551	–	102,210	98,759	200,969
HRAD - ESD	205,127	16,999	54,802	–	46,409	120,915	167,324
HRAD - Administrative Services	–	302,250	–	–	62,250	240,000	302,250
HRAD - Labor Rel & Plang	179,753	14,923	47,330	–	26,849	120,497	147,346

(Forward)

Name and Designation of debtor	Balance of Beginningof Period	Additions	Amounts collected	Amounts Written off	Current	Non Current	Balance at end of period
MIS - Bus Systems	₱279,523	₱−	₱279,523	₱−	₱−	₱−	₱−
MIS - IT Support	214,518	16,962	74,730	−	57,768	98,982	156,750
MKTG - Common	172,470	675,254	32,694	−	80,620	734,410	815,030
LCSD - Corp Services	−	105,717	16,607	−	22,278	66,832	89,110
MKTG - Food Cat	650,589	327,477	671,571	−	163,437	143,058	306,495
MKTG - Food Service	584,252	543,564	780,549	−	109,671	237,596	347,267
MKTG - Masterdata	74,238	495,974	103,415	−	71,903	394,894	466,797
MKTG - Non Food Cat	415,679	30,805	164,734	−	72,457	209,293	281,750
MKTG - Support	72,406	2,631	16,610	−	1,330	57,097	58,427
MKTG - Brand Activation	−	186,174	32,694	−	40,227	113,253	153,480
MKTG - Brand Comm	−	186,174	32,694	−	40,227	113,253	153,480
MKTG - Quality Assurance	−	122,591	20,343	−	30,674	71,574	102,248
MKTG - Services & PL	−	161,141	25,428	−	33,928	101,785	135,713
MKTG – Vault	−	396,938	62,794	−	100,243	233,901	334,144
OPS - Central	85,975	191,965	62,781	−	102,525	112,634	215,159
OPS - Common	147,329	8,634	127,482	−	7,497	20,984	28,481
OPS - East	467,303	209,333	114,851	−	256,858	304,927	561,785
OPS - North1	183,726	681,661	508,417	−	36,924	320,046	356,970
OPS - North2	266,549	20,236	161,650	−	59,520	65,615	125,135
OPS - North3	264,461	21,205	93,193	−	34,720	157,753	192,473
OPS - South	463,626	379,296	301,444	−	108,405	433,073	541,478
OPS - South2	287,774	22,093	79,906	−	94,230	135,731	229,961
OPS - Support	114,238	453,679	18,164	−	294,891	254,862	549,753
OPS - West	191,012	314,435	373,955	−	121,488	10,004	131,492
OPS - Zone 1	138,584	156,695	70,048	−	31,522	193,709	225,231
OPS - Zone 2	197,703	283,727	69,022	−	24,158	388,250	412,408
OTP - Corp Planning	192,990	15,220	64,210	−	45,381	98,619	144,000
PRD - Common	278,596	142,328	124,632	−	107,161	189,131	296,292
VR - Visayas Region	549,108	393,058	231,182	−	173,387	537,597	710,984
Various Employees Loan	4,406,812	8,611,525	8,721,213	−	−	4,297,124	4,297,124
TOTAL	₱14,626,612	₱18,083,507	₱16,319,082	₱−	₱3,480,218	₱12,910,819	₱16,391,037

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of Debtor	Balance of Beginning of Period	Additions	Amounts collected	Amounts Written off	Current	Non Current	Balance at end of period
CONVENIENCE DISTRIBUTION, INC.-Subsidiary	₱3,667,288	₱3,262,290	₱–	₱–	₱6,929,578	₱–	₱6,929,578
STORE SITES HOLDINGS,INC. -Subsidiary	376,086	1,172,795	1,035,518	–	513,363	–	513,363

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other Charges additions (deductions)	Ending balance
Software & Program Cost	₱2,886,285	₱1,247,000	₱655,605	₱–	₱–	₱3,477,680
Goodwill	65,567,524	–	–	–	–	65,567,524

Schedule E. Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption " Long Term Debt" in related balance sheet"
NONE	–	–	–

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

	Balance at beginning of period	Balance at end of period
NONE	–	–

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
NONE	–	–	–	–

Schedule H. Capital Stock

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
COMMON STOCK	600,000,000	458,435,323	–	236,376,070	12,954,811	209,104,442

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

June 10, 2015

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
JUN 10 2015
MARKET REGULATION DEPT.

MARKETS AND SECURITIES REGULATION DEPARTMENT
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills,
Mandaluyong City

Attention: **MR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director

Re: **Definitive Copy of the Information Statement**

Dear Director Felizmenio:

We refer to your letter dated May 20, 2015 which we received last May 26, 2015, addressed to the President/CEO, directing the company to amend the Preliminary Information Statement (SEC Form 20-IS), filed last May 20, 2015 in accordance with the checklist provided by the Commission.

We respond to your comments in your checklist as follows:

a) Submission of Certification that none of directors and officers works in government. Attached here as Annex "B", is a copy of the Certification that none of directors and officers of PSC works in government except for Mr. Jose T. Pardo, the Chairman of the Board and Independent Director of PSC, who is the Vice Chairman of EDSA People Power Commission. His appointment is in representation of the private sector and without executive responsibility and compensation.

b) Submission of updated Certificate of Qualifications and Disqualifications of Independent Directors. We have submitted for 2014 said disclosure last August 07, 2014, after our Annual Stockholders' Meeting. For 2015, we attached here as Annex "C-1", Annex "C-2" and Annex "C-3", the copies of the Updated Certificate of Qualifications and Disqualifications of Independent Directors.

c) Submission of 2nd Quarter Report for the period ended June 30, 2015. In compliance with SEC Advisory dated May 06, 2015, we have published in 2 newspaper of general circulation last June 4 and 5, 2015, the notice of the availability of the 2nd Quarter Report at least 5 days before the date of Annual Stockholders' Meeting. Attached here as Annex "D-1" and Annex "D-2", the copies of the Affidavit of Publication from the Manila Standard and the Manila Times.

In view of the above, we submit herewith PSC's reply to your comments/checklist attached as Annex "A", together with the Definitive Copy of Information Statement, incorporating therein the above information and those contained in our reply.

We hope that you will find everything in order and we look forward to receiving your clearance for the release of the copies of the Information Statement the soonest.

Thank you.

Very truly yours,

PHILIPPINE SEVEN CORPORATION
By:

ATTY. EVELYN S. ENRIQUEZ
Corporate Secretary

ANNEX "A"

PHILIPPINE SEVEN CORPORATION			
SEC Form 20-IS Preliminary filed on May 20, 2015			
CHECKLIST OF REQUIREMENTS	**PAGE NO.**	**REMARKS**	**PSC'S RESPONSE**
PART I.			
B. Control and Compensation Information			
ITEM 4. VOTING SECURITIES & PRINCIPAL HOLDERS			
As to each class entitled to vote, state the number of shares outstanding & the number of votes to which each class is entitled	7	Provide cut-off date of Information Statement as to the latest date.	Complied. Updated as of May 31, 2015.
Furnish information required by Part IV paragraph (C) of "Annex C"			
(1) Security Ownership of Certain Record and Beneficial Owners of more than 5%:			
(1) Title of Class (2) Name, address of record owner and relationship with issuer (3) Name of Beneficial Owner and Relationship with Record Owner (4) Citizenship (5) No. of Shares (6) Percent Held	7	Update information as to the latest date.	Complied. Updated as of May 31, 2015.
(2) Security Ownership of Management			
(1) Title of Class (2) Name of Beneficial Owner (3) Amount and Nature of Beneficial Ownership (4) Citizenship (5) Percent	8	Update information as to the latest date.	Complied. Updated as of May 31, 2015.
ITEM 5. DIRECTORS & EXECUTIVE OFFICERS		Submit a certification that none of directors and officers work in government and if there is, submit a letter consent from the head of agency.	Complied. Attached is a copy of the Certification that none of directors and officers of PSC works in government except for Mr. Jose T. Pardo, the Chairman of the Board and Independent Director of PSC, who is the Vice Chairman of EDSA People Power Commission. His appointment is in representation of the private sector and without executive responsibility and compensation.
Information required by Part IV paragraphs (A), (D)(1) and (D)(3) of "Annex C"			
(A)(1) Identify Directors, including Independent Directors and Executive Officers		(1) Submit updated Certification on the Qualifications and Disqualifications of Independent Directors	(1)Complied. Attached are copies of the Updated Certificate of Qualifications and Disqualifications of Independent Directors.

		(2) The company is reminded of SEC Memorandum Circular No. 9 Series of 2011 re: Term Limits for Independent Directors.	(2)We take note of SEC Memorandum Circular No. 9, Series of 2011 re: Term Limits for Independent Directors. It requires that effective January 02, 2012, an ID shall serve for 5 years to be counted from Jan. 02, 2012 and shall have a cooling period of 2 years to be re-elected for another 5 years (5-2-5 term). **As of May 31, 2015, the 2 independent directors of PSC each has a tenure of 3 years and 5 months from Jan. 02, 2012 and 1 independent director of PSC has a tenure of 5 months from his election last Jan. 20, 2015.** This has been disclosed already to SEC/PSE using SEC Form 17-C.
PART III. MANAGEMENT REPORT			
Management's Discussion and Analysis (MD&A) or Plan of Operation (Required by Part III(A) of "Annex C")			
(b) Interim Periods: Comparable Discussion to assess material changes (last fiscal year and comparable interim period in the preceding year). ***Disclose the required information under subparagraph (2)(a)(i) to (viii) above.***		Submit 2nd Quarter Report for the period ended June 30, 2015.	Complied. In compliance with SEC Advisory dated May 06, 2015, we have published in 2 newspaper of general circulation last June 4 and 5, 2015, the notice of the availability of the 2nd Quarter Report at least 5 days before the date of Annual Stockholders' Meeting. Attached are copies of the Affidavit of Publication from the Manila Standard and the Manila Times.
Market Price of and Dividends required by Part V of Annex C			
(1) Market Information			
(b) If the information called for by paragraph (A) of this Part is being presented, the document shall also ***include the price information as of the latest practicable trading date***, and in the case of securities to be issued in connection with an acquisition, business combination or other reorganization, as of the trading date immediately prior to the public announcement of such transaction.	34	Incomplete. Comply with the highlighted portion.	Complied. Provided price information as of June 08, 2015.
(2) Holders			
(a)(i) Approximate Number of Holders of Each Class of Common Security as of the latest practicable date but in no event more than 90 days prior to filing of report.	35	Update information as to the latest date	Complied. Updated as of May 31, 2015.
(ii) Names of the Top Twenty (20) Shareholders of each class	35	Update information as to the latest date	Complied. Updated as of May 31, 2015.

ANNEX "B"

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

CERTIFICATION

I, **EVELYN S. ENRIQUEZ**, of legal age, and with office address at the 7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City, being 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, do hereby certify that no director or officer of the Corporation is connected with any government agency or instrumentality, except for Mr. Jose T. Pardo, the Chairman of the Board and Independent Director of PSC, who is the Vice Chairman of EDSA People Power Commission. His appointment is in representation of the private sector and without executive responsibility and compensation.

JUN 10 2015

IN WITNESS WHEREOF, I have hereunto set my hand this __ day of ____________, 2015 at the City of Mandaluyong, Philippines.

EVELYN S. ENRIQUEZ
Corporate Secretary

SUBSCRIBED AND SWORN, to before me this _____ day of JUN 10 2015 2015, at City of Mandaluyong, Philippines, affiant exhibited to me her SSS ID No. 0372848505. QUEZON CITY

Doc. No. 90;
Page No. 18;
Book No. LXVII;
SERIES OF 2015.

ATTY. RAMON L. CARPIO
NOTARY PUBLIC
Np-89 (2015-2016) Commission Expires Dec. 31, 2016
Roll of Attorneys No. 22172
IBP OR 978729, 12/12/14, Pasig City
PTR No. 0350443, 1/6/15, Pasig City
TIN 106-918-897
MCLE IV-Compliance No. 000630, 6/19/13
Rm. 326 Doña Consolacion Bldg. Cubao, Quezon City

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

CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

I, **MICHAEL B. ZALAMEA**, Filipino of legal age and a resident of 18 Asteroid Street Bel Air Village IV Makati City, after being duly sworn in accordance with law do hereby declare that:

1. I am an independent director of Philippine Seven Corporation ("PSC" or the "Corporation")

2. I am affiliated with the following companies or organizations:

Company / Organization	Position / Relationship	Period of Service
Clark Pipeline & Depot Co., Inc.	Director	Apr 2004-present
Wespac Holdings, Inc.	Director	Apr 2004-present
The Straits Wine Co., Inc.	Director	Sep 2009-present
The Beacon Academy	Trustee	Apr 2012- present
Campden Hill Advisors, Inc.	Director	2014

3. To the best of my knowledge and belief, I possess all the qualifications and none of the disqualifications to serve as an Independent Director of PSC, as provided for in Section 38 of the Securities Regulations Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulations Code.

5. I shall inform the Corporate Secretary of the PSC of any changes in the above-mentioned within five (5) days from its occurrence.

JUN 10 2015

Done this _______ day of ____________ 2015, at QUEZON CITY, Philippines.

Affiant

JUN 10 2015

SUBSCRIBED AND SWORN to before me this _______ day of __________ 2015 at QUEZON CITY Philippines, affiant exhibiting to me his Tax Identification Number 203-012-683.

ATTY. RAMON L. CARPIO
NOTARY PUBLIC
NOTARY PUBLIC
Np-89 (2015-2016) Commission Expires Dec. 31, 2016
Roll of Attorneys No. 22172
IBP OR 978729, 12/12/14, Pasig City
PTR No. 0350443, 1/6/15, Pasig City
TIN 106-918-897
MCLE IV-Compliance No. 000630, 6/19/13
Rm. 326 Doña Consolacion Bldg. Cubao, Quezon City

Doc. No. 91;
Page No. 19;
Book No. LXI;
Series of 2015.

ANNEX "C-2"

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

CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

I, **ANTONIO JOSE U. PERIQUET, JR.**, Filipino of legal age and a resident of 27 Banaba Rd., Forbes Park, Makati City, after being duly sworn in accordance with law do hereby declare that:

1. I am an independent director of Philippine Seven Corporation ("PSC" or the "Corporation")

2. I am affiliated with the following companies or organizations:

Company / Organization	Position / Relationship	Period of Service
Campden Hill Group, Inc.	Chairman	2012- present
Pacific Main Holdings, Inc.	Chairman	1999- present
Campden Hill Advisors, Inc.(formerly Regis Financial Advisers, Inc.)	Chairman	2012- present
ABS CBN Holdings, Inc.	Independent Director	2012- present
ABS-CBN Corporation	Independent Director	2013- present
Ayala Corporation	Independent Director	2010- present
Bank of the Philippine Islands	Independent Director	2012- present
BPI Capital Corporation	Independent Director	2010- present
BPI Family Savings Bank, Inc.	Independent Director	2012- present
DMCI Holdings, Inc.	Independent Director	2010- present
Pancake House Group, Inc.	Independent Director	2014- present
The Straits Wine Company, Inc.	Director	2010- present
Lyceum of the Philippines University	Trustee	2010- present

3. To the best of my knowledge and belief, I possess all the qualifications and none of the disqualifications to serve as an Independent Director of PSC, as provided for in Section 38 of the Securities Regulations Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulations Code.

5. I shall inform the Corporate Secretary of the PSC of any changes in the above-mentioned within five (5) days from its occurrence.

Done this _______ day of JUN 1 0 2015 2015, at QUEZON CITY, Philippines.

Affiant

SUBSCRIBED AND SWORN to before me this _______ day of JUN 1 0 2015 2015 at QUEZON CITY Philippines, affiant exhibiting to me his Tax Identification Number 203-006-677.

ATTY. RAMON L. CARPIO
NOTARY PUBLIC
Np-89 (2015-2016) Commission Expires Dec. 31, 2016
NOTARY PUBLIC
Roll of Attorneys No. 22172
IBP OR 978729, 12/12/14, Pasig City
PTR No. 0350443, 1/6/15, Pasig City
TIN 106-918-897
MCLE IV-Compliance No. 000630, 6/19/13
Rm. 326 Doña Consolacion Bldg. Cubao, Quezon City

Doc. No. 93;
Page No. 19;
Book No. CXXII;
Series of 2015.

ANNEX "C-3"

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

CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

I, **JOSE T. PARDO**, Filipino of legal age and a resident of 704 Acacia St. Ayala Alabang, Muntinlupa City after being duly sworn in accordance with law do hereby declare that:

1. I am an Independent Director and Chairman of the Board of Philippine Seven Corporation ("PSC" or the "Corporation")
2. I am affiliated with the following companies or organizations:

Company / Organization	Position / Relationship	Period of Service
Philippine Stock Exchange	Chairman & Independent Director	2011 to present
Philippine Savings Bank	Chairman & Independent Director	2012 to present
Securities Clearing Corporation of the Philippines	Chairman & Independent Director	2011 to present
Bank of Commerce	Chairman & Independent Director	2011 to present
De La Salle University, Inc.	Chairman	2010 to present
ECOP Councils of Business Leaders	Chairman	2008 to present
PCCI Council of Business Leaders	Chairman	2007 to present
Philippine Business Center, Inc.	Chairman	2011 to present
Foundation for Crime Prevention	Chairman	2007 to present
Assumption Antipolo	Chairman	2006 to present
De La Salle Philippines	Co Chairman	2014 to present
National Grid Corporation of the Philippines	Director	2006 to present
JG Summit Holdings, Inc.	Independent Director	2003 to present
ZNN Radio Veritas	Director	2006 to present
EDSA People Power Commission, Office of the President	Vice- Chairman	2011 to present

3. To the best of my knowledge and belief, I possess all the qualifications and none of the disqualifications to serve as an Independent Director of PSC, as provided for in Section 38 of the Securities Regulations Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulations Code.
5. I shall inform the Corporate Secretary of the PSC of any changes in the above-mentioned within five (5) days from its occurrence.

Done this _______ day of JUN 1 0 2015 2015 at QUEZON CITY Philippines.

Affiant

SUBSCRIBED AND SWORN to before me this JUN 1 0 2015 day of ________ 2015 at QUEZON CITY Philippines, affiant exhibiting to me his Tax Identification Number 116-203-611.

ATTY. RAMON L. CARPIO
NOTARY PUBLIC
Until Dec. 31, 2016 (2015-2016 Commission)
Roll of Attorneys No. 22172
IBP OR 978729, 12/12/14, Pasig City
PTR 0350443, 1/6/15, Pasig City
TIN 106-918-897
MCLE IV-Compliance No. 000630, 6/19/13
Rm. 326 Doña Consolacion Bldg., Cubao, Quezon City

NOTARY PUBLIC

Doc. No. 92;
Page No. 19;
Book No. LXVII;
Series of 2015.

ANNEX "D-1"

The Standard

DEFINING THE NEWS

PHILIPPINE MANILA STANDARD PUBLISHING, INC.

AFFIDAVIT OF PUBLICATION

The Authorized Signatory with office address at 2nd Floor PJI Bldg, Railroad St. Corner 20th Sts., Port Area, Manila.

I, the undersigned Chief Accountant of a weekly/daily newspaper published, edited and printed in Metro Manila, with editorial and business offices at 2nd Floor PJI Bldg, Railroad St. Corner 20th Sts., Port Area, Manila.

The **The Standard** is a newspaper of general circulations, distributed nationwide and as much, is qualified to published all kinds of judicial notices of auction sale,

That the attached
PHILIPPINE SEVEN CORPORATION

RE: ATTENTION

was published by the **The Standard** in its issue/s of

June 4, 2015

in witness whereof, I signed this affidavit in Port Area, Manila, Philippines, this 4TH day of JUNE, 2015

MARIO R. POLICARPIO JR.
Authorized Signatory

SUBSCRIBED AND SWORN to before me this 4TH day of JUNE, 2015 in Manila, Philippines, affinity exhibiting to me his/her Residence Certificate No. 305846 issued at Manila on January 10, 2015.

Doc. No. 42
Page No. 9
Book No. 4
Series of 2015

ATTY. [illegible] CARREDO

ATTENTION: STOCKHOLDERS OF PHILIPPINE SEVEN CORPORATION (PSC)

This is to inform everyone that the PSC's 2nd Quarter Interim Unaudited Financial Statement with Management Discussion and Analysis (2nd Quarter Report) shall be available in the company website www.7-eleven.com.ph at least 5 calendar days before the Annual Stockholders' Meeting scheduled on July 30, 2015. Upon request, a hard copy of the 2nd Quarter Report shall be provided free of charge as soon as available but not later than at least 5 days before July 30, 2015.

All request may be sent to:
Mr. LAWRENCE M. DE LEON
Head
Finance & Accounting Services
Philippine Seven Corporation
7th Floor, The Columbia Tower,
Ortigas Avenue, Mandaluyong City, 1550
Email Address:
investor-relations@7-eleven.com.ph
psc-corp@7-eleven.com.ph

(TS-JUNE 4, 2015)

ANNEX "D-2"

The Manila Times

www.manilatimes.net

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

AFFIDAVIT OF PUBLICATION

I, **Evelyn S. Arevalo**, of legal age, married, Filipino and a resident of Sampaguita Compound Calsadang Bago Imus Cavite in the Philippines, after having been duly sworn according to law, do hereby depose and state:

That I am the Accounting Supervisor of **The Manila Times**, a newspaper which is published in English, Edited and Printed in Metro Manila, and circulated nationwide daily from Monday to Sunday with postal address at 2/F Sitio Grande, 409 A. Soriano Avenue, Intramuros, Manila

That the attached **ATTENTION: STOCKHOLDERS OF PHILIPPINE SEVEN CORPORATION (PSC)**

ATTENTION: STOCKHOLDERS OF PHILIPPINE SEVEN CORPORATION (PSC)

This is to inform everyone that the PSC's 2nd Quarter Interim Unaudited Financial Statement with Management Discussion and Analysis (2nd Quarter Report) shall be available in the company website www.7-eleven.com.ph at least 5 calendar days before the Annual Stockholders' Meeting scheduled on July 30, 2015. Upon request, a hard copy of the 2nd Quarter Report shall be provided free of charge as soon as available but not later than at least 5 days before July 30, 2015.

All request may be sent to:
MR. LAWRENCE M. DE LEON
Head
Finance & Accounting Services
Philippine Seven Corporation
7th Floor, The Columbia Tower,
Ortigas Avenue, Mandaluyong City, 1550
Email Address:
investor-relations@7-eleven.com.ph
psc-corp@7-eleven.com.ph

MT - June 5, 2015

was published in **The Manila Times** newspaper in its issue/s of **JUNE 05, 2015**

In witness whereof, I signed this Affidavit in Manila, Philippines, this ________day of JUN 0 5 2015

EVELYN S. AREVALO
Affiant

Subscribe and sworn to before me this JUN 0 5 2015 day of ________, 2015 in MANILA, Philippines, affiant exhibiting to me her **Driver's License No. N03-00-292351** issued at Imus Cavite on November 16, 2012 And **SSS ID No. 03-918-996-16**

Doc. No. ________
Page No ________
Book No. ________
Series of 2015

ATTY. EDUARDO A. SALINAS
NOTARY PUBLIC
UNTIL DECEMBER 31, 2015
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